MINNESOTA HOUSING

MEETINGS SCHEDULED FOR MAY

Date: 05/22/25, 1 p.m.

HYBRID OPTION AVAILABLE:

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

Conference Call: Toll Free: 1.877.309.2071 Access Code: 912-684-162

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, May 22, 2025.

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

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

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MINNESOTA HOUSING

Agenda: Minnesota Housing Board Meeting

Date: 04/24/2025, 1 p.m.

Our Mission and Vision

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

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

1. Call to Order

2. Roll Call

3. Agenda Review

4. Approval of Minutes

a. (page 5) Regular meeting of April 24, 2025

5. Reports

- Chair
- Commissioner
- Committee

6. Consent Agenda

A. (page 11) Commitment, Rental Rehabilitation Deferred Loan (RRDL) Program, Poplar Ridge Apartments, D1792, Norwood Young America

7. Action Items

A. (page 19) Approval, 2025 Local Housing Trust Fund Grants Program Request for Proposals (RFP) Selections
B. (page 63) Approval, Housing Challenge Funds for Schools Request for Proposals (RFP) Selections
C. (page 79) Approval, Selection and Commitment, Housing Trust Fund (HTF) Rental Assistance Programs Request for Proposals (RFP) Selections
D. (page 91) Approval, Property Owner Risk Mitigation Fund Program Guide
E. (page 119) Approval, 2024 Multifamily Consolidated Request for Proposals (RFP) Advancing Selection, Amortizing and Deferred Loans
F. (page 131) Approval, Selection and Commitment, 2025 Housing Tax Credit (HTC) Program - Round 2
G. (page 143) Approval, Modification, Housing Infrastructure Bond Loan (HIB), Passage Community, D0822, Minneapolis
H. (page 161) Approval, Commitment Low and Moderate Income Rental (LMIR) Loan, Enclave Overlook, D8577, Rockford
I. (page 187) Approval, Housing Tax Credit Compliance Guide, HOME/ NHTF Compliance Guide
J. (page 387) Approval, Modifications to Multifamily Grant Board Delegations

8. Discussion Items

A. (page 403) 2025 State Legislative Session Recap

9. Information Items

A. (page 405) Chief Risk Officer Report
B. (page 409) Second Quarter 2025 Progress Report: 2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan
C. (page 417) Post Sale Report, Residential Housing Finance Bonds, Series 2025 CDE

10. Other Business

None.

11. Adjournment

None.

MINNESOTA HOUSING

Draft Meeting Minutes: Minnesota Housing Board Meeting

Date: Thursday, April 24, 2025, at 1 p.m.

1. Call Attendance

Chair DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance Agency at 1:03 p.m.

2. Roll Call

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

Minnesota Housing staff present via hybrid: Arin Adebayo, Tal Anderson, Tom Anderson, Ryan Baumtrog, Jennifer Bergman, Susan Bergmann, Judd Berthiaume, Scott Beutel, Laura Bolstad Grafstrom, Stacie Brooks, Cassandra Busch, Ji-Young Choi, Alexander Curwick, Matt Dieveney, Diane Elias, Peter Elwell, Jennifer Finnesgard, Sarah Foley, Jessica Fowler, Rachel Franco, Emily Fulton-Foley, Sara Gomoll, Vanessa Haight, Jody Hanson, Amanda Hedlund, Anne Heitlinger, Darryl Henchen, Kang Her, Hattie Hiler, Adam Himmel, Jennifer Ho, Jon Holmseth, Shawn James, Will Jensen-Kowski, Hannah Jirak, Karen Johnson, Erin Karkula-Peterson, Tiffany Kibwota, Margaret King, Joshua Kirk, Dan Kitzberger, Laurie Krivitz, Sue Ladehoff, Janine Langsjoen, Debbi Larson, Ger Lee, James Lehnhoff, Ed LeTourneau, Sarah Matala, Dylan Mato, Eric Mattson, Jillian Mazullo, Don McCabe, David McGee, Colleen Meier, Amy Melmer, Benjamin Miles, Ellie Miller, Rudi Mohamed, Jon Moler, Jennifer Nelson, Michael Nguyen, Andrew Orth, John Patterson, Kirby Pitman, Caryn Polito, Melissa Pugh, Rinal Ray, Annie Reierson, Cassie Reissmann-Doring, Brittany Rice, Cheryl Rivinius, Lael Robertson, Rachel Robinson, Danielle Salus, Joel Salzer, Kayla Schuchman, Lauren Stelter, Corey Strong, Jodell Swenson, Tonya Taylor, Katherine Teiken, Susan Thompson, Mike Thone, Monica Tucker, Nancy Urbanski, Kayla Vang, Teresa Vaplon, Heidi Welch, Amanda Welliver, Alyssa Wetzel-Moore, Bev Wilharm, Lakisha Whitson, Carole Wohlk, and Kristy Zack.

Others present via hybrid: Ramona Advani, Office of the Legislative Auditor.

3. Agenda Review

None.

4. Approval

A. Regular Meeting Minutes of March 27, 2025

Motion: Stephanie Klinzing moved to approve the March 27, 2025, Regular Meeting Minutes. Seconded by Eric Cooperstein. Roll call was taken. Motion carries 6-0. All were in favor.

5. Reports

Chair

Chair DeCramer thanked staff for all of their work that went into the Annual Finance meeting that took place earlier this month.

Commissioner

Commissioner Ho shared the following with the board:

- Welcome new employees
- Meetings
- Program Updates

Committee

The finance and audit committee met earlier today to discuss the FY25 Audit.

6. Consent Agenda

A. Modification of Loan Term, Low and Moderate Income Rental (LMIR) Loan and Bridge Loan (BL) – Trailside Apartments (fka Mayowood Senior II), D8520, Rochester

Motion: Terri Thao moved the Consent Agenda Item. Seconded by Chief Benjamin. Roll call was taken. Motion carries 6-0. All were in favor.

7. Action Items

A. Approval, Single Family Rehab Program Revisions to Emergency and Accessibility Loan Program (ELP) and Rehabilitation Loan Program Manuals

Shawn James presented to the board a request for board approval to permanently increase the ELP maximum loan amount from $15,000 to $27,000, which was approved by the board on a temporary basis in 2020, and requests approval to make minor changes to the ELP manual for consistency and clarification purposes. In addition, staff requests board approval to make minor changes to the Rehabilitation Loan Program manual for consistency and clarification purposes. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Stephanie Klinzing moved Approval, Single Family Rehab Program Revisions to Emergency and Accessibility Loan Program and Rehabilitation Loan Program Manuals. Seconded by Eric Cooperstein. Roll call was taken. Motion carries 6-0. All were in favor.

B. Approval, Selection and Commitment, Bridges and Bridges Regional Treatment Center Rental Assistance Programs Funds

Ellie Miller presented to the board a request for adoption of a resolution authorizing $13,588,530 of Bridges and Bridges Regional Treatment Center program funds. These funds will allow the Agency to execute 19 Grant Contract Agreements with 16 administrators from July 1, 2025, through June 30, 2027, to serve an estimated 648 households each month. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Eric Cooperstein moved Approval, Selection and Commitment, Bridges and Bridges Regional Treatment Center Rental Assistance Programs Funds. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 6-0. All were in favor.

C. Funding Modification, Bridges Rental Assistance Grant, Lakes and Pines Community Action Council, Inc.

Ellie Miller presented to the board a request for approval to amend the Lakes and Pines Community Action Council, Inc. Bridges rental assistance grant agreement. Ellie noted that the board report had an error and the original grant amount to Lakes and Pines Community Action Council, Inc. was changed from $193,843 to $192,306 changing the grant amendment to total from $218,843 to $217,306. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Terri Thao Funding Modification, Bridges Rental Assistance Grant, Lakes and Pines Community Action Council, Inc. Seconded by Chief Benjamin. Roll call was taken. Motion carries 6-0. All were in favor.

D. Approval, Additional Funding and Extension, Regional Planning Grant to Prevent and End Homelessness

Ji-Yong Choi presented to the board a request for adoption of a resolution authorizing a grant term extension and funding modification for the existing seven Regional Planning Grant contracts. This action will allow the Agency to support the planning capacity of Greater Minnesota's six Continuums of Care and the Minnesota Tribal Collaborative to prevent and end homelessness in their collaboration with state agencies. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Eric Cooperstein moved Approval, Additional Funding and Extension, Regional Planning Grant to Prevent and End Homelessness. Seconded by Auditor Blaha. Roll call was taken. Motion carries 6-0. All were in favor.

E. Funding Modification, Housing Infrastructure Loan (HI) and Forgiveness, Minnesota Families Affordable Rental Investment Fund (MARIF), Housing Trust Fund (HTF), and Affordable Rental Investment Fund Program (ARIF) – Jackson Street Village, D2939, Saint Paul

Sarah Foley presented to the board a request for adoption of the following resolutions: Increasing the HI loan from $5,840,000 to a maximum of $6,205,000; and Authorizing forgiveness of principal and interest of three existing loans as follows: 1) Minnesota Families Affordable Rental Investment Fund loan in the amount of $1,630,641; and 2) Housing Trust Fund loan in the amount of $265,010 and approximately $59,878 in accrued interest; and 3) Affordable Rental Investment Fund Program loan in the amount of $236,985 and approximately $53,545 in accrued interest. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Stephanie Klinzing moved Funding Modification, Housing Infrastructure Loan and Forgiveness, Minnesota Families Affordable Rental Investment Fund, Housing Trust Fund, and Affordable Rental Investment Fund Program-Jackson Street Village, D2939, Saint Paul. Seconded by Eric Cooperstein. Roll call was taken. Motion carries 6-0. All were in favor.

F. Approval, Community Stabilization: Distressed Multifamily Rental Building Program Guide

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

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

G. Funding Modification, Rental Rehabilitation Deferred Loan (RRDL) – Upsala Swanville Apartments, D8638, Upsala and Swanville

Susan Bergmann presented to the board a request for the adoption of a resolution modifying the loan under the RRDL program, from $493,000 to a maximum of $697,000. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Stephanie Klinzing moved Funding Modification, Rental Rehabilitation Deferred Loan – Upsala Swanville Apartments, D8638, Upsala and Swanville. Seconded by Eric Cooperstein. Roll call was taken. Motion carries 6-0. All were in favor.

8. Discussion Items

A. Key housing issues and trends and the 2026-2027 Affordable Housing Plan

John Patterson provided the board an update on key housing issues and trends.

9. Information Items

A. 2024 Conflict of Interest Disclosure Report
B. Risk Management and Internal Control Framework
C. Post Sale Report, Residential Housing Finance Bonds, Series 2025 AB
D. Update FY 2024 Corrective Action Plans-Audit Findings

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 2:58 p.m.

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John DeCramer, Chair

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MINNESOTA HOUSING

Item: Commitment, Rental Rehabilitation Deferred Loan (RRDL) Program, Poplar Ridge Apartments, D1792, Norwood Young America

Consent Item: 6.A
Date: 05/22/2025
Staff Contacts: Janine Langsjoen, 651.296.6354, Janine.langsjoen@state.mn.us
Request Type: Approval, Resolution

Request Summary

At the September 28, 2023, meeting, Poplar Ridge was selected with conditions by the Minnesota Housing board for up to $479,000 in Rental Rehabilitation Deferred Loan (RRDL) funds per Resolution No. MHFA 23-052.

Agency staff recommends adoption of a resolution authorizing commitment of the RRDL funding award to Poplar Ridge as they have succeeded in meeting the conditions set at the time of selection.

Fiscal Impact

RRDL loans are funded with state appropriations and earn no interest for the Agency.

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 No. MHFA 23-052
- Resolution

Background

Poplar Ridge is a 24-unit community consisting of two one-bedroom and 14 two-bedroom apartments along with eight three-bedroom townhomes located in Norwood Young America. Built in 1989, these apartments are designated as family housing. Twelve units receive United States Department of Agrictuture Rural Development (RD) rental assistance. The property is owned by Y. America Limited Partnership (owner) and managed by Hornig Companies, Inc.

On September 28, 2023, the Minnesota Housing board selected Poplar Ridge for an RRDL loan with contingencies per Resolution No. MHFA 23-052 (attached). The contingency for Poplar Ridge was as follows:

- A civil engineer must be hired to analyze the issue with groundwater and provide a clear cost estimate to rectify.

The projects that were selected with contingencies in the 2023 RRDL RD Request for Proposal projects were required to receive approval by the Agency's Mortgage Credit Committee and then the board.

The owner of Poplar Ridge applied for RRDL funds to help remediate a groundwater issue that threatened to encroach on the grounds and, in particular, the townhome units. The contingency was required to help ensure that the proposed scope of work adequately resolved the groundwater issue.

The condition has been satisfied. A civil engineering firm, Civil Site Group, was hired by the owner to analyze the scope of the groundwater issue and provided an assessment report. The city of Norwood Young America has provided a downstream route that is free of obstructions providing adequate capacity for stormwater events. The assessment report also outlines the scope the owner of Poplar Ridge will need to perform to help ensure structural integrity. Tasks include regrading portions of the site and repairing erosion and deteriorated landscaping.

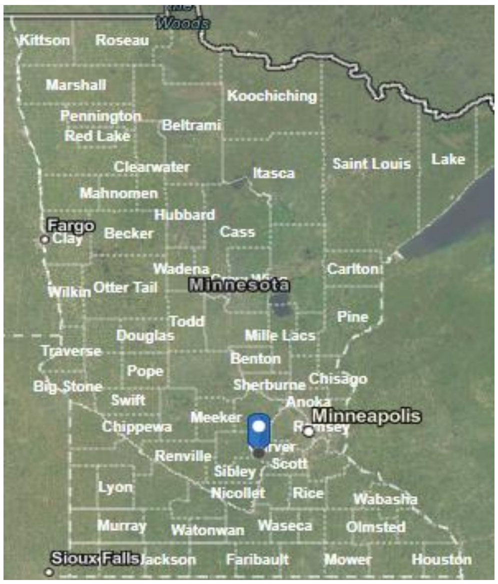
Minnesota Housing received cost estimates for the proposed work that have been reviewed by the assigned Agency architect and are anticipated to be within the budget for this scope of work.

Maps and Pictures

The following maps show the location of Poplar Ridge within the state and within the town of Norwood Young America, in Carver County.

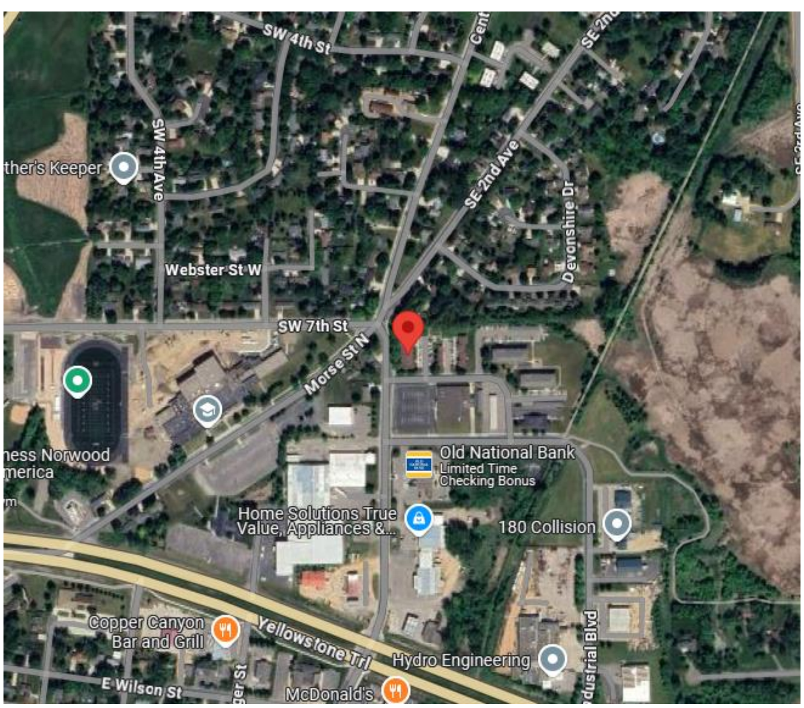
Map 1

Shows the development is located southwest of the Twin Cities metro area.



Map 2

Shows the development is located a few blocks from Norwood Young America's downtown area.



Photo

Poplar Ridge

Photo

Poplar Ridge Grounds

Agenda Item:7.B
Resolution

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

RESOLUTION NO. MHFA 23-052

RESOLUTION APPROVING SELECTION OF DEVELOPMENTS FOR FURTHER PROCESSNG RENTAL REHABILITATION DEFERRED LOAN (RRDL) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency {Agency) has received state appropriations to support the RRDL program: and

WHEREAS, the Agency has received applications to provide RRDL program funds for multifamily rental housing developments serving households of low and moderate incomes; and

WHEREAS, Agency staff has reviewed the applications and determined that three applications are eligible under the guidelines and thresholds of the RRDL program but require further processing to resolve various underwriting concerns.

WHEREAS, projects requiring further processing will resolve noted conditions within 18 months of the adoption of this Resolution, unless extended by Minnesota Housing.

NOW THEREFORE, BE IT RESOLVED:

1. The Minnesota Housing Board hereby authorizes Agency staff to issue selection only letters, with contingencies, to provide RRDL program funds funded by state appropriations to the applicants for the following three developments:

0#	Development	City	County	Units	Recommended Amount
8640	Eastside Acres	Chokio	Stevens	14	$ 478,000
1792	Poplar Ridge	Norwood Young America	Carver	24	$ 479,000
4103	Westbrook Apartments	Westbrook	Cottonwood	24	$ 699,000
TOTAL	**3**			**62**	$ **1,656,000**

2. The projects listed above must correct the following conditions before RRDL funding is committed:

Eastside Acres

- Minnesota Housing will evaluate the vacancy issue over six to 12 months and will not commit an RRDL loan to the property until the property has reached more stabilized occupancy.

Poplar Ridge

- A civil engineer must be hired to analyze an issue with groundwater and provide a clear cost estimate to rectify.
- Minnesota Housing will not commit funding until the full extent of the groundwater issue is determined and the cost estimate to rectify has been presented and approved by Minnesota Housing, approval of which is at Minnesota Housing's sole discretion.

Westbrook Apartments

- Minnesota Housing will evaluate the vacancy issue over six to 12 months and will not commit an RRDL loan to the property until the property has reached more stabilized occupancy.

3. Upon Agency staff's satisfactory resolution, determined at its sole discretion, of a project's underwriting, along with approval by the Agency's Mortgage Credit Committee, a project may be presented to the Board for funding commitment approval.

Adopted this 28th day of September 2023

CHAIRMAN

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

RESOLUTION NO. MHFA 25-XXX

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
RENTAL REHABILITATION DEFERRED LOAN (RRDL)

WHEREAS, at its September 28, 2023 meeting, the Minnesota Housing Finance Agency Board (Board) previously authorized a selection for the development Poplar Ridge with conditions in its Resolution No. MHFA 23-052; and

WHEREAS, at its April 30, 2025 meeting, the Mortgage Credit Committee found that the contingency requirements have been satisfied and approved recommending the commitment of the funding; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes the staff to commit the following for the indicated development, subject to any revisions noted:

1. The Rental Rehabilitation Deferred Loan (RRDL) shall not exceed $479,000; and

2. Conditions of lending:

    a. The amount of each loan shall not exceed $700,000 or $50,000 per unit; and

    b. The interest rate of each loan shall be 0%; and

    c. The term of each loan shall be determined by Agency staff and not exceed 30 years: and

    d. The issuance of a loan commitment in form and substance acceptable to Agency staff and the closing of said loans shall occur no later than 20 months from the adoption date of this Resolution; but if a development elects the End Loan Commitment, the End Loan Commitment shall occur no later than 20 months from the adoption date of this Resolution, and construction shall occur no later than 20 months from the adoption of this Resolution, and construction of the development shall be completed within 18 months of the date of the End Loan Commitment; and

e. Any funds not used by the end of this period shall be determined to be unneeded and ineligible for disbursement; and

f. The mortgagor shall agree with the terms set forth in Minnesota Housing's RRDL Program Guide; and

g. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and

h. These loan commitments, and any future commitments, are subject to the availability of state appropriations; and

i. The morgagors and such other parties, as Agency staff in their sole discretion deems necessary, shall execute all such documents relating to said loans; and

j. The commitment is subject to final underwriting approval and such conditions as Agency staff may impose pursuant to the underwriting process; and

k. The Commissioner is authorized to approve non-material changes to the selected developments.

Adopted this 22nd day of May 2025

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CHAIR

MINNESOTA HOUSING

Item: Approval, 2025 Local Housing Trust Fund Grants Program Request for Proposals (RFP) Selections

Action Item: 7.A
Date: 05/22/2025
Staff Contacts: Colleen Meier, 651.296.9811, colleen.meier@state.mn.us
Annie Reierson, 651.296.3495, annie.reierson@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests board approval of the 2025 Local Housing Trust Fund Grants program Request for Proposals and Selections Team recommendations.

Fiscal Impact

The Local Housing Trust Fund Grants program is funded by state appropriations, with individual awards structured as grants that do not earn interest for the Agency. The Agency will retain up to 10% for administrative costs related to this competitively awarded grant program.

Agency Priorities

☐ Improve the Housing System

☒ Preserve and Create Housing Opportunities

☐ Make Homeownership More Accessible

☒ Support People Needing Services

☒ Strengthen Communities

Attachments

- Background & Funding Recommendations
- Map of Local Housing Trust Fund Program Proposals
- Proposal Summaries
- Resolution

Background

The Local Housing Trust Fund Grants program provides grants to local housing trust funds to incentivize local funding for affordable housing with the purpose of:

- Making grants, loans and loan guarantees for the development, rehabilitation or financing of housing;
- Matching other funds from federal, state or private resources for housing projects;
- Providing downpayment assistance, rental assistance and homebuyer counseling services;
- Allowing administrative expenses, up to 10% of the Local Housing Trust Fund program grant.

All uses of grant funding must benefit households with incomes at or below 115% State Median Income (SMI).

Applicants could apply for grant funding in any amount up to $225,000 depending on the amount of eligible matching funds. Matching funds must be local income that is committed to the local housing trust fund on or after June 29, 2021 from any source other than the state or federal government. The first $150,000 of local funds may be matched with grant funds up to 100%. The second $150,000 to $300,000 of local funds can be matched with grant funds up to 50%.

Selections Process

Applications for the Local Housing Trust Fund Grants program were accepted through a competitive RFP process. Minnesota Housing received 54 proposals from local governments totaling $9,620,100. Of the 54 proposals, 52 passed the threshold review required for funding consideration and continued to the competitive review process. Staff conducted a Pre-Award Risk Assessment for applicants who met threshold requirements, and all recommended applicants passed.

Applications were scored using three categories: project description and timeline, demographic information and households of focus, and funding leverage and historical housing initiatives. A selections team consisting of Agency leadership and staff members then reviewed all scored proposals. The highest scoring proposals are recommended for funding.

Funding Recommendations

Staff recommends funding 36 proposals, totaling $5,326,000 in state appropriations. The highest scoring proposals are recommended to receive the full requested amount up to $225,000. Mid-scoring proposals are recommended to receive the requested amount up to $150,000 and the lowest scoring proposals are not being recommended for funding.

Funding selection letters will be sent to the approved grantees after board approval. Selections are subject to the program requirements outlined in the grant contract agreement. Agency staff will reach out to applicants not being recommended for funding and will offer each applicant a debrief meeting.

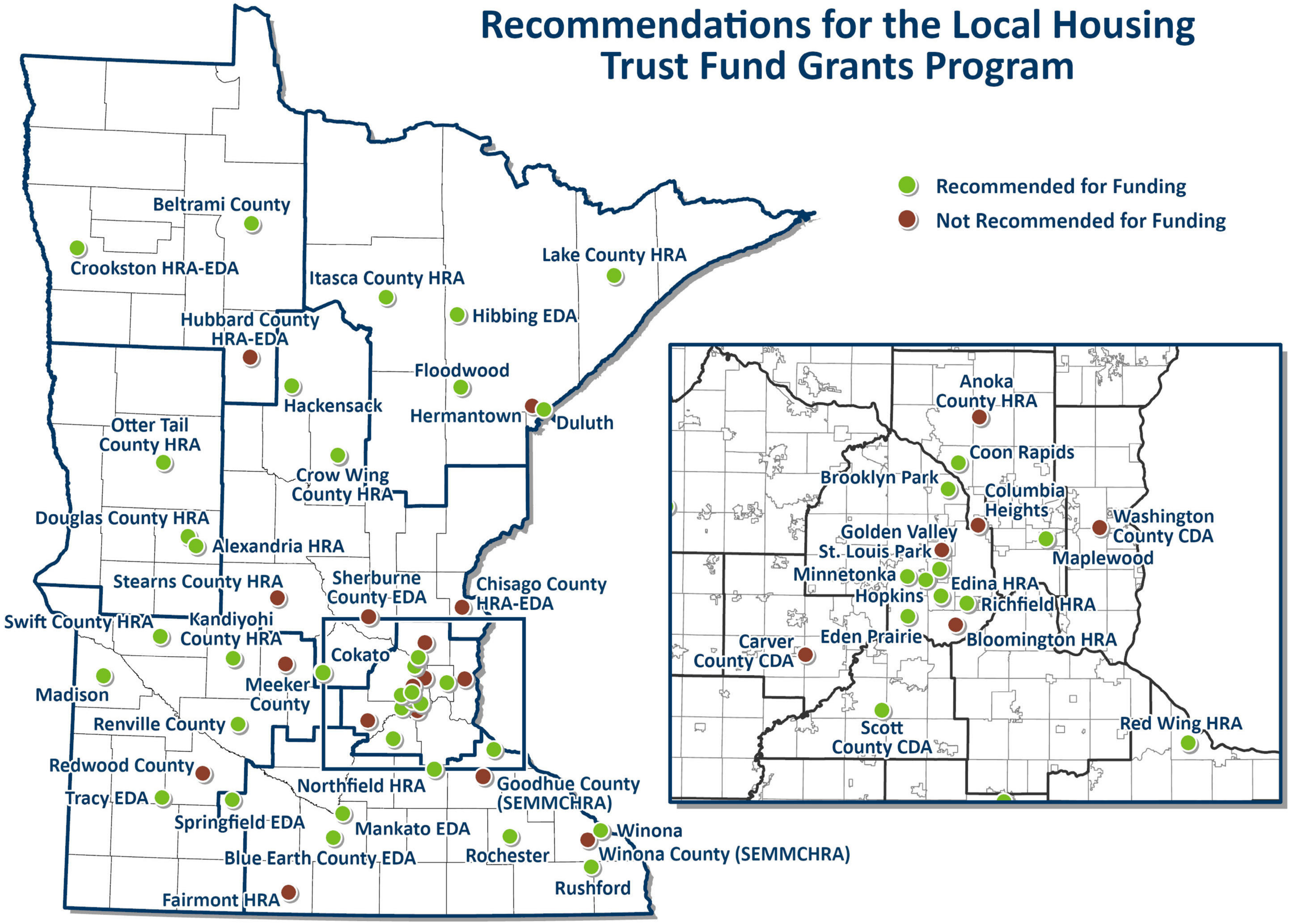
Note that Metro refers to the seven-county Twin Cities metropolitan area.

Applicant Name	Metro or Greater Minnesota	Requested Funding	Recommended Funding
Applications Recommended for Funding			
Beltrami County	Greater Minnesota	$ 76,000	**$ 76,000**
Blue Earth County Economic Development Authority	Greater Minnesota	$ 150,000	**$ 150,000**
City of Alexandria Housing and Redevelopment Authority	Greater Minnesota	$ 150,000	**$ 150,000**
City of Brooklyn Park Economic Development Authority	Metro	$ 225,000	**$ 150,000**
City of Cokato	Greater Minnesota	$ 150,000	**$ 150,000**
City of Coon Rapids	Metro	$ 225,000	**$ 150,000**
City of Crookston Housing and Economic Development Authority	Greater Minnesota	$ 150,000	**$ 150,000**
City of Duluth	Greater Minnesota	$ 225,000	**$ 225,000**
City of Eden Prairie	Metro	$ 225,000	**$ 150,000**
City of Edina Housing and Redevelopment Authority	Metro	$ 225,000	**$ 150,000**
City of Floodwood	Greater Minnesota	$ 30,000	**$ 30,000**
City of Hackensack (The Hackensack Game Changers)	Greater Minnesota	$ 45,000	**$ 45,000**
City of Hibbing Economic Development Authority	Greater Minnesota	$ 150,000	**$ 150,000**
City of Hopkins	Metro	$ 150,000	**$ 150,000**
City of Madison	Greater Minnesota	$ 150,000	**$ 150,000**
City of Mankato Economic Development Authority	Greater Minnesota	$ 225,000	**$ 150,000**
City of Maplewood Economic Development Authority	Metro	$ 225,000	**$ 150,000**
City of Minnetonka	Metro	$ 225,000	**$ 150,000**
City of Northfield Housing and Redevelopment Authority	Greater Minnesota	$ 158,250	**$ 150,000**
City of Red Wing Housing and Redevelopment Authority	Greater Minnesota	$ 225,000	**$ 150,000**
City of Richfield Housing and Redevelopment Authority	Metro	$ 225,000	**$ 150,000**
City of Rochester	Greater Minnesota	$ 225,000	**$ 150,000**
City of Rushford	Greater Minnesota	$ 150,000	**$ 150,000**
City of Springfield Economic Development Authority	Greater Minnesota	$ 225,000	**$ 150,000**
City of St. Louis Park	Metro	$ 225,000	**$ 150,000**
City of Tracy Economic Development Authority	Greater Minnesota	$ 150,000	**$ 150,000**

City of Winona	Greater Minnesota	$ 150,000	**$ 150,000**
Crow Wing County Housing and Redevelopment Authority	Greater Minnesota	$ 225,000	**$ 150,000**
Douglas County Housing and Redevelopment Authority	Greater Minnesota	$ 150,000	**$ 150,000**
Itasca County Housing and Redevelopment Authority	Greater Minnesota	$ 225,000	**$ 225,000**
Kandiyohi County Housing and Redevelopment Authority	Greater Minnesota	$ 225,000	**$ 150,000**
Lake County Housing and Redevelopment Authority	Greater Minnesota	$ 225,000	**$ 225,000**
Otter Tail County Housing and Redevelopment Authority	Greater Minnesota	$ 225,000	**$ 150,000**
Renville County	Greater Minnesota	$ 150,000	**$ 150,000**
Scott County Community Development Agency	Metro	$ 225,000	**$ 150,000**
Swift County Housing and Redevelopment Authority	Greater Minnesota	$ 225,000	**$ 150,000**
Applications Not Recommended for Funding			
Aitkin County	Greater Minnesota	$ 75,000	**$** -
Anoka County Housing and Redevelopment Authority	Metro	$ 225,000	**$** -
Carver County Community Development Agency	Metro	$ 132,500	**$** -
Chisago County Housing Redevelopment Authority-Economic Development Authority	Greater Minnesota	$ 225,000	**$** -
City of Bloomington Housing and Redevelopment Authority	Metro	$ 225,000	**$** -
City of Columbia Heights	Metro	$ 225,000	**$** -
City of Fairmont Housing and Redevelopment Authority	Greater Minnesota	$ 92,000	**$** -
City of Golden Valley	Metro	$ 225,000	**$** -
City of Hermantown	Greater Minnesota	$ 150,000	**$** -
Goodhue County - Southeastern Minnesota Multi-County Housing and Redevelopment Authority	Greater Minnesota	$ 225,000	**$** -
Hubbard County Housing Redevelopment Authority-Economic Development Authority	Greater Minnesota	$ 225,000	**$** -
Meeker County	Greater Minnesota	$ 150,000	**$** -
Redwood County	Greater Minnesota	$ 40,850	**$** -
Sherburne County Economic Development Authority	Greater Minnesota	$ 150,000	**$** -
Stearns County Housing and Redevelopment Authority	Greater Minnesota	$ 175,000	**$** -

Washington County Community Development Agency	Metro	$ 225,000	**$ -**
Winona County - Southeastern Minnesota Multi-County Housing and Redevelopment Authority	Greater Minnesota	$ 45,500	**$ -**
Totals:		**$ 9,420,100**	**$ 5,326,000**

Recommendations for the Local Housing Trust Fund Grants Program



Local Housing Trust Fund Grants Program	
Applicant:	Beltrami County
Metro or Greater MN:	Greater Minnesota
Region:	Northwest

Funding Details	
Funds Requested:	$76,000
Matching Funds:	$76,000
Recommended Funding:	$76,000

Proposal Description	
Project Description & Timeline:	The grant funds will support community land trust projects for low- to moderate-income households. The project will increase housing stock in the community for households at or below 115% SMI. The County has partnerships in place with nonprofits, Tribal agencies and governmental units. Construction of this project will start in late 2025 or early 2026.
Demographic Information & Households of Focus:	69.39% households with incomes <$100,000 25.58% cost-burdened households The applicant notes planned outreach for the project to support Tribal communities.
Funding Leverage & Historical Housing Initiatives:	The local housing trust fund matching funds come from interest income and private donations. There is no indication of contributing future funding. The County Housing Collaborative was created in 2023 and has completed planning and education projects in the county.

Local Housing Trust Fund Grants Program	
Applicant:	Blue Earth County Economic Development Authority
Metro or Greater MN:	Greater Minnesota
Region:	Southeast

Funding Details	
Funds Requested:	$150,000
Matching Funds:	$150,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The grant will expand the Partnership Community Land Trust (PCLT) in Mankato and create 10 new homes for low-income homebuyers. The PCLT prioritizes low-income, larger families, and households of color that have been underserved in homeownership. This project received initial funding in December 2024 with construction to begin in fall 2025. The grant would fund phase four of the project.
Demographic Information & Households of Focus:	66.28% households with incomes <$100,000 29.05% cost-burdened households The applicant has engaged in outreach events with other community groups to reach low-income households interested in homeownership.
Funding Leverage & Historical Housing Initiatives:	In addition to their matching New Public Revenue from the Blue Earth County general fund, the County allocated $2,000,000 in American Rescue Plan money as leveraged funding along with the City of Mankato CDBG funds of $100,000 for this project. The applicant has previously assisted households with securing new housing, improving existing housing and prioritizing projects that aim to prevent homelessness.

Local Housing Trust Fund Grants Program	
Applicant:	City of Alexandria Housing and Redevelopment Authority
Metro or Greater MN:	Greater Minnesota
Region:	West Central

Funding Details	
Funds Requested:	$150,000
Matching Funds:	$150,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	Grant funds will be used for development of Nokomis Crossings, a new housing project with 14 townhouses offering affordable workforce housing. The applicant provided a plan to complete the new housing development. Construction will begin in 2025 with a goal to be completed by the end of February 2028.
Demographic Information & Households of Focus:	73.48% households with incomes <$100,000 27.39% cost-burdened households The project will focus on households of 60-80% SMI.
Funding Leverage & Historical Housing Initiatives:	The Alexandria HRA will continue supporting the local housing trust fund through levy proceeds. The City also uses Tax Increment Financing (TIF) and a revolving loan program to support housing initiatives. The City has completed several housing projects in the past few years, including developing single-family homes, a 23-unit federal low-income housing tax credit project and 37-unit workforce housing project.

Local Housing Trust Fund Grants Program	
Applicant:	City of Brooklyn Park Economic Development Authority
Metro or Greater MN:	Metro
Region:	Metro

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$500,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The applicant plans to use grant funds for home improvement loan programs, enabling homeowners to finance essential repairs and energy efficiency upgrades. This is an existing program and would allow grant funds to be immediately utilized in the community.
Demographic Information & Households of Focus:	57.17% households with incomes <$100,000 29.80% cost-burdened households The City conducts outreach to low- and moderate-income households through frequent homeowner workshops and community engagement events.
Funding Leverage & Historical Housing Initiatives:	The City has adopted new affordable housing policies and zoning efforts in recent years, including a Fair Housing Policy, Tenant Notification Ordinance, Naturally Occurring Affordable Housing (NOAH) Preservation Program and Home Improvement Loan programs. The City has access to some additional resources for their local housing trust fund, including local bonds and TIF funds.

Local Housing Trust Fund Grants Program	
Applicant:	City of Cokato
Metro or Greater MN:	Greater Minnesota
Region:	Central

Funding Details	
Funds Requested:	$150,000
Matching Funds:	$150,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The City of Cokato plans to use grant funds for a multifamily development of 4-8 unit buildings in areas with existing infrastructure. The applicant outlines a phased timeline beginning in fall 2025 with site investigation, followed by site acquisition discussions in early 2026. In Spring 2026, the City plans to engage developers and secure one or more sites for the potential housing development.
Demographic Information & Households of Focus:	73.75% households with incomes <$100,000 33.56 cost-burdened households There is an overall need for more multifamily units in the city, as no new units have been built in the past 40 years.
Funding Leverage & Historical Housing Initiatives:	The applicant demonstrated past and future strategies to leverage funding, despite limited resources. They highlight recent housing initiatives, including a housing needs study, a 2022 Small Cities Development Grant for housing rehabilitation, and the development of an eight-lot, single-family subdivision as well as updating to zoning ordinances.

Local Housing Trust Fund Grants Program	
Applicant:	City of Coon Rapids
Metro or Greater MN:	Metro
Region:	Metro

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$3,733,794
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The grant funds will be used for deferred, 0% interest loans of up to $15,000 for needed repairs for low-income households. With a maximum loan size of $15,000, the minimum number of households served by the grant funds would be 15. This is a well-established program, and funds would be utilized in the community shortly after grant funding.
Demographic Information & Households of Focus:	59.21% households with incomes <$100,000 28.94% cost-burdened households The project will target critical need repairs to low-income households.
Funding Leverage & Historical Housing Initiatives:	The City of Coon Rapids has invested significantly in their local housing trust fund as well as other housing initiatives. The City has added mixed-use zoning in older commercial areas to transition to residential uses and offers flexibility on residential densities. Funding sources include TIF funds, bonds, levy funds and Local Affordable Housing Aid (LAHA).

Local Housing Trust Fund Grants Program	
Applicant:	City of Crookston Housing and Economic Development Authority
Metro or Greater MN:	Greater Minnesota
Region:	Northwest

Funding Details	
Funds Requested:	$150,000
Matching Funds:	$150,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	Grant funds would be used to support grants for a 15-22 unit townhome development on land owned by the city. The City expects to build four townhomes and infrastructure to support them. The City plans to seek additional funding for the project. The project will begin upon grant execution, starting with an RFP for a developer, finalizing home design and pre-selling homes.
Demographic Information & Households of Focus:	73.61% households with incomes <$100,000 29.91% cost-burdened households The City has a high number of workforce commuters earning less than 100% SMI and older adults looking to downsize in the community.
Funding Leverage & Historical Housing Initiatives:	The City received a one-time allocation and funding efforts are underway with the possibility of implementing an HRA levy for additional funding to the local housing trust fund. The City has implemented rehab and revolving loan programs, a workforce housing program that builds one home annually, and an incentive program which supports property owner with several amenities.

Local Housing Trust Fund Grants Program	
Applicant:	City of Duluth
Metro or Greater MN:	Greater Minnesota
Region:	Northeast

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$4,841,990
Recommended Funding:	$225,000

Proposal Description	
Project Description & Timeline:	The City of Duluth plans to establish an Affordable Housing Loan Program to support both rental and homeownership developments for low-income households. The City currently operates a construction loan program that provides loans for rehab, infill development and multifamily projects. They incentivize “density focused rehab and infill projects.” With the current local housing trust fund activities in place, the City anticipates any grant funds being spent almost immediately.
Demographic Information & Households of Focus:	68.59% households with incomes <$100,000 32.52% cost-burdened households
Funding Leverage & Historical Housing Initiatives:	The City’s current programs are well-established with several active housing initiatives in place. The City has other resources for affordable housing and continuing levy and fee revenue. They received $4 million as a one-time injection into the fund, with a current amount of $4.8 million in the local housing trust fund.

Local Housing Trust Fund Grants Program	
Applicant:	City of Eden Prairie
Metro or Greater MN:	Metro
Region:	Metro

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$300,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The City plans to use grant funds for a First-time Homebuyer Program, First-Generation Pilot Program, financing of owner-occupied rehab, paying past due rent through rental assistance and financing of acquisition of affordable community land trust units through Homes Within Reach. The applicant plans for a phased rollout timeline, which will be ready to begin with an existing program (First-time Homebuyer Program).
Demographic Information & Households of Focus:	38.46% households with incomes <$100,000 21.16% cost-burdened households The City's multiple affordable housing programs serve low- and moderate-income households.
Funding Leverage & Historical Housing Initiatives:	The City has additional resources available to meet housing needs. They have adopted new policies and ordinances in recent years to support affordable housing initiatives, including a Fair Housing Policy, Inclusionary Housing Ordinance, Sustainable Building Standard, Naturally Occurring Affordable Housing (NOAH) study and a Tenant Protection Ordinance.

Local Housing Trust Fund Grants Program	
Applicant:	City of Edina Housing and Redevelopment Authority
Metro or Greater MN:	Metro
Region:	Metro

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$4,100,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The applicant is proposing adding two homes to the community land trust in the city, as well as downpayment assistance for the buyers of the land trust homes. They plan to partner with Homes Within Reach and Twin Cities Habitat for Humanity. The grant funds are estimated to be expended by the end of 2026.
Demographic Information & Households of Focus:	40.23% households with incomes <$100,000 28.32% cost-burdened households The project will focus on low- and moderate-income homes and create more access to housing in high-value area.
Funding Leverage & Historical Housing Initiatives:	The City received a large amount of matching funds from a recent one-time repayment; $4.1 million, of which $1.8 million remains. They have also received developer “buy-in” funding for the local housing trust fund. The applicant notes they directed LAHA funds to emergency rental assistance as it has been oversubscribed, and to support one Homes Within Reach house.

Local Housing Trust Fund Grants Program	
Applicant:	City of Floodwood
Metro or Greater MN:	Greater Minnesota
Region:	Northeast

Funding Details	
Funds Requested:	$30,000
Matching Funds:	$30,000
Recommended Funding:	$30,000

Proposal Description	
Project Description & Timeline:	The City of Floodwood plans to use the funds for low-interest grants and/or loans for owner-occupied, single-family rehabilitation to address essential health and safety concerns of distressed properties. The city council is currently working through the program guidelines and application process with a goal of completing the program outline by end of spring 2025. The City plans to process eight applications by May of 2028.
Demographic Information & Households of Focus:	92.49% households with incomes <$100,000 29.58% cost-burdened households The City conducted community meetings and housing surveys to identify the areas of greatest need, which are preserving current housing stock through rehab and creating new housing.
Funding Leverage & Historical Housing Initiatives:	The City notes that due to their proximity just outside of the Iron Range Rehabilitation and Resource boundaries, the City has been unable to secure additional funding sources to address its needs. The City has focused efforts on cleaning up blighted properties in recent years.

Local Housing Trust Fund Grants Program	
Applicant:	City of Hackensack (The Hackensack Game Changers)
Metro or Greater MN:	Greater Minnesota
Region:	Central

Funding Details	
Funds Requested:	$45,000
Matching Funds:	$45,000
Recommended Funding:	$45,000

Proposal Description	
Project Description & Timeline:	The applicant plans to offer grants to homeowners for energy-efficient home improvements with plans to expand to summer residency homeowners, multifamily and commercial properties in the future. Hackensack is a "Green Steps" city, which is a voluntary challenge, assistance and recognition program to help communities achieve their sustainability and quality-of-life goals. The project timeline will begin in summer of 2025.
Demographic Information & Households of Focus:	79.14% households with incomes <$100,000 38.65% cost-burdened households The proposed projects will benefit Tribal communities, specifically Leech Lake members.
Funding Leverage & Historical Housing Initiatives:	The City has plans to pursue private donations and has struggled to find other funding sources as the city budget does not have enough funding and does not levy funds for its HRA. The City has applied for other grant funds in the past.

Local Housing Trust Fund Grants Program	
Applicant:	City of Hibbing Economic Development Authority
Metro or Greater MN:	Greater Minnesota
Region:	Northeast

Funding Details	
Funds Requested:	$150,000
Matching Funds:	$150,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The grant funds will be used for grants and loans to three approved community partners for administering an owner-occupied rehab program and development of new affordable housing. The City partners with several organizations to serve families, seniors and workforce households. The project will begin shortly after grant contracting.
Demographic Information & Households of Focus:	73.73% households with incomes <$100,000 23.73% cost-burdened households
Funding Leverage & Historical Housing Initiatives:	The City plans to sustain the local housing trust fund through annual city contributions, potential levies and pursuing other grant resources. The City struggles to compete with larger metro areas with high matching requirements. The applicant notes recent housing initiatives in the community, including the Hibbing City Council's Strategic Planning Initiative, which established key housing values and goals.

Local Housing Trust Fund Grants Program	
Applicant:	City of Hopkins
Metro or Greater MN:	Metro
Region:	Metro

Funding Details	
Funds Requested:	$150,000
Matching Funds:	$150,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The applicant plans to use grant funds for grants or loans for new construction of affordable rental units. The City recently adopted an Inclusionary Housing Policy, which requires affordable housing units within market-rate, multifamily buildings. The City is conducting outreach on community housing needs and priorities to inform the program plan and uses for the local housing trust fund, which was recently created.
Demographic Information & Households of Focus:	69.13% households with incomes <$100,000 36.35% cost-burdened households The City has 72% renters with a high need for more legally-binding affordable units.
Funding Leverage & Historical Housing Initiatives:	The City of Hopkins has had previous or current funding from Housing Improvement Area financing, CDBG and Hennepin County. The City recently adopted an inclusionary housing policy for new construction that requires subsidies for affordable units as well an updated zoning code to allow for greater density, Accessory Dwelling Units (ADU) and duplexes.

Local Housing Trust Fund Grants Program	
Applicant:	City of Madison
Metro or Greater MN:	Greater Minnesota
Region:	Southwest

Funding Details	
Funds Requested:	$150,000
Matching Funds:	$150,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	Grant funds will be used for a local match requirement for grant applications and development of infrastructure on city-owned property. The City owns two blocks of land with 40 parcels and plans to create single-family and multifamily developments to ensure a mix of housing options. The City plans to begin work on the project in early 2026 with estimated completion in fall of 2027.
Demographic Information & Households of Focus:	78.39% households with incomes <$100,000 26.31% cost-burdened households The new developments will support targeted groups that have been identified, which include seniors, new residents and first-time homebuyers.
Funding Leverage & Historical Housing Initiatives:	The local housing trust fund will continue to be supported through an annual general fund levy transfer. A housing task force has been created to address housing solutions as well as partnering with a local nonprofit. The City has also completed several other recent housing initiatives.

Local Housing Trust Fund Grants Program	
Applicant:	City of Mankato Economic Development Authority
Metro or Greater MN:	Greater Minnesota
Region:	Southeast

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$300,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The applicant plans to expand the Partnership Community Land Trust by providing $25,000 per home for ten homes. The City plans to prioritize low-income households, large families, and households of color which have been underserved in the community and partner with local organizations.
Demographic Information & Households of Focus:	72.46% households with incomes <$100,000 34.59% cost-burdened households The City EDA conducts outreach events aimed to low-income households interested in homeownership.
Funding Leverage & Historical Housing Initiatives:	Funds for the local housing trust fund come from private contributions and TIF proceeds, as well as EDA tax levy funds. The applicant does not have any other grant resources for the local housing trust fund. The City has an advisory committee to continue to develop and preserve affordable housing.

Local Housing Trust Fund Grants Program	
Applicant:	City of Maplewood Economic Development Authority
Metro or Greater MN:	Metro
Region:	Metro

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$300,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The applicant plans to support a new home improvement program and offer low-interest loans to assist homeowners with financing and project management for repairs. The applicant is working with NeighborWorks Home Partners on this project. The City expects to utilize funds within the first year after grant contracting.
Demographic Information & Households of Focus:	55.20% households with incomes <$100,000 28.01% cost-burdened households The program will support households at 115% SMI and below. The applicant notes providing translated housing program information in Hmong, Spanish and Karen.
Funding Leverage & Historical Housing Initiatives:	The City has received several other resources to support housing initiatives and has a strong history of support to prior housing initiatives, including zoning updates, reinvesting in aging housing stock and converting commercial areas to mixed-use to allow for more housing.

Local Housing Trust Fund Grants Program	
Applicant:	City of Minnetonka
Metro or Greater MN:	Metro
Region:	Metro

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$300,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The applicant proposes funding for an existing rental assistance program. The City has supported 218 low- to moderate-income households with rental assistance and wants to continue providing this service going forward. Because this project would fund an existing program, funds would be utilized in the community immediately.
Demographic Information & Households of Focus:	40.38% households with incomes <$100,000 25.29% cost-burdened households The applicant aims to address rising evictions post-pandemic. The average market-rate rent for a two-bedroom unit is $1,974.
Funding Leverage & Historical Housing Initiatives:	The City has utilized other funding resources for previous affordable housing initiatives, including the Met Council, DEED, Hennepin County and HRA levy funds. The City is utilizing pooled TIF for their matching funds for this program. They have made several changes to policies to promote affordable housing in recent years.

Local Housing Trust Fund Grants Program	
Applicant:	City of Northfield Housing and Redevelopment Authority
Metro or Greater MN:	Greater Minnesota
Region:	Southeast

Funding Details	
Funds Requested:	$158,250
Matching Funds:	$166,500
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The grant funds will be used to expand existing programs, including downpayment assistance, rehabilitation loan programs, supporting at-risk 18-24 year-olds through supportive housing, rental assistance, and a supportive housing development. The City will be partnering with Habitat for Humanity. As the funds will be going to existing programs, funding will begin being utilized shortly after grant contracting.
Demographic Information & Households of Focus:	34.19% households with incomes <$100,000 31.16% cost-burdened households This project will target low-income households and a limited number of households up to 110% SMI.
Funding Leverage & Historical Housing Initiatives:	The local housing trust fund will continue to receive local revenue annually through HRA levy funds and sale of HRA-owned properties. The City has various other mechanisms to support housing development initiatives.

Local Housing Trust Fund Grants Program	
Applicant:	City of Red Wing Housing and Redevelopment Authority
Metro or Greater MN:	Greater Minnesota
Region:	Southeast

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$450,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The grant funds will be used to create new affordable rental units and owner-occupied housing rehab. There are currently three uses of the City's local housing trust fund: creation of new affordable rental units, owner-occupied housing rehab and first-time homebuyer downpayment assistance. The HRA expects that funds would be deployed beginning in September of 2025 and expended by the end of 2028.
Demographic Information & Households of Focus:	69.03% households with incomes <$100,000 29.99% cost-burdened households The City is currently conducting a housing study to further gauge the housing needs in the City.
Funding Leverage & Historical Housing Initiatives:	The City of Red Wing was one of first to create a local housing trust fund in 2016, which is funded by ongoing levy and TIF funds, but has limited access to other resources.

Local Housing Trust Fund Grants Program	
Applicant:	City of Richfield Housing and Redevelopment Authority
Metro or Greater MN:	Metro
Region:	Metro

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$830,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The City of Richfield will use grant funds to finance downpayment assistance for first-time, low-income homebuyers through its First-Time Homebuyer Program as well as support the local community land trust, Homes Within Reach. The applicant expects to administer 10-16 first-time homebuyer grants. As these are existing programs, grant funds will be used shortly after contracting.
Demographic Information & Households of Focus:	60.39% households with incomes <$100,000 29.28% cost-burdened households The project will serve households below 115% SMI and people with disabilities looking to become first-time homebuyers.
Funding Leverage & Historical Housing Initiatives:	Primary funding for the local housing trust fund comes through tax levies. The applicant has received CDBG funding but does not have continued funding and have been awarded LAHA in the past year. The City has created an Inclusionary Housing Policy as well as updating their zoning ordinances extensively to increase housing density and create more middle housing options.

Local Housing Trust Fund Grants Program	
Applicant:	City of Rochester
Metro or Greater MN:	Greater Minnesota
Region:	Southeast

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$550,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The applicant plans to use grant funds for a multi-generational housing project to address the need for senior housing. The project would include owner-occupied units with ADUs. The City plans to complete six units by June of 2026 and is breaking ground in June 2025 on one of these units.
Demographic Information & Households of Focus:	55.66% households with incomes <$100,000 25.99% cost-burdened households The project would address a need for senior housing, which is supported by the 2020 Olmsted County Housing Needs Analysis.
Funding Leverage & Historical Housing Initiatives:	The City has previously received funding through the Rochester Area Foundation, Olmsted County, TIF and CDBG funding. The applicant has completed several housing initiatives in recent years. In 2022, the City of Rochester adopted a new Uniform Development Code significantly advancing affordable housing initiatives by reducing minimum lot size, permitting ADUs city-wide, removing artificial density limits, diversifying housing city-wide and reducing parking requirements.

Local Housing Trust Fund Grants Program	
Applicant:	City of Rushford
Metro or Greater MN:	Greater Minnesota
Region:	Southeast

Funding Details	
Funds Requested:	$150,000
Matching Funds:	$150,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	This project would support new construction of multifamily or single-family homes, rehabilitation of existing units, acquisition of land or buildings for development, pre-development costs, and financial support to homeowners to create ADUs. The City is partnering with SEMCAC to screen applicants with a focus on senior households.
Demographic Information & Households of Focus:	62.25% households with incomes <$100,000 25.97% cost-burdened households The project will serve households at or below 115% SMI and indicates there are 39% of renters and 50% of seniors who are cost-burdened in the community.
Funding Leverage & Historical Housing Initiatives:	The local housing trust fund will continue to be funded through interest repayment to revolving loans. The City has previously received an Impact Fund award. The City has developed several affordable housing initiatives in recent years.

Local Housing Trust Fund Grants Program	
Applicant:	City of Springfield Economic Development Authority
Metro or Greater MN:	Greater Minnesota
Region:	Southeast

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$300,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The City plans to make grants or loans for the purchase and rehab of properties for households that fall under 115% SMI in underutilized areas of the City. They have set up six different phases for this project and are currently in phase one, planning and fund establishment, and plan to start on phase two beginning this summer. The applicant tentatively plans to disburse funds in summer 2026-winter 2027.
Demographic Information & Households of Focus:	78.43% households with incomes <$100,000 30.26% cost-burdened households The City aims to add a significant amount of housing in order to attract commuters to their area to become permanent residents.
Funding Leverage & Historical Housing Initiatives:	The newly established local housing trust fund was funded by the proceeds of sale of a city-owned building. The City receives continued funding from EDA levy funds and city taxes. The City has made recent zoning law amendments to increase housing density as well as infrastructure investments.

Local Housing Trust Fund Grants Program	
Applicant:	City of St. Louis Park
Metro or Greater MN:	Metro
Region:	Metro

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$1,759,133
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The grant funds will be used for the Kids in the Park (KIP) program and a first-generation homebuyer program. KIP provides rent assistance to households at or below 50% AMI with school-age children for up to 48 months. Participants receive a flat, monthly rental assistance subsidy that decreases annually over the four-year period. As this is an existing program, the City would be ready to deploy funds shortly after contracting.
Demographic Information & Households of Focus:	49.84% households with incomes <$100,000 25.95% cost-burdened households The City maintains a waitlist for rental assistance, which is currently open and accepting new names. Marketing for their programs is ongoing.
Funding Leverage & Historical Housing Initiatives:	The City has a strong history of supportive housing activities, including zoning changes and an inclusionary housing policy. The applicant has previously received other sources of funding for housing initiatives.

Local Housing Trust Fund Grants Program	
Applicant:	City of Tracy Economic Development Authority
Metro or Greater MN:	Greater Minnesota
Region:	Southwest

Funding Details	
Funds Requested:	$150,000
Matching Funds:	$150,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The grant funds will be used to fund new residential construction, residential remodeling as well as to buy-down mortgage rates and provide downpayment assistance. The projects will be a cooperative effort with high school building trades class and nonprofit organizations. The project is ready to begin in September of 2025.
Demographic Information & Households of Focus:	73.6% households with incomes <$100,000 21.51% cost-burdened households A Fall 2024 Small Cities Development Program survey showed that 53.2% of the City’s population are low- to moderate-income.
Funding Leverage & Historical Housing Initiatives:	Tracy EDA will commit a portion of sale proceeds of a house owned by the City to the local housing trust fund to continue funding. The City provides a contribution to the local housing trust fund annually, partners with nonprofit organizations and has access to additional grant funding.

Local Housing Trust Fund Grants Program	
Applicant:	City of Winona
Metro or Greater MN:	Greater Minnesota
Region:	Southeast

Funding Details	
Funds Requested:	$150,000
Matching Funds:	$175,948
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The applicant plans to use grant funds for grants or loans for owner-occupied rehab and/or infill development. The City is landlocked by the river and bluff and is fully built-out with aging buildings, so preserving existing housing stock is a priority. The City anticipates the grant funds being expended by January 2028.
Demographic Information & Households of Focus:	74.75% households with incomes <$100,000 29.65% cost-burdened households The applicant notes 75% of occupied housing units in the City are cost burdened.
Funding Leverage & Historical Housing Initiatives:	The City of Winona has utilized tax abatement and deferred loan funds to address housing needs and has previously received state funding, including Statewide Affordable Housing Aid (SAHA), and funding through redevelopment TIF funds. The City recently established their local housing trust fund and has made outreach efforts with existing programs.

Local Housing Trust Fund Grants Program	
Applicant:	Crow Wing County Housing and Redevelopment Authority
Metro or Greater MN:	Greater Minnesota
Region:	Central

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$1,600,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	Grant funds would support an existing housing rehab program and new development finance program, as well as development of new affordable housing units per a workforce housing study conducted in 2019. The County has over $400,000 in requests on the current waitlist for the rehab program. The applicant anticipates grant funds would be utilized within a year after contracting.
Demographic Information & Households of Focus:	66.52% households with incomes <$100,000 25.61% cost-burdened households The community has a need for 1,700 workforce housing units and to preserve aging housing stock. Their rehab program serves households at 80-100% AMI, and the project supports Tribal communities.
Funding Leverage & Historical Housing Initiatives:	The County has matching funds of $1.6 million which is from levy funding. The applicant has a history of a variety of housing initiatives and existing programs to support affordable housing.

Local Housing Trust Fund Grants Program	
Applicant:	Douglas County Housing and Redevelopment Authority
Metro or Greater MN:	Greater Minnesota
Region:	West Central

Funding Details	
Funds Requested:	$150,000
Matching Funds:	$150,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The project would support four $10,000 downpayment assistance grants to Habitat for Humanity or another nonprofit partner, with the remainder of funds for repairs to the Belmont Apartments owned by the HRA. The County has begun outreach to nonprofit partners for the downpayment assistance grants.
Demographic Information & Households of Focus:	64.08% households with incomes <$100,000 23.36% cost burdened households A 2023 study noted a need for new entry-level homes in the County.
Funding Leverage & Historical Housing Initiatives:	The local housing trust fund was established in 2021 and will continue to be funded with levy budget funds; however, the County has struggled to obtain additional resources in the past. The Douglas County HRA is also looking at the State Housing Tax Credit Program as a new vehicle for creation of affordable housing using local community funds.

Local Housing Trust Fund Grants Program	
Applicant:	Itasca County Housing and Redevelopment Authority
Metro or Greater MN:	Greater Minnesota
Region:	Northeast

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$301,000
Recommended Funding:	$225,000

Proposal Description	
Project Description & Timeline:	The County plans to use grant funds for downpayment assistance to low-income households with matching funds up to $5,000 and below-market rate interim construction financing loans. The applicant notes there is a new housing shortage in the county and new construction will focus on low-income households. The applicant provided a timeline for project phases, which will utilize grant funds by end of 2025.
Demographic Information & Households of Focus:	69.85% households with incomes <$100,000 26.47% cost-burdened households The project will benefit District Two of the Leech Lake band of Ojibwe.
Funding Leverage & Historical Housing Initiatives:	The local housing trust fund will continue to receive annual funding from the County HRA levy. The fund will incorporate revolving loans to recycle funds back into the local housing trust fund. The County has a history of creating housing initiatives in the region.

Local Housing Trust Fund Grants Program	
Applicant:	Kandiyohi County Housing and Redevelopment Authority
Metro or Greater MN:	Greater Minnesota
Region:	Southwest

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$300,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	The grant funds will be used to support low-interest loans for construction and rehab of owner-occupied and rental housing. Fifteen-year minimum covenants will be recorded against rental properties, which will require rents not exceed the HRA's Housing Choice Voucher program payment standards. The timeline provided for the project is feasible.
Demographic Information & Households of Focus:	66.13% households with incomes <$100,000 23.46% cost-burdened households A 2022 county-wide study demonstrates a need for additional housing units and a need to address aging housing stock.
Funding Leverage & Historical Housing Initiatives:	The HRA will continue funding the local housing trust fund with a levy, though other resources are limited. The applicant provided multiple examples of their housing initiatives in recent years, including a senior apartment building and a market-rate project that included rezoning land from agriculture to multifamily housing.

Local Housing Trust Fund Grants Program	
Applicant:	Lake County Housing and Redevelopment Authority
Metro or Greater MN:	Greater Minnesota
Region:	Northeast

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$340,000
Recommended Funding:	$225,000

Proposal Description	
Project Description & Timeline:	Grant funds would be used to enhance the Lake County Home Rehabilitation Program. The project would complete phase three rehabilitation of Lakeview Apartments, which serve extremely low-income households. The applicant provided a clear timeline on how to utilize funds in years one and two.
Demographic Information & Households of Focus:	64.21% households with incomes <$100,000 22.37% cost-burdened households The project will target very low-income households.
Funding Leverage & Historical Housing Initiatives:	The County recently increased its levy, which is an ongoing source for the local housing trust fund. The applicant provided several examples of recent housing initiatives, including revising zoning ordinances, targeting tax-fortified properties for development and partnering with nonprofit organizations.

Local Housing Trust Fund Grants Program	
Applicant:	Otter Tail County Housing and Redevelopment Authority
Metro or Greater MN:	Greater Minnesota
Region:	West Central

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$377,596
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	Grant funds will be used to aid income-eligible homeowners to make critical repairs to their homes through the Emergency Home Repair Program as well as the Owner-Occupied Leverage Loan Program. The Leverage Loan Program will supplement a grant awarded to the Otter Tail County HRA from MN DEED Small Cities Development Program to make health and safety repairs for income-eligible households. As these are existing programs, funds would be utilized within the first year after grant contracting.
Demographic Information & Households of Focus:	66.09% households with incomes <$100,000 23.61% cost burdened households The project will focus on low- and moderate-income households.
Funding Leverage & Historical Housing Initiatives:	Otter Tail County's matching funds are from a continuing levy. They have previously received an Impact Fund award. The County has a history of housing programs, including constructing six affordable senior housing rental units.

Local Housing Trust Fund Grants Program	
Applicant:	Renville County
Metro or Greater MN:	Greater Minnesota
Region:	Southwest

Funding Details	
Funds Requested:	$150,000
Matching Funds:	$150,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	This project will support downpayment loans and owner-occupied rehab for moderate to low-income households under with homeowner match waived for lower-income households. These are 0% interest loans that are deferred until the home buyer moves out of the home, sells the home or pays off the first mortgage. The project will begin within two months of grant contracting.
Demographic Information & Households of Focus:	68.08% households with incomes <$100,000 20.08% cost-burdened households This project aims to support the Upper and Lower Sioux Tribal communities.
Funding Leverage & Historical Housing Initiatives:	The applicant notes several significant challenges in securing resources for affordable housing. The local housing trust fund currently receives funding from HRA/EDA levy funds. The County has experience with several initiatives, including Housing Choice Voucher Program, Homeownership Downpayment and Rehab Loan Program, Rental Rehab Loan Program, Housing Development Gap Loan Program and a Blight Removal Grant Program.

Local Housing Trust Fund Grants Program	
Applicant:	Scott County Community Development Agency
Metro or Greater MN:	Metro
Region:	Metro

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$400,000
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	Grant funds will be used to accept applications on a rolling basis from developers to increase the housing supply in Scott County. Currently, one developer has a purchase agreement for a property and is proposing to build 60 units of affordable rental housing but needs to fill a development gap to proceed. The funds will be allocated as grants or loans for housing development or rehabilitation. The Scott County CDA will begin accepting applications in the spring of 2025 from housing developers.
Demographic Information & Households of Focus:	40.27% households with incomes <$100,000 23.63% cost-burdened households There is a strong need for affordable housing driven by housing growth in the community and rental vacancies are extremely low.
Funding Leverage & Historical Housing Initiatives:	The County has several other active housing initiatives and a created a housing workgroup which focuses on shared housing challenges and collaboration on housing projects.

Local Housing Trust Fund Grants Program	
Applicant:	Swift County Housing and Redevelopment Authority
Metro or Greater MN:	Greater Minnesota
Region:	Southwest

Funding Details	
Funds Requested:	$225,000
Matching Funds:	$514,470
Recommended Funding:	$150,000

Proposal Description	
Project Description & Timeline:	Grant funds would support ongoing programs for rehabilitation financing of owner-occupied and rental properties as well as new construction/development of rental and homeownership housing. Priority is given to projects that offer the greatest affordability. Owner-occupied projects are funded through a 20-year deferred, forgivable loan. Rental and new development projects are funded through a 20-year loan and deferred lump sum repayment of principal with 50% forgiven if affordability is maintained.
Demographic Information & Households of Focus:	68.89% households with incomes <$100,000 24.96% cost-burdened households
Funding Leverage & Historical Housing Initiatives:	Swift County has levied and dedicated funds to the local housing trust fund with ongoing funding from the Swift County Rural Development Authority and the HRA. The County has experience administering the Minnesota Housing Rental Assistance program, RLP/ELP, Rental Rehabilitation Deferred Loan program, and the Small Cities Development Program.

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

RESOLUTION NO. MHFA 25-XXX

RESOLUTION APPROVING SELECTION FOR LOCAL HOUSING TRUST FUND PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications to the Local Housing Trust Fund program to provide matching grant funds to local housing trust funds established under Minnesota Statutes, section 462C.16; and

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

NOW THEREFORE, BE IT RESOLVED:

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

Applicant Name	Award
Beltrami County	$ 76,000
Blue Earth County Economic Development Authority	$ 150,000
City of Alexandria Housing and Redevelopment Authority	$ 150,000
City of Brooklyn Park Economic Development Authority	$ 150,000
City of Cokato	$ 150,000
City of Coon Rapids	$ 150,000
City of Crookston Housing and Economic Development Authority	$ 150,000
City of Duluth	$ 225,000
City of Eden Prairie	$ 150,000
City of Edina Housing and Redevelopment Authority	$ 150,000
City of Floodwood	$ 30,000
City of Hackensack (The Hackensack Game Changers)	$ 45,000
City of Hibbing Economic Development Authority	$ 150,000
City of Hopkins	$ 150,000

City of Madison	$	150,000
City of Mankato Economic Development Authority	$	150,000
City of Maplewood Economic Development Authority	$	150,000
City of Minnetonka	$	150,000
City of Northfield Housing and Redevelopment Authority	$	150,000
City of Red Wing Housing and Redevelopment Authority	$	150,000
City of Richfield Housing and Redevelopment Authority	$	150,000
City of Rochester	$	150,000
City of Rushford	$	150,000
City of Springfield Economic Development Authority	$	150,000
City of St. Louis Park	$	150,000
City of Tracy Economic Development Authority	$	150,000
City of Winona	$	150,000
Crow Wing County Housing and Redevelopment Authority	$	150,000
Douglas County Housing and Redevelopment Authority	$	150,000
Itasca County Housing and Redevelopment Authority	$	225,000
Kandiyohi County Housing and Redevelopment Authority	$	150,000
Lake County Housing and Redevelopment Authority	$	225,000
Otter Tail County Housing and Redevelopment Authority	$	150,000
Renville County	$	150,000
Scott County Community Development Agency	$	150,000
Swift County Housing and Redevelopment Authority	$	150,000
TOTAL	**$**	**5,326,000**

2. The applicant and any other parties shall execute all such documents relating to the grant contract agreement, terms and conditions, as Agency staff, in its sole discretion, deems necessary.

Adopted this 22nd day of May 2025

____

CHAIR

MINNESOTA HOUSING

Item: Approval, Housing Challenge Funds for Schools Request for Proposals (RFP) Selections

Action Item:	7.B
Date:	05/22/2025
Staff Contacts:	Amanda Hedlund, 651.284.0465, amanda.hedlund@state.mn.us Tiffany Kibwota, 651.284.0456, tiffany.kibwota@state.mn.us
Request Type:	Approval, Resolution

Request Summary

Staff requests approval of funding recommendations for proposals submitted to the Community Homeownership Impact Fund (Impact Fund) program through the Housing Challenge Funds for Schools Request for Proposals (RFP).

Fiscal Impact

The Impact Fund recommendations are for Economic Development and Housing Challenge (EDHC) funds, which are state-appropriated resources provided in the form of grants that do not earn interest for the Agency.

Agency Priorities

☐ Improve the Housing System

☒ Preserve and Create Housing Opportunities

☒ Make Homeownership More Accessible

☐ Support People Needing Services

☒ Strengthen Communities

Attachments

- Background
- Request Details
- Recommended Applications Summary
- Non-Recommended Applications
- Map of Recommended Projects
- Resolution

Background

During the 2024 Legislative Session, the new EDHC eligible use of “grant funding to schools” was made available for school districts, charter schools and certain cooperative units under Minnesota Statute 462A.33, subd. 9. Under the new section of this statute, an eligible school entity may receive a grant of less than $100,000. Due to the timing of the new use being added at the end of the legislative session, this new use was a late addition to the 2024 Single Family RFP, and few applicants were successful in securing those funds. The Housing Challenge Funds for Schools RFP will make grants available prior to the start of the 2025-2026 school year in a one-time funding opportunity, as the 2024 Single Family RFP would have done. Future grant funding to eligible school entities will be managed through the Single Family RFP process.

Minnesota Housing accepted proposals for the Housing Challenge Funds for Schools RFP with applications due March 6, 2025. The Agency received nine proposals totaling $735,468, all proposing to serve communities in Greater Minnesota.

Impact Fund Eligible Activities

The Housing Challenge Funds for Schools RFP falls under the umbrella of the Impact Fund, which is available statewide. For this RFP, grants will support direct construction costs, budgeted as building materials, construction tools and professional labor, and support the following eligible activities:

- New construction of homes; and
- Acquisition, rehabilitation and resale of housing units.

Funding Recommendations

Staff recommends funding six proposals for a total of $560,467 to create or preserve six affordable homeownership opportunities. All recommended projects will serve Greater Minnesota communities. Three proposals are not recommended for funding.

Make Homeownership More Accessible

Four projects, or 67% of recommended projects, will serve households at or below 80% AMI, providing affordable homeownership for low-income households.

Preserve and Create Housing Opportunities

Five projects will create five new construction homes and one project will result in the preservation of an existing home through the acquisition, rehabilitation and resale of the unit to a low- or moderate-income homebuyer.

Strengthen Communities

The recommended projects will advance our strategic objective to strengthen communities by investing in Greater Minnesota communities and supporting affordable homeownership opportunities in workforce communities.

All projects serving Greater Minnesota communities were submitted by applicants that have not previously received funds through the Single Family RFP. The communities they will serve include the City of Bemidji, Goodhue County, Sherburne and Wright counties, Nicollet County, and Lac qui Parle, Swift, and Chippewa counties. All are classified as Workforce Housing Communities.

Each of these projects is part of a workforce development program. High school students will participate in construction. In addition to adding new affordable housing to communities, the projects will provide hands-on learning in the construction trades for the local emerging workforce.

Proposal Review and Selection Process

To determine these recommendations, staff first assessed whether each application met the threshold criteria for eligibility, completeness and timely submission. Proposals that met threshold criteria were then scored based on Competitive Selection Standards Criteria: organizational capacity, project feasibility and community need, as approved by the Agency's board of directors on March 24, 2022. Proposals needed to receive ten or more points on the Competitive Selection Standards to be recommended for funding.

Applicants that met the ten-point minimum score were then considered under the Pre-Award Risk Assessment required under Minn. Stat. § 16B.981. All applicants passed the Pre-Award Risk Assessment.

Applications that met minimum thresholds and passed the Pre-Award Risk Assessment were then assessed for competitiveness. Program staff collaborated with the legal and grants management teams in preparing recommendations to the Agency's selection committee.

Next Steps

Final funding selection letters will be sent to all organizations recommended for funding if approved by the Agency board. Selections are subject to the program requirements as outlined in the individual Grant Contract Agreements, which will be sent to recipients by August 2025.

Applicants not selected for funding through the Housing Challenge Funds for Schools RFP will receive a letter notifying them that they have not been selected. Program staff will contact each applicant and offer a one-on-one opportunity to discuss their proposal and receive technical assistance.

Request Details

Bemidji Area Schools ISD #31	
Project	Bemidji High School Build
Location	Bemidji, MN in Beltrami County
Activity	School Direct Costs – New Construction

Project Funding Details				
Requested			**Recommended**	
# of units:	1		**# of units:**	1
Funding Requested:	$99,750		**Challenge Grant Recommended:**	$99,750

Organization Information

The applicant is a school district that serves the city of Bemidji and surrounding area.

Since 1994, the Bemidji High School construction program has partnered with Headwaters Housing Development Corporation (HHDC) to build more than 50 homes. The collaboration expanded to include Northwest Technical College (NTC), whose Building Trade program students assist with electrical, plumbing and HVAC systems installation.

Project Description

Funds will be used to build a single-family home in Bemidji. The applicant will serve households at or below 115% AMI.

The applicant will build a four-bedroom, single-family home that meets Universal Design standards.

The applicant will partner with the following entities:

- HHDC – non-profit developer
- NTC – students will assist with electrical, plumbing and HVAC system installation under the supervision of a licensed professional
- Lake-N-Woods Realty – guide buyers through income limits and eligibility requirements

A Bemidji High School educator will oversee construction, with labor provided by Bemidji High School and NTC students. NTC will have licensed professionals oversee students working on electrical, plumbing and HVAC installation. HHDC is securing land and has committed $200,000 in leverage. HHDC provides financial assistance and administrative support to sustain the partnership, while the high school provides an experienced instructor and student workforce to complete the construction.

Construction Costs

Building Materials estimate: $94,750

Construction Tools estimate: $5,000

Subcontractors and Professional Labor estimate: $0

Goodhue Public Schools ISD253	
Project	Goodhue Wildcat Construction
Location	City of Goodhue, Goodhue County
Activity	School Direct Costs – New Construction

Project Funding Details				
Requested			**Recommended**	
# of units:	1		**# of units:**	1
Funding Requested:	$99,030		**Challenge Grant Recommended:**	$99,030

Organization Information

The applicant is a school district that serves Goodhue County.

The Goodhue High School construction program is currently building a home with a design similar to the proposed project. Through its partnership with Goodhue County Habitat for Humanity (GCHFH), the applicant gains valuable expertise and experience to support the project's success. GCHFH has constructed more than 50 homes across various communities in the county. Additionally, qualified subcontractors will be engaged to handle the more technical aspects of the home construction.

Project Description

Funds will be used to build a single-family home in Goodhue. The applicant will serve households at or below 80% AMI.

The applicant will build a single-family home, then relocate it to a permanent site at the end of the school year. The applicant will partner with GCHFH for general contractor services, homebuyer education and financial counseling, real estate and brokerage services, household selection and lending. GCHFH already owns the lots.

A Goodhue Schools instructor will supervise and train construction students in safety and construction techniques. Students will also receive a general orientation to individual trades from qualified subcontractors working on the project.

The applicant has secured many donated tools, and local contractors have donated their time and expertise to the project. GCHFH is seeking property tax relief from the county until the home is sold, as well as building permit forgiveness from both the city and the county. Additionally, GCHFH has secured donated labor for the roof installation. The project will also utilize Habitat for Humanity International donations for appliances, hardware, blinds and other materials available.

Construction Costs

Building Materials estimate: $0

Construction Tools estimate: $29,730

Subcontractors and Professional Labor estimate: $69,300

ISD 728	
Project	ISD 728 & Central MN Habitat for Humanity Partnership
Location	Sherburne and Wright counties
Activity	School Direct Costs – New Construction

Project Funding Details				
Requested			**Recommended**	
# of units:	1		**# of units:**	1
Funding Requested:	$100,000		**Challenge Grant Recommended:**	$99,999

Organization Information

The applicant is a school district serving predominantly Sherburne, Wright, Hennepin and Anoka counties. Elk River High School serves Sherburne and Wright counties.

The ISD 728 school district has not previously built new construction homes, although they do have an active construction program and have built 15 sheds over the past five years. The Elk River High School construction program instructor is Career and Technical Education (CTE)-licensed with 15 years of teaching experience and extensive residential construction experience. Their partner, Central Minnesota Habitat for Humanity (CMHFH), has been building homes in the area since 1989, and has built 11 homes in the last five years in partnership with area schools including St. Cloud Tech, St. Stephen-Sartell High School and Rocori.

Project Description

Funds will be used to build a home in Sherburne or Wright County. The applicant will serve a household at or below 80% AMI.

The applicant will build a single-family, visitable, ADA-compliant, and Energy Star-rated three-bedroom home at Elk River High School, which will then be moved to a site to be acquired at a future date. Students will build the frame, install walls and insulation, attach the roof, and help to finish trim.

The applicant will partner with CMHFH, which will provide a general contractor, real estate and brokerage services, family selection and lending. Their support includes technical expertise, construction materials, inspections, permitting assistance, connections to subcontractors, and volunteers to complete any work unfinished at the end of the school year. CMHFH will acquire the lot, ensure that the homebuyer is eligible, and ensure that appropriate pre-purchase education is conducted.

A study by St. Stephen-Sartell High School, a CMHFH partner, shows that over 50% of participating students continue in construction trades or post-secondary construction trade education.

Construction Costs

Building Materials estimate: $84,999

Construction Tools estimate: $15,000

Subcontractors and Professional Labor estimate: $0

Kenyon-Wanamingo Public Schools ISD2172	
Project	Kenyon-Wanamingo Knights Construction
Location	Goodhue County, City of Kenyon
Activity	School Direct Costs – New Construction

Project Funding Details				
Requested			**Recommended**	
# of units:	1		**# of units:**	1
Funding Requested:	$61,690		**Challenge Grant Recommended:**	$61,690

Organization Information

The applicant is a school district serving Goodhue County and the high school that will build the home is located in Kenyon.

The applicant is in the process of completing their first home build using a design similar to the one proposed for this project. They partner with Goodhue County Habitat for Humanity (GCHFH), which has constructed more than 50 homes using volunteer labor in their service area. GCHFH staff is experienced in new home construction; the logistics of coordinating volunteers, vendors and contractors; and managing family selection, homebuyer education and loan origination.

Project Description

Funds will be used to build a home in Kenyon. The applicant will serve households at or below 80% AMI.

The applicant will build a visitable single-family home with two or more bedrooms and a garage.

The applicant will partner with GCHFH, which will provide general contractor services, family selection and loan origination. GCHFH has acquired a lot. Students will provide significant labor for the build, and will participate in framing, roofing, siding and finishing work. The applicant has received in-kind donations of building materials, safety equipment and professional expertise.

Kenyon-Wanamingo Schools is woman-led. Additionally, GCHFH preserves long-term affordability by retaining the right to repurchase properties based on a percentage of the new market value. If the homeowner chooses to sell the home, their equity is limited, and GCHFH can sell it to a new income-qualified buyer.

Construction Costs
Building Materials estimate: $0

Construction Tools estimate: $7,390

Subcontractors and Professional Labor estimate: $54,300

Lac qui Parle Valley School District	
Project	Lac qui Parle Valley Student Build Program (SBP)
Location	Lac qui Parle, Swift and Chippewa counties
Activity	School Direct Costs – Acquisition, Rehabilitation, Resale

Project Funding Details				
Requested			**Recommended**	
# of units:	1		**# of units:**	1
Funding Requested:	$99,999		**Challenge Grant Recommended:**	$99,999

Organization Information

The applicant is a school district that serves Lac qui Parle, Swift and Chippewa counties.

Over the past five years, the applicant constructed athletic storage facilities and remodeled the school media center. Prior to that, the construction class built three homes on-site, which were moved to off-site foundations. Southwest Minnesota Housing Partnership (SWMHP) has more than 30 years of experience in single-family and multifamily new construction and rehabilitation, homeownership education and general contracting. They have been working with the City of Madison's Housing Task Force for the past year to provide solutions to housing issues, this application and project being one of them.

Project Description

Funds will be used to rehabilitate a home in Madison or the surrounding area. The applicant will serve households at or below 115% AMI.

Anticipated rehabilitation work incudes replacement of exterior doors and windows, installation of new cabinetry and flooring, updating bathroom fixtures, painting, installation of new interior millwork and more. This work has been performed by the school instructor and students in the past. Proceeds from the home sale will be used for future Student Build Program homes. The applicant has identified prospective properties but is waiting for a funding decision before acquiring a site.

The applicant is in partnership discussion with SWMHP to provide general contractor services, owner's representative services and homeownership counseling services.

They have $100,000 in committed leverage from Southwest Initiative Foundation and an in-kind commitment of $12,500 from Lein Lumber. The City of Madison EDA is providing a $25,000 no-interest gap loan. The City of Madison authorized permit fee waivers and expedited approvals.

Construction Costs

Building Materials estimate: $74,999

Construction Tools estimate: $5,000

Subcontractors and Professional Labor estimate: $20,000

Saint Peter Public Schools	
Project	2026 Essler Drive, St. Peter/Building Trades Program
Location	Nicollet County
Activity	School Direct Costs – New Construction

Project Funding Details				
Requested			**Recommended**	
# of units:	1		**# of units:**	1
Funding Requested:	$99,999		**Challenge Grant Recommended:**	$99,999

Organization Information

Saint Peter Public Schools school district serves portions of Nicollet and Le Sueur counties.

The Saint Peter High School building trades program has been operating for more than 30 years, building single-family detached homes in partnership with Habitat for Humanity of South Central Minnesota (HFHSCMN). This project will be completed using the process that has been in place for the past five years.

Project Description

Funds will be used to build a home in the City of Saint Peter in Nicollet County. The applicant will serve a household at or below 80% AMI.

The applicant will build a single-family home for a family of four that has already been identified and will partner with HFHSCMN for construction services and family selection. Every fall, the school construction program begins a new single-family detached home for HFHSCMN. Students construct the foundation, floors, walls, roof and more. The high school provides all tools and safety equipment for students' and instructors' use.

HFHSCMN acquired a lot and is responsible for project management, construction materials and bidding. An HFHSCMN site supervisor is present daily, and the HFHSCMN Construction Manager has overall project responsibility. HFHSCMN recruits and approves income-qualified buyers.

The lot is part of an income-eligible discount program with the City of Saint Peter, where the City provides a $9,500 discount. The applicant will preserve long-term affordability through HFHSCMN, which includes resale restrictions, a first right of refusal and a shared appreciation agreement.

<u>Construction Costs</u>
Building Materials estimate: $81,048

Construction Tools estimate: $18,951

Subcontractors and Professional Labor estimate: $0

Housing Challenge Funds for Schools RFP Recommended Applications Summary

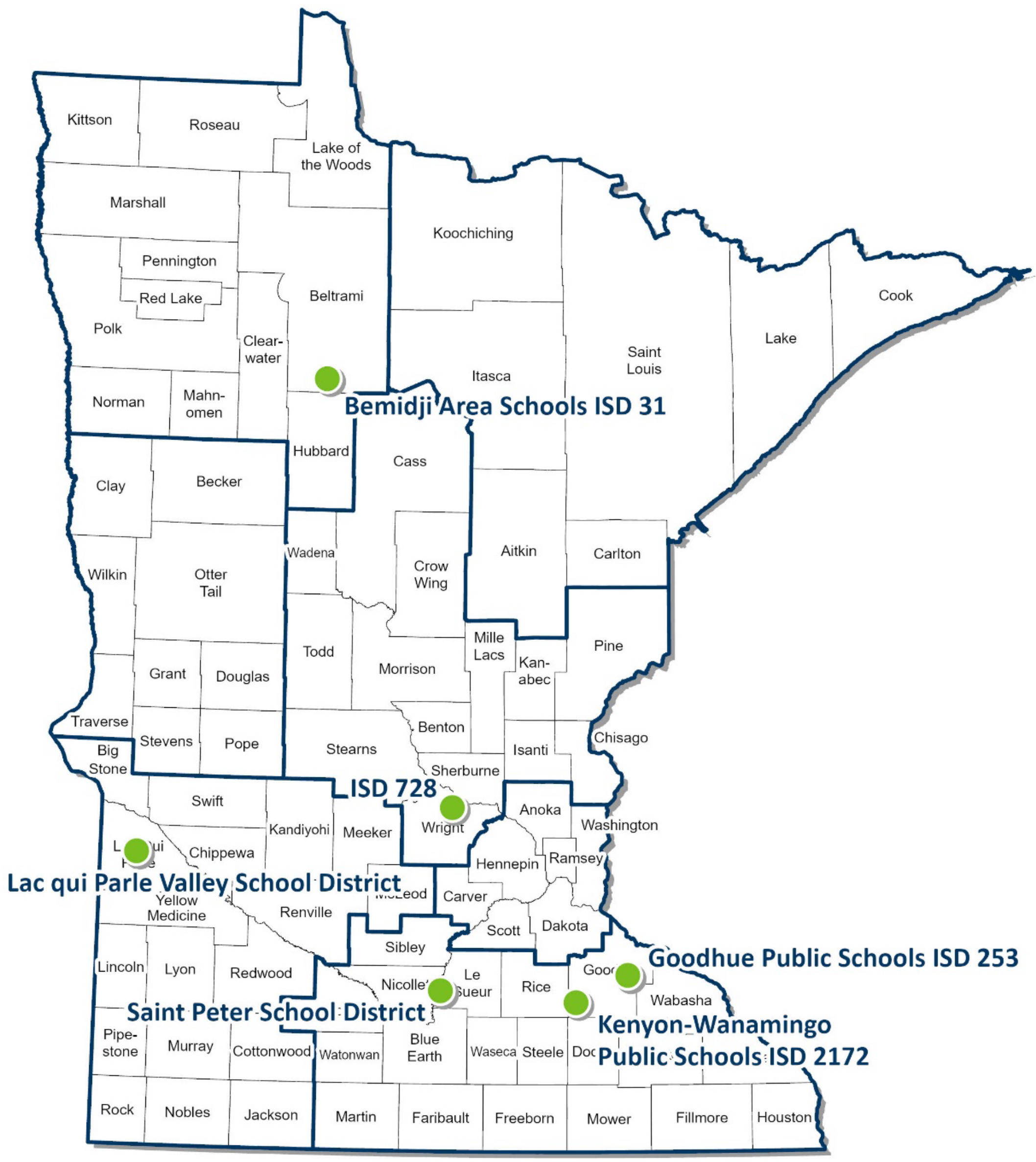
		Strategic Priorities				
Applicant – Project Name	Units	80% AMI	BIPOC-Led Entity	Woman-Led Entity	Workforce Housing	Minnesota Housing Funding
GREATER MINNESOTA						
Central						
ISD 728 - ISD 728 & Central MN Habitat for Humanity Partnership	1	Yes	No	No	Yes	$ 99,999
Total Central	**1**	**1**	**0**	**0**	**1**	**$ 99,999**
Northwest						
Bemidji Area Schools ISD #31 - Bemidji High School Build	1	No	No	No	Yes	$ 99,750
Total Northwest	**1**	**0**	**0**	**0**	**1**	**$ 99,750**
Southeast						
Goodhue Public Schools ISD253 - Goodhue Wildcat Construction	1	Yes	No	No	Yes	$ 99,030
Kenyon-Wanamingo Public Schools ISD2172 - Kenyon-Wanamingo Knights Construction	1	Yes	No	Yes	No	$ 61,690
Saint Peter Public Schools - 2026 Essler Drive, St. Peter/Building Trades Program	1	Yes	No	Yes	Yes	$ 99,999
Total Southeast	**3**	**3**	**0**	**2**	**2**	**$ 260,719**
Southwest						
Lac qui Parle Valley School District - Lac qui Parle Valley Student Build Program (SBP)	1	No	No	No	No	$ 99,999
Total Southwest	**1**	**0**	**0**	**0**	**0**	**$ 99,999**
Total GREATER MINNESOTA	**6**	**4**	**0**	**2**	**4**	**$ 560,467**

Housing Challenge Funds for Schools RFP
Non-Recommended Applications

Applicant - Project Name - Reason	Funding Requested
East Central School District #2580 - Basswood Court Housing Development - Competitive Selection Standards	$25,000
ISD 100 Wrenshall School - School House Build - Threshold	$100,000
Tracy Area Public Schools ISD #2904 - Tracy Futures: Construction Trades Progrm - Threshold	$50,000
Total	**$175,000**

Map of Recommended Projects

Housing Challenge Funds for Schools Recommendations



Date: 5/5/2025

MINNESOTA HOUSING

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

RESOLUTION NO. MHFA 25-XXX

RESOLUTION APPROVING SELECTIONS OF ECONOMIC DEVELOPMENT AND HOUSING CHALLENGE (EDHC) FOR SCHOOLS

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications to provide grant funds for single family homeownership housing units serving persons and families of low- and moderate-income; and

WHEREAS, in 2024, the state legislature created a new EDHC eligible use for grant funding to schools; and

WHEREAS, the creation of this eligible use was late in the 2024 Single Family Request for Proposals (RFP) process, so few applicants were successful under this new eligible use; and

WHEREAS, the Agency created a one-time Housing Challenge Funds for Schools RFP to make grants available prior to the start of the 2025-2026 school year, as the 2024 Single Family RFP would have done; and

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications to provide grant funds for single family homeownership housing units serving persons and families of low- and moderate-income; and

WHEREAS, Agency staff has reviewed the applications and determined that the applications are in compliance under the Agency's rules, regulations and policies; that such grants are not otherwise available, wholly or in part, from private lenders or other agencies upon equivalent terms and conditions; and that the applications will assist in fulfilling the purpose of Minn. Stat. ch. 462A.

NOW THEREFORE, BE IT RESOLVED:

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

Applicant Name	Project Name	$ EDHC Awarded
Bemidji Area Schools ISD #31	Bemidji High School Build	$ 99,750
Goodhue Public Schools ISD253	Goodhue Wildcat Construction	$ 99,030
ISD 728	ISD 728 & Central MN Habitat for Humanity Partnership	$ 99,999

Kenyon-Wanamingo Public Schools ISD2172	Kenyon-Wanamingo Knights Construction	$ 61,690
Lac qui Parle Valley School District	Lac qui Parle Valley Student Build Program (SBP)	$ 99,999
Saint Peter Public Schools	2026 Essler Drive, St. Peter/Building Trades Program	$ 99,999
	Total Awarded:	**$ 560,467**

1. The execution of the grant contract agreement for all funds awarded by the Agency in form and substance acceptable to the Agency shall occur no later than four months from the adoption date of this Resolution; and all funds must be expended and all reporting of the use of funds shall be completed within 36 months from the effective date of the grant contract agreement or loan agreement; and

2. The Commissioner is authorized to approve non-material changes in the selections; and

3. The applicant and any other parties shall execute all such documents relating to the grant contract agreement, terms and conditions, as Agency staff, in its sole discretion, deems necessary.

Adopted this 22nd day of May 2025

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CHAIR

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Item: Approval, Selection and Commitment, Housing Trust Fund (HTF) Rental Assistance Programs Request for Proposals (RFP) Selections

Action Item:	7.C
Date:	5/22/2025
Staff Contacts:	Deran Cadotte, 651.297.5230, deran.cadotte@state.mn.us Lauren Stelter, 651.296.3600, lauren.stelter@state.mn.us
Request Type:	Approval, Resolution

Request Summary

Staff requests adoption of the attached resolution authorizing $24,897,000 of Housing Trust Fund (HTF) program funds. These funds will allow the Agency to execute 50 Grant Contract Agreements with 46 administrators from October 1, 2025, through September 30, 2027, to serve an estimated 902 households each month.

Fiscal Impact

The HTF is a state appropriated resource, with individual awards structured as grants, which do not earn interest for the Agency.

Agency Priorities

☒ Improve the Housing System

☒ Preserve and Create Housing Opportunities

☐ Make Homeownership More Accessible

☒ Support People Needing Services

☒ Strengthen Communities

Attachments

- Background and Request
- Resolution

Background and Request

Program Overview:

The Housing Trust Fund (HTF) program is a state-funded rental assistance program administered by Minnesota Housing under Minnesota Statute Section 462A.201 and following Minnesota Administrative Rules 4900.3760 – 4900.3769.

The Minnesota Legislature established the HTF program in 1988 to support the development of affordable housing for low-income individuals and families. In 2001, the Minnesota Legislature made substantial changes to the HTF program, including the expansion of its eligible activities to include rental assistance and operating subsidies. Under the rental assistance activity, Minnesota Housing offers two options:

- Tenant-Based Rental Assistance (TBRA): Rental subsidies for eligible housing of the participant's choice within the administrator's service area. TBRA cannot be committed to any specific development.
- Sponsor-Based Rental Assistance (SBRA): Rental subsidies in developments that previously received capital funding through Minnesota Housing.

In 2005, the HTF program rules were modified to add a funding priority for developments and programs that serve households experiencing Long-Term Homelessness (LTH). The HTF Program's target population shifted in 2019 to require all participants to be High Priority Homeless (HPH), as assessed and referred through their local Continuum of Care (CoC) Coordinated Entry System.

Minnesota Housing contracts with eligible entities to provide temporary rental assistance and connect eligible HPH households to services. HTF Program funds may be used to provide rent directly to a property owner, as well as security deposits, application fees and other housing-related fees necessary to obtain property owner participation or to prevent repeat episodes of homelessness.

Request for Proposals:

Minnesota Housing issued the competitive HTF Request for Proposals (RFP) on November 21, 2024, with applications due on December 31, 2024. Minnesota Housing anticipates up to $25 million in available funding, including $500,000 designated for Housing Navigation services, available only to TBRA grantees.

Minnesota Housing received 53 proposals requesting a total of $40,230,932. Table 1 illustrates the applicant distribution.

Table 1: Applicant Distribution Including Number of Proposals and Amounts Requested

Applicants Requesting Funds	Funding Type	Amount Requested
38	TBRA	$ 35,825,603

Applicants Requesting Funds	Funding Type	Amount Requested
26 out of 38 TBRA requests	Housing Navigation	$ 1,418,666
15	SBRA	$ 2,986,663
53 Applicants		**$ 40,230,932**

Notable situations not reflected in Table 1:

- One current SBRA grant administrator did not reapply.
- Minnesota Housing received eight TBRA applications from new applicants. These new applicants represent an expansion into counties and demographics previously unsupported by the HTF program. These include people in workforce development programs, people on their path toward recovery, and culturally specific households.

Application Review Process:

Of the 53 applications received, two applications did not satisfy the minimum application submission threshold and one applicant did not meet the minimum application score (50 points).

Per Minn. Stat. §16B.981, Minnesota Housing conducts a pre-award risk assessment of potential grantees requesting grant awards of $50,000 or more. Consequently, 50 applicants passed and are recommended for funding. This includes 44 which are current grant administrators and six new applicants.

The application scoring was based on:

- Project design (40%)
- Capacity, including administration and performance (20%)
- Equity (30%)
- Budget (10%)

After scoring was completed, staff analyzed the relationship between the proposals and "share of need" broken out by the 10 CoC regions in Minnesota. The "share of need" is based on a methodology derived by the Urban Institute based on the number of Minnesotans in each CoC region who are (1) in poverty, (2) renters, (3) severely cost-burdened households, (4) severely overcrowded households and (5) unemployed. A Tribal share of need is also factored into the formula. In addition to the application score and the CoCs' share of need, in order to inform funding recommendations, staff also considered the following:

- Goal of minimal household disruption and need to reduce existing grantees' funding fairly and practically
- Coverage areas informed by data from the Urban Institute's share of need formula
- Reaching new populations
- Current grantees' utilization rate
- Appropriateness of budget relative to market realities and program history
- Requested amount

Housing Navigation Funds:

Up to $500,000 of the $25 million under this RFP is made available to fund Housing Navigation. These activities enhance grant utilization rates, with an emphasis on dedicated staff to provide the extra support participants may need to secure housing. Only TBRA applicants were eligible to apply for Housing Navigation funds. A total of 23 eligible Housing Navigation applications were submitted, representing $1,258,022 in requested funding.

Applications were scored on a 40-point scale based on their response to specific Housing Navigation questions. Like the TBRA/SBRA scoring, applications for Housing Navigation resources recommendations considered three factors:

- The Housing Navigation application score
- The utilization rate (actual number of households housed compared to the proposed number of households housed)
- The TBRA recommended award

Recommendations for Funding Selection:

Table 2: Tenant-Based Rental Assistance Funding Recommendations

Summary Recommendations			
Summary	**Rental Assistance**	**Housing Navigation**	**Total**
Metro - TBRA	$ 14,163,000	$ 159,000	$ 14,322,000
Greater Minnesota – TBRA	$ 7,439,000	$ 157,000	$ 7,596,000
SBRA	$ 2,979,000	$ 0	$ 2,979,000
Total	**$ 24,581,000**	**$ 316,000**	**$ 24,897,000**

The full details are in tables three through six.

Table 3: Tenant-Based Rental Assistance Funding Recommendations for the Twin Cities metropolitan area (HH = Household)

Metro - TBRA						
Metro Applicant	Request		Recommendation		Housing Navigation	
	Target HH	$	Target HH	$	Request	Recommend
Agate Housing and Services, Inc.	120	$ 4,603,204	93	$ 3,510,000	$ 69,473	$ 60,000
Avivo	40	$ 862,326	25	$ 514,000	$ 25,500	$ 15,000
Carver County CDA	18	$ 504,321	10	$ 279,000	$ 0	$ 0
Centro Nazareno de Compasion Agape Inc.*	5	$ 191,160	5	$ 135,000	$ 40,750	$ 10,000
Clare Housing	10	$ 386,640	8	$ 294,000	$ 12,699	$ 10,000
Frontier Living LLC	24	$ 553,584	7	$ 174,000	$ 25,000	$ 0
Hearth Connection	150	$ 4,476,201	112	$ 3,386,000	$ 0	$ 0
Lutheran Social Service of Minnesota	66	$ 2,056,948	45	$ 1,370,000	$ 50,000	$ 10,000
Mental Health Resources, Inc.	70	$ 1,720,320	48	$ 1,149,000	$ 0	$ 0
Mind The GAPP*	6	$ 232,648	6	$ 169,000	$ 24,000	$ 10,000
MN8	10	$ 300,000	8	$ 300,000	$ 7,500	$ 7,000

Metro - TBRA						
Metro Applicant	**Request**		**Recommendation**		**Housing Navigation**	
	Target HH	**$**	**Target HH**	**$**	**Request**	**Recommend**
Neighborhood House	12	$ 508,944	7	$ 289,000	$ 10,000	$ 7,000
Parents in Community Action*	12	$ 422,249	12	$ 198,000	$ 0	$ 0
Project for Pride in Living, Inc.	20	$ 720,960	14	$ 499,000	$ 0	$ 0
South Metro Human Services dba RADIAS Health AHAP	66	$ 1,462,032	48	$ 1,031,000	$ 0	$ 0
Touchstone Mental Health*	12	$ 667,230	12	$ 180,000	$ 0	$ 0
Women's Advocates	41	$ 1,419,410	10	$ 329,000	$ 10,000	$ 10,000
YouthLink	20	$ 1,836,400	8	$ 258,000	$ 147,650	$ 10,000
Young Women's Christian Association of St. Paul*	4	$ 99,349	4	$ 99,000	$ 56,278	$ 10,000
Total	**706**	**$ 23,023,926**	**482**	**$ 14,163,000**	**$ 478,850**	**$ 159,000**

* New applicant

Table 4: Tenant-Based Rental Assistance Funding Recommendations for Greater Minnesota (HH = Houshold)

Greater Minnesota - TBRA						
Greater Minnesota Applicant	**Request**		**Recommendation**		**Housing Navigation**	
	Target HH	**$**	**Target HH**	**$**	**Request**	**Recommend**
Bi-County Community Action Programs, Inc.	65	$ 1,219,175	27	$ 489,000	$ 130,250	$ 35,000
Bois Forte Band of Chippewa	10	$ 435,960	4	$ 151,000	$ 184,704	$ 10,000
Housing & Redevelopment Authority of Clay County	95	$ 2,595,805	63	$ 1,685,000	$ 146,400	$ 10,000
Family Rise Together	16	$ 498,208	5	$ 149,000	$ 11,775	$ 10,000
Hearth Connection	128	$ 3,302,819	100	$ 2,443,000	$ 0	$ 0
Housing and Redevelopment Authority of Bemidji	15	$ 196,020	7	$ 85,000	$ 0	$ 0
Housing and Redevelopment Authority of Itasca County	7	$ 131,782	7	$ 119,000	$ 16,154	$ 10,000
Leech Lake Reservation Housing Authority	11	$ 349,968	4	$ 83,000	$ 0	$ 0
Lutheran Social Service of Minnesota	14	$ 431,124	8	$ 236,000	$ 32,850	$ 10,000
MAHUBE-OTWA Community Action Partnership, Inc.	52	$ 1,526,304	24	$ 675,000	$ 173,000	$ 30,000

Greater Minnesota - TBRA						
Greater Minnesota Applicant	Request		Recommendation		Housing Navigation	
	Target HH	$	Target HH	$	Request	Recommend
Olmsted County HRA	35	$ 943,320	25	$ 661,000	$ 32,567	$ 20,000
Recovery is Happening*	10	$ 313,610	10	$ 177,000	$ 61,600	$ 10,000
Red Lake Band of Chippewa Indians	8	$ 274,312	3	$ 93,000	$ 0	$ 0
South Central Minnesota Multi-County Housing and Redevelopment Authority	12	$ 289,860	7	$ 162,000	$ 2,611	$ 2,000
Southwest Minnesota Housing Partnership	6	$ 123,340	6	$ 119,000	$ 0	$ 0
Tri-Valley Opportunity Council, Inc.	8	$ 170,070	6	$ 112,000	$ 12,261	$ 10,000
Total	**492**	**$ 12,801,677**	**306**	**$ 7,439,000**	**$ 804,172**	**$ 157,000**
* New applicant						

Table 5: Total Tenant-Based Rental Assistance Funding Recommendation

Total - TBRA						
	Request		Recommendation		Housing Navigation	
	Target HH	$	Target HH	$	Request	Recommend
Total HTF TBRA	**1,198**	**$ 35,825,603**	**788**	**$ 21,602,000**	**$ 1,258,022**	**$ 316,000**

Table 6: Total Sponsor-Based Rental Assistance Funding Recommendation

SBRA				
Applicant	**Development**	**Target HH**	**Request**	**Recommend**
Amherst H. Wilder Foundation	Minnesota Place	10	$ 144,490	$ 144,000
Beacon Interfaith Housing Collaborative	Audubon Crossing	4	$ 90,845	$ 90,000
Common Bond Communities	Vicksburg Commons	4	$ 134,662	$ 134,000
D.W. Jones Management	River Rock Townhomes	6	$ 96,120	$ 96,000
Firehouse #1 Limited Partnership	Firehouse Flats	4	$ 36,200	$ 36,000
Indigenous Peoples Task Force	Maynidoowahdak Odena	10	$ 318,000	$ 318,000
Jeremiah Program	The Jeremiah	4	$ 186,816	$ 186,000
Lutheran Social Service of Minnesota	Cedarview Commons	14	$ 503,566	$ 503,000
Lutheran Social Service of Minnesota	The Crossing at Big Lake Station	4	$ 57,876	$ 57,000
Lutheran Social Service of Minnesota	The Depot at Elk River	4	$ 54,760	$ 54,000
New Pathways, Inc.	Normandy Townhomes	6	$ 131,805	$ 131,000
Project for Pride in Living, Inc.	Camden Apartments	10	$ 364,248	$ 364,000
Project for Pride in Living, Inc.	Scattered site	16	$ 543,280	$ 543,000
South Metro Human Services dba RADIAS Health	Crane Ordway	14	$ 214,536	$ 214,000
Young Women's Christian Association of St. Paul	Oxford	4	$ 109,459	$ 109,000
	Total SBRA Funding Recommendation	**114**	**$ 2,986,663**	**$ 2,979,000**

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

RESOLUTION NO. MHFA 25-XXX

RESOLUTION APPROVING SELECTION/COMMITMENT FOR HOUSING TRUST FUND RENTAL ASSISTANCE PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications to provide rental assistance and housing navigation to households in various service areas of the state through the Housing Trust Fund program; and

WHEREAS, Agency, other State staff and community members have reviewed the applications and recommend that this selection of grantees; and

WHEREAS, Agency staff have determined that the applications are in compliance with the Agency's rules, regulations and policies; and that the applications will assist in fulfilling the purpose of Minn. Stat. 462A.201.

NOW THEREFORE, BE IT RESOLVED:

THAT, the board hereby authorizes Agency staff to enter into Grant Contract Agreements using state and Agency resources outlined in this resolution, subject to changes allowable under Agency and Board policies:

1. Agency staff shall review and approve the following recommended grantees for up to the total recommended amount for a grant period of October 1, 2025, to September 30, 2027;

Housing Trust Fund Selection

D#	Housing Trust Fund Administrator	2025-2027 Award
D3747	Agate Housing and Services, Inc.	$ 3,570,000
D3859	Amherst H. Wilder Foundation (Minnesota Place)	$ 144,000
D8460	Avivo	$ 529,000
D5895	Beacon Interfaith Housing Collaborative (Audubon Crossing)	$ 90,000
D2211	Bi-County Community Action Programs, Inc.	$ 524,000
D8641	Bois Forte Band of Chippewa	$ 161,000
D1971	Carver County Community Development Agency	$ 279,000
D8819	Centro Nazareno de Compasion Agape Inc.	$ 145,000
D5883	Clare Housing	$ 304,000
D5967	Clay County Housing & Redevelopment Authority	$ 1,695,000

D#	Housing Trust Fund Administrator	2025-2027 Award
D3874	Common Bond Communities (Vicksburg Commons)	$ 134,000
D5208	D.W. Jones Management, Inc. (River Rock Townhomes)	$ 96,000
D8642	Family Rise Together	$ 159,000
D6699	Firehouse #1 Limited Partnership (Firehouse Flats)	$ 36,000
D8643	Frontier Living, LLC	$ 174,000
D5478	Hearth Connection (Greater Minnesota)	$ 2,443,000
D5479	Hearth Connection (TC Metro)	$ 3,386,000
D6181	Housing and Redevelopment Authority of Bemidji	$ 85,000
D7683	Housing and Redevelopment Authority of Itasca County	$ 129,000
D2151	Indigenous Peoples Task Force (Maynidoowahdak Odena)	$ 318,000
D4073	Jeremiah Program (The Jeremia)	$ 186,000
D8258	Leech Lake Band of Ojibwe Housing Authority	$ 83,000
D3910	Lutheran Social Service of Minnesota (United—TC Metro)	$ 1,380,000
D3910	Lutheran Social Service of Minnesota (Central—Greater Minnesota)	$ 246,000
D3589	Lutheran Social Service of Minnesota (Cedarview Commons)	$ 503,000
D5900	Lutheran Social Service of Minnesota (The Crossing at Big Lake Station)	$ 57,000
D6339	Lutheran Social Service of Minnesota (The Depot at Elk River)	$ 54,000
D2022	MAHUBE-OTWA Community Action Partnership, Inc.	$ 705,000
D6280	Mental Health Resources, Inc.	$ 1,149,000
D8645	MN8	$ 307,000
D8816	Mind The G.A.P.P.	$ 179,000
D3865	Neighborhood House	$ 296,000
D6253	New Pathways, Inc.	$ 131,000
D3533	Olmsted County Housing & Redevelopment Authority	$ 681,000
D8817	Parents in Community Action	$ 198,000
D3744	Project for Pride in Living, Inc. (Achieving Through Stability)	$ 499,000
D6194	Project for Pride in Living, Inc. (Camden Apartments)	$ 364,000
D6194	Project for Pride in Living, Inc. (Heading Home)	$ 543,000
D8818	Recovery is Happening	$ 187,000
D6232	Red Lake Band of Chippewa Indians	$ 93,000
D3558	South Central Minnesota Multi-County Housing and Redevelopment Authority	$ 164,000

D#	Housing Trust Fund Administrator	2025-2027 Award
D2217	South Metro Human Services dba RADIAS Health	$ 1,031,000
D3813	South Metro Human Services dba RADIAS Health (Crane Ordway)	$ 214,000
D5899	Southwest Minnesota Housing Partnership	$ 119,000
D8824	Touchstone Mental Health	$ 180,000
D3853	Tri-Valley Opportunity Council, Inc.	$ 122,000
D1585	Women's Advocates	$ 339,000
D8646	YouthLink	$ 268,000
D3875	Young Women's Christian Association of St. Paul (Oxford)	$ 109,000
D3875	Young Women's Christian Association of St. Paul	$ 109,000
	TOTAL	**$ 24,897,000**

2. The approval is contingent on legislative approval of Housing Trust Fund appropriations in sufficient amounts to fund the awards; and

3. The issuance of Grant Contract Agreements in form and substance acceptable to Agency staff and the execution of the Grant Contract Agreements shall occur no later than nine months from the adoption date of this Resolution; and

4. The grantees and such other parties shall execute all such documents relating to said grants, as Agency staff, in its sole discretion, deems necessary.

Adopted this 22nd day of May 2025

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CHAIR

Item: Approval, Property Owner Risk Mitigation Fund Program Guide

Action Item: 7.D
Date: 05/22/2025
Staff Contacts: Lauren Stelter, 651.296.3600, lauren.stelter@state.mn.us
Joel Salzer, 651.296.9828, joel.salzer@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff requests approval of the Property Owner Risk Mitigation Fund (RMF) Program Guide.

Fiscal Impact

The program is funded by state appropriations.

Agency Priorities

☒ Improve the Housing System

☒ Preserve and Create Housing Opportunities

☐ Make Homeownership More Accessible

☒ Support People Needing Services

☒ Strengthen Communities

Attachments

- Background
- Property Owner Risk Mitigation Program Guide

Background

The Property Owner Risk Mitigation Fund (RMF) program was funded one-time for $1,000,000 as part of Family Homeless Prevention and Assistance Program (FHPAP) state appropriation resulting from the 2023 legislative session. This program was established in Minnesota Laws 2023, chapter 37, article 1, section 2, subdivision 9(b).

The RMF program is intended to encourage property owners to rent to households with high barriers to housing through financial incentives and support. Program funds may be used to recruit and enroll rental property owners, strengthen partnerships and reduce owners' financial risks by offering damage or financial loss claim reimbursements for eligible expenses.

Staff conducted a comprehensive review of Minnesota Housing's 2016 Landlord Risk Mitigation Fund (LRMF) pilot program. The LRMF pilot was initially funded with $250,000 in legislative appropriations and an additional $100,000 from Minnesota Housing. Successful strategies and activities from the pilot have been integrated into the new RMF guidelines to enhance service delivery and expand access to housing for high-barrier populations.

The RMF Program Guide outlines the specific legislative parameters for this program and includes the legal requirements that apply to all Minnesota Housing programs. Staff is seeking board approval for the program guide.

The grant funding for this program will be distributed through a competitive request for proposals (RFP) in accordance with the policies established by the Minnesota Department of Administration's Office of Grants Management (OGM). Grantees that receive program funds will develop and manage their proposed programs, with specific program parameters detailed in individual grant contract agreements based on the grantee's application, grantee's program guide, budget and workplan.

The RFP will include the following eligibility criteria:

Eligible Grantees

The RMF program requires grantees to be:

- Federally recognized Tribal Nations in Minnesota;
- Twin Cities metropolitan counties, which include Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties; or
- Non-metropolitan areas, which include a county, a group of contiguous counties jointly acting together, or a community-based nonprofit organization.

Eligible Households

RMF program grantees will engage rental property owners to lease to eligible households that meet the following criteria:

- Household income must be at or below 200% of federal poverty guidelines;

- Households must be Minnesota residents, or a household otherwise approved in writing by Minnesota Housing, approval of which is at Minnesota Housing's sole discretion; and
- Households must be homeless or at imminent risk of homelessness and in need of services and/or financial assistance due to a housing crisis.

Eligible Activities

The eligible activities may include:

- Recruit property owner participation into the RMF Program through outreach, program materials, education and information delivery, relationship building and program enrollment activities;
- Maintain property owner participation through ongoing engagement, connection to resources and tenancy support services (including the household's service provider who is required to make services available through the initial lease term);
- Partner with household referral entities and service providers to ensure a connection is made between eligible households and vacant units of enrolled property owners;
- Mediation and other services that facilitate rental relationships and reduce loss claims; and
- Reimbursement of property owners for certain property damages and housing related financial losses that exceed the security deposit amount.

The RMF program addresses barriers experienced by eligible households that typically exclude them from housing opportunities. Through grantee education and engagement of rental property owners, ensuring support services for both the household and property owner and offering a damage/financial loss reimbursement guarantee, implementation of the RMF program aims to expand housing options and stability across the state.

The RFP is anticipated to be issued in Summer 2025, with funding recommendations anticipated to be presented for board approval in early 2026.

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Property Owner Risk Mitigation Fund

Program Guide

Last Updated: May 22, 2025

Introduction and Commitment to Equity

1.01 Introduction

The Property Owner Risk Mitigation Fund Program (the "RMF Program") was established pursuant to Minnesota Laws 2023, chapter 37, article 1, section 2, subdivision 9(b), allowing up to $1,000,000 of Family Homeless Prevention and Assistance Program (FHPAP) appropriated funds to be used to create or expand risk mitigation programs to reduce the financial risk of property owners renting to eligible households under FHPAP as governed by Minnesota Statute 462A.204.

These funds will be available through the RMF Program and will be distributed through a competitive Request for Proposals (RFP), awarded as grants, and subject to all policies established by the Minnesota Department of Administration Office of Grants Management.

The legislation establishing the Program allows for Minnesota Housing to give priority to applicants that demonstrate a matching amount of money by a local unit of government, business, or nonprofit organization.

Minnesota Housing reserves the right to correct technical errors or clarifications as well as to incorporate any new legislative requirements to this Program Guide as needed and with approval of the Assistant Commissioner of the Housing Stability Division. Any significant changes to the Program Guide will be approved by the Minnesota Housing board. Grantees will be notified of any changes to this Program Guide by email. The updated Program Guide will be posted on Minnesota Housing's website.

Language Shift: Landlord to Property Owner

Minnesota Session Law uses the term "landlord" risk mitigation in the authorization and appropriation for this Program. The words "property owner" will be used in place of the term landlord throughout the Program Guide and corresponding RFP Application. This shift is informed by partners and renters and acknowledges the historical and negative connotations associated with the term landlord. Related, the term "renter" will be used instead of "tenant" for the leaseholder.

1.02 Values Statement

All Minnesotans live and thrive in a stable, safe, and accessible home they can afford in a community of their choice. To achieve the concept of One Minnesota where everyone thrives, we will reorient how we work and expand who has a voice at the table and who participates in and benefits from the housing economy.

We will:

- Center the people and places most impacted by housing instability at the heart of our decision making;
- Listen and share the power we have;
- Honor, respect and strengthen communities; and
- Be inclusive, equitable, just and antiracist in our actions.

1.03 Commitment to Equity

One of Minnesota Housing's values is to be inclusive, equitable and just in its actions, as stated on our About Us webpage and in our Strategic Plan. This not only includes supporting a new state plan that focuses on racial, housing, and health justice, but it also extends to Minnesota Housing's funding commitments, including FHPAP and programs funded through FHPAP.

To further address the racial disparities that exist among Minnesotans experiencing homelessness, Minnesota Housing prioritizes working with grant administrators who will be successful at improving housing stability for communities disproportionately impacted by homelessness, including those who can provide culturally specific services.

Minnesota Housing expects Grant Applicants to have developed a fair and transparent process for soliciting providers to meet the needs identified in their community. Before finalizing a program design and submitting an application, Minnesota Housing strongly encourages all potential applicants to engage and consult with:

- People with lived experience of homelessness;
- Property owners;
- Tribal governments if the proposed coverage area(s) include Tribal Reservations;
- FHPAP Advisory Committee in potential coverage area(s);
- Continuum of Care region(s) in potential coverage area(s); and/or
- Other service and housing providers, agencies, local governments, and schools.

The RMF Program expects Grantees to provide Culturally Responsive and Trauma-Informed services. This includes providing household support with patience and empathy.

Minnesota Housing staff addresses equity when awarding funds and strives to maintain transparent and clear communication.

1.04 Terms and Definitions

Appendix A (Terms and Definitions) includes definitions of capitalized terms used in this Program Guide.

1.05 Legal Addendum

Any recipient of an award pursuant to the Program agrees to comply with the additional requirements and obligations as described in Appendix B (Legal Addendum) of this Program Guide.

1.06 Program Overview

The RMF Program is intended to reduce risks to property owners in efforts to expand housing opportunities for households with barriers to accessing housing or those unable to obtain housing without additional funding coverage or guarantees in place. Grant Proceeds are used to create or expand risk mitigation programs to recruit and engage property owners, reimburse property owners for damages or other eligible financial losses, link property owners and renter households to tenancy support services, and establish other strategies to support property owners serving eligible households.

Households served by property owners under this Program must be eligible under the FHPAP guidelines outlined in the FHPAP Program Guide. While Grant Proceeds will be directed only to services, activities, and reimbursements for property owners, Grant outcomes will be tracked for both property owners and renters.

Chapter 2 – Eligibility Criteria

2.01 Eligible Grantees

Eligible Grantees do not have to be current FHPAP Grantees but must meet FHPAP Grantee eligibility criteria as follows:

- Tribal Nations, including those recognized by the state of Minnesota and the federal government: Bois Forte Band of Chippewa, Fond du Lac Band of Lake Superior Chippewa, Grand Portage Band of Lake Superior Chippewa, Leech Lake Band of Ojibwe, Lower Sioux Indian Community, Mille Lacs Band of Ojibwe, Prairie Island Indian Community, Red Lake Nation, Shakopee Mdewakanton Sioux Community, Upper Sioux Community, and the White Earth Nation;
- Twin Cities metropolitan counties, which include Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties;
- Non-metropolitan areas, which include a county, a group of contiguous counties jointly acting together, or a community-based nonprofit organization; and
- Collaborative applications, including those from Continuum of Care regions and Tribal Nations, are encouraged.

2.02 Eligible Households

Eligible households of the RMF Program must meet the following criteria:

- Household income must be at or below 200% of federal poverty guidelines;
- Households must be Minnesota residents, or a household otherwise approved in writing by Minnesota Housing, approval of which is at Minnesota Housing's sole discretion; and
- Households must be homeless or at imminent risk of homelessness and in need of services and/or financial assistance due to a housing crisis.

Grantees may add additional criteria in some circumstances, such as:

- Grantees may choose to further restrict household income below 200% of federal poverty guidelines to target households with the greatest need.
- Grantees or Subgrantees that specialize in serving a specific population, such as youth or families, may target those households.

Chapter 3 – Eligible Activities and Expenses

Grant funds may be used by the Grantee to:

- Administer the RMF Program;
- Provide Property Owner Services to recruit and maintain property owner participation into the RMF Program;
- Reimburse property owners for certain property damages and housing related financial losses that exceed the security deposit. See section 3.03 of this document for more information.

3.01 Administration of the RMF Program

Up to 15% of the Grant Budget may be used for eligible program administrative expenses, including:

- Salaries, wages, and fringe benefits of staff responsible for program oversight, working directly with property owners and completing data entry and reporting (the full-time equivalent must be proportional to their program involvement)
- Hiring or staff retention bonuses may be eligible only if requested at the time of application and included on the approved budget which is an exhibit to the Grant Contract Agreement
- Travel
- Office space, utilities, equipment, phone, computer, internet
- Tablets, hotspots, data storage/security, and other software (cloud storage, data storage, Laserfiche, language line)
- Supplies, copies, postage
- Training
- Homeless Management Information System (HMIS) (or other pre-approved) software and reporting fees
- Financial compensation for persons with lived experience who are involved in the planning, design and evaluation of RMF Program activities as identified in the documents the Grantee uses to demonstrate compliance with program requirements
- Audit, insurance, accounting, human resources, information technology, communications, translation services
- Digital or Electronic Signatures (eSignatures), specifically the expenses associated with the set up and ongoing maintenance of eSignature services
- Other expenses directly related to the Program, which must be approved in writing by Minnesota Housing

Agencies that utilize cost allocation plans for administrative expenses will be required to provide a description in the work plan that is submitted as part of due diligence.

3.02 Property Owner Services

Up to 50% of the Grant Budget may be used to:

- Develop the Program design and materials, including the documents the grantee uses to reflect demonstration of compliance with Program requirements
- Market the Program and recruit property owners to participate
- Build relationships and network with property owners
- Explain the Program and educate property owners
- Enroll property owners into the Program
- Maintain contact and engagement with property owners during the Program
- Establish Property Owner Services, as appropriate (these services must be offered at least for the duration of the initial lease).
- Minnesota Housing may approve, at its sole discretion, other uses as proposed by the applicant to recruit, engage and support property owners.

3.03 Property Owner Payments

Property owner payments are allowed in the form of reimbursements. The guarantee of reimbursement payments, when eligible, may be used to motivate owners to enroll in the RMF Program and rent to a person who they may otherwise not rent to due to housing barriers. In the Request for Proposal (RFP), the Grantee will provide the criteria a property owner must meet to be eligible for enrollment in the program and a description of what outcome each criteria item targets. Reimbursement payments may only be made to the property owner if there is documentation verifying that the property owner has met all criteria required for enrollment by the Grantee.

A property owner enrolled in the RMF program may receive reimbursement payments for damages or other eligible financial losses that exceed the security deposit amount. Grantees may determine a cap for reimbursement payments to a property owner. Eligibility for reimbursement payments related to repairs are dictated by whether a repair is needed to maintain safety, security and/or habitability of a rental unit or property. Reimbursement payments may only be made to the property owner if there is itemized documentation for each repair. Reimbursement payments may also be made for costs incurred or resources expended to facilitate meeting a Grantee's required program criteria or to rent to eligible households.

Chapter 4 – Ineligible Activities and Expenses

Activities and expenses that are not eligible under this grant include:

- Acquiring, rehabilitating, or constructing housing.
- Housing navigation and/or case management services to households seeking or maintaining housing.
- Rental assistance.
- Other housing related expenses not otherwise listed as eligible within this Program Guide (application fees, past due bills, utility connection fees, rental arrears, etc.).

Chapter 5 – Budget

5.01 Budget Modifications Not Requiring Pre-Approval

Grantees are not required to seek Minnesota Housing approval for the following budget modifications but are required to inform Minnesota Housing staff in writing of these budget modifications within two working days of a modification.

- Moving funds between existing line items within a distinct budget category (Administration, Property Owner Services, Property Owner Payments).
- Moving funds from Administration to Property Owner Services (provided Owner Services do not exceed 50% of the total budget unless it is specifically allowed in the Grant Contract Agreement) and Property Owner Payments.
- Moving funds from Property Owner Services to Property Owner Payments.
- Moving funds between a Grantee’s and Subgrantee’s budget or moving funds from one Subgrantee’s budget to another Subgrantee’s budget, provided that moving funds will not impact the program design outlined in the application and aligns the aforementioned items.
- Moving funds from one program year to another.

5.02 Budget Modifications Requiring Pre-Approval

Any budget modification not listed above requires approval from Minnesota Housing. When requesting a budget modification, Grantees must submit the following information in writing to Minnesota Housing staff:

- The reason for the request,
- The amount of funds proposed to be shifted,
- The expense categories that funds will be moved to and from,
- If Subgrantees will be impacted, and
- If there will be an impact to the program design outlined in the application.

Minnesota Housing may choose, at its sole discretion, to not allow a budget modification. If Minnesota Housing does not allow a budget modification the Grantee must revert to the previously approved budget.

Budget modifications may require a Grant Contract Agreement amendment which must be approved by agency leadership and/or the board.

Chapter 6 – Grantee Requirements

6.01 Subgrantees

Grantees must complete formal contracts with any Subgrantees and require, at a minimum, the same expectations that Minnesota Housing requires of Grantees. Subgrantee agreements must be fully signed before the Subgrantees can begin serving households. Additionally, Grantees should ensure that communication received from Minnesota Housing is relayed to Subgrantees.

6.02 Financial

Grantees will prepare and submit to Minnesota Housing reimbursement requests that detail actual expenditures in alignment with eligible activities and expenses outlined in the Grantee's approved budget.

Grantees and Subgrantees are required to demonstrate and track that funds have been expended on eligible activities. Grantees are required to monitor their rate of expenditures to last the duration of the grant period. The rate of expenditures will be considered when evaluating overall Grantee performance as part of the competitive application process.

6.03 Digital or Electronic Signatures

For any documents that require a signature to complete the application or other supporting documentation, handwritten, Digital and Electronic Signature (eSignature) options must be made available. Grantees may use DocuSign or Adobe eSign to create a Digital or Electronic Signature; other Digital or Electronic Signature software requires written approval from Minnesota Housing before being used.

6.04 Monitoring and Evaluation

State Monitoring of Grantees

Minnesota Housing will monitor Grantees in compliance with the Department of Administration Office of Grants Management Policy 08-10, including:

- Owner file review: Grantee must develop and define what owner file must include. Contents should include documentation that demonstrates compliance with program requirements.
- Renter eligibility review
- Financial reconciliation: Grantees must submit the following documentation, as applicable:
    - A job cost report or general ledger, including receipts and expenses for the requested period such as:
        - Bank statements

    - Payroll records
    - Third-party verification such as invoices and receipts
  - The job cost report or general ledger should only include RMF Program related receipts and expenses and should not include non-RMF Program related receipts/expenses.

More detailed information will be provided to Grantees prior to monitoring and will include an overall program review, including Grantee policies and procedures, governance, and administrative performance.

Following conclusion of the monitoring activities, Minnesota Housing staff will conduct an exit interview with the Grantee summarizing the results. Grantees will be notified if follow-up is required. Upon timely completion of follow-up items, Minnesota Housing staff will issue a monitoring review summary letter.

Grantees and Subgrantees are responsible for maintaining financial records that document the use of all RMF Program funds, including those used for Property Owner Services, Property Owner Payments, and administrative costs. Grantees and Subgrantees are expected to maintain all financial and owner records for a minimum of six years after the grant period has ended.

In addition, Minnesota Housing reserves the right to review all financial and owner records during this period, and records must be made available upon request.

Grantees Monitoring Subgrantees (as appropriate)

Grantees are required to conduct monitoring of Subgrantee activities in accordance with the Grant Contract Agreement and the Department of Administration Office of Grants Management Policy 08-10. Grantees must establish a procedure to review and validate claims and reimbursements. Outcomes of the monitoring visit must be documented and available to Minnesota Housing and other stakeholders upon request.

Minnesota Housing encourages grantees to consult with an existing advisory committee in development of monitoring and evaluation. Grantees are strongly encouraged to consult with Minnesota Housing staff promptly if they identify any Subgrantee performance concerns, through monitoring or any other means, in areas such as financial management or service delivery. Further action may be recommended or required, such as providing additional monitoring or developing a performance improvement plan with the Subgrantee.

Grantees should establish an HMIS reporting deadline for Subgrantees in advance of the due date established by Minnesota Housing to provide sufficient time to review data quality. Grantees should work with their Subgrantees to fix data quality issues and then inform Minnesota Housing of the "ready" status. Grantees may also act as a liaison between the Subgrantee and the HMIS administrator helpdesk staff if there are data or reporting issues. Grantees will be provided with specific reporting information in advance of the reporting period.

6.05 Quarterly and Annual Reporting

Grantees will be provided with a Quarterly Report template that must be submitted to Minnesota Housing 45 calendar days after the completion of each reporting period.

Grantees will be provided with an Annual Report template that must be submitted to Minnesota Housing 45 calendars after the completion of each 12-month period.

A specific RMF Program Report Timeline will be provided to the Grantee as an exhibit to the Grant Contract Agreement. Note that report dates are subject to change. Grantees will receive email notifications of all report deadlines.

6.06 Homeless Management Information System (HMIS)

The Institute for Community Alliance is the designated Lead Agency for Minnesota's HMIS. RMF Grantees will be required to ensure that certain data of households served under the RMF is entered into HMIS. This data entry may be completed by the Grantee or the provider who is providing support services to the household.

Grantees and Subgrantees, if applicable, are encouraged to download these reports regularly to ensure the latest version is being used. Timely data entry is expected to comply with quarterly and annual reporting requirements.

Agencies new to the HMIS or returning after a period of absence must complete documentation to get their agency set up to enter data. In addition, new users must complete new user training before entering data. Visit the HMIS website for more information.

Appendix A – Terms and Definitions

Table 1: Terms and Definitions

Term	Definition
Continuum of Care (CoC)	A local planning body that coordinates housing and services planning and funding for homeless families and individuals.
Continuum of Care (CoC) Plan	A community plan prescribed by HUD to organize and deliver housing and services to meet the specific needs of people who are homeless as they move to stable housing and maximum self-sufficiency and includes action steps to end homelessness and prevent a return to homelessness.
Culturally Responsive	Agencies, programs, and providers of services respond respectfully and effectively to people of all cultures, languages, classes, races, ethnic backgrounds, disabilities, religions, genders, sexual orientations, and other identities in a manner that recognizes, values, and affirms differences and eliminates barriers to access as stated in Minnesota Laws 2024, ch. 127, art. 16, sec. 2(a)(1).
Digital Signature	A person's name that is Digitally affixed to an electronic document not using DocuSign, Adobe Sign, or other eSignature software. Digital Signatures can be typed into or onto a document, an image of a signature, or the use of /s/ as a signature. Checking a box or typing one's initials is also a Digital Signature.
Electronic Signature (eSignature)	An electronic sound, symbol, or process attached to or logically associated with a contract or other record and executed or adopted by a person with the intent to sign the record. An eSignature is electronically affixed to an electronic document using an approved software program which authenticates identity, day and time of affix. Minnesota Housing approved software for initiating an eSignature is DocuSign or Adobe Sign.
Grant Applicant	An organization that intends to apply for RMF Program funds.
Grant Contract Agreement	The agreement between Minnesota Housing and the Grantee that governs the Grantee's use of FHPAP funds.
Grantee	The primary entity that has applied for and has been awarded funds from the RMF Program. A grantee may have Subgrantees within their RMF project.
Homeless Management Information System (HMIS)	A local web-based information technology system used to collect participant-level data and data on the provision of housing and services to individuals and families experiencing or at risk of homelessness.
Homeless Management Information System (HMIS) Lead Agency	The entity responsible for managing the HMIS for the geographic area, in accordance with the requirements prescribed by HUD. The Institute for Community Alliance (ICA) is the designated HMIS Lead Agency for the state of Minnesota.

Term	Definition
Subgrantee	An agency or organization that is solicited by the Grant Applicant or Grantee to participate as an administrator with the Grantee in the FHPAP.
Trauma-Informed	To recognize that many people have experienced trauma in their lifetime and that programs must be designed to respond to people with respect and accommodate the needs of people who have or are currently experiencing trauma as stated in Minnesota Laws 2024, ch. 127, art. 16, sec. 2(a)(2).

Appendix B – Legal Addendum

1.01 Conflict and Control

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

1.02 Fraud

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

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

1.03 Misuse of Funds

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

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

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

1.04 Conflict of Interest

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

- **<u>Actual Conflict of Interest</u>:** 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.
- **<u>Potential Conflict of Interest</u>:** 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.
- **<u>Appearance of a Conflict of Interest</u>:** 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.

- **<u>Business</u>:** 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.
- **<u>Family Member</u>:** 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.
- **<u>Friend</u>:** A person with whom the individual has an ongoing personal social relationship. "Friend" does not generally include a person with whom the relationship is primarily professional or primarily based on the person being a current or former colleague. "Friend" does not include mere acquaintances (that is, interactions are coincidental or relatively superficial). Social media friendships, connections, or links, by themselves, do not constitute friendship.
- **<u>Outside Interest</u>:** 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.
- **<u>Partner</u>:** A person's romantic and domestic partners and outside Business partners.
- **<u>Relative</u>:** 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 (for example, administrators, grantees or borrowers) and the general public are strongly encouraged to report instances of fraud, misuse of funds, conflicts of interest or other concerns without fear of retaliation using these same communication channels.

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

1.08 Electronic Signatures

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

1.09 Fair Housing Policy

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

Minnesota Housing's fair housing policy incorporates the requirements of Title VI of the Civil Rights Act of 1968; the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988; and the Minnesota Human Rights Act. Housing providers and other entities involved in real estate related transactions are expected to comply with the applicable statutes, regulations and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements. Housing providers and other entities involved in real-estate related transactions must comply with all non-discrimination requirements related to the provision of credit, as well as access to services.

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

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

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

1.10 Minnesota Government Data Practices

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

Housing. Minnesota Housing will give the contracting party instructions concerning the release of the data to the requesting party before the data is released. The contracting party's response to the request shall comply with applicable law.

1.11 Prevailing Wage

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

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

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

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

All questions regarding state prevailing wages and compliance requirements should be directed to the Minnesota Department of Labor and Industry as follows:

Division of Labor Standards and Apprenticeship
State Program Administrator
443 Lafayette Road N, St. Paul, MN 55155
651.284.5091 or dli.prevwage@state.mn.us

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

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MINNESOTA HOUSING

Item: Approval, 2024 Multifamily Consolidated Request for Proposals (RFP) Advancing Selection, Amortizing and Deferred Loans

Action Item: 7.E
Date: 05/22/2025
Staff Contacts: Que Vang, 651.296.7613, que.vang@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests approval related to the 2024 Multifamily Consolidated Request for Proposal (RFP):

1. Adoption of a resolution approving the selection of Red Pine Estates for further processing, and the commitment of deferred financing, subject to final underwriting and due diligence, authorizing the closing of loans related to Housing Infrastructure Bonds (HIB); and
2. Adoption of a resolution approving the selection of Red Pine Estates for further processing under the Low and Moderate Income Rental (LMIR) Program and a Bridge Loan (BL).

Fiscal Impact

The Multifamily Consolidated RFP funding recommendations include numerous funding sources, and the fiscal impacts of these selections vary. Generally, deferred financing from state or federal appropriations do not earn interest for the Agency but do provide fee income for the Agency. LMIR loans and BLs earn interest income and certain fee income for the Agency.

Agency Priorities

☒ Improve the Housing System

☒ Preserve and Create Housing Opportunities

☐ Make Homeownership More Accessible

☒ Support People Needing Services

☒ Strengthen Communities

Attachments

- Background
- Resolutions
- Development Summary and Community Profile

Background

Minnesota Housing's annual Multifamily Consolidated RFP process allows multifamily affordable housing development sponsors to apply for resources from the Agency using a common application and procedure.

On December 19, 2024, Minnesota Housing's board of directors approved the advancement of one project, Red Pine Estates (Project) by The Schuett Companies, Inc. submitted in the 2024 Multifamily Consolidated RFP. The Project was advanced for initial underwriting and evaluation of project feasibility for the Housing Infrastructure Program, specifically Housing Infrastructure Bonds.

After this board approval, the Project has been reviewed by an architect, asset manager, programs, and supportive housing underwriter staff for:

- Consistency with the Agency's mission and strategic priorities;
- Compliance with statutes and program rules, including geographic distribution of resources;
- Consistency with program requirements, eligible uses and priorities; and
- Consistency with the Agency's policy standards which includes financial feasibility, market need, architectural quality and overall development team capacity.

Selection Overview

Agency staff propose selecting the Project with 86 units for further processing to allocate an HIB deferred loan, Housing Investment Fund (HIF) – LMIR Program loan and HIF – BL.

Table 1 represents the proposed selection amounts for the Project.

Table 1: Total Award

Funding Type	Total Award
Housing Infrastructure Bonds	$ 14,379,000
Housing Investment Fund - LMIR Loan	$ 4,131,000
Housing Investment Fund - Bridge Loan	$ 2,110,000

Housing Tax Credits

The Project is recommended for a deferred loan with a 4% Low-Income Housing Tax Credit (HTC) financial structure which is anticipated to generate approximately $9.0 million in HTC equity proceeds. 26 U.S. Code Section 42 establishes procedures for obtaining 4% HTCs through the issuance of tax-exempt volume limited bonds. Projects that are selected for deferred loans with a 4% HTC financial structure, must still undergo a process known as Preliminary Determination to receive an award of HTCs.

Minnesota Housing Deferred Loans – Housing Infrastructure Bonds

The Project is recommended for an HIB deferred loan. HIBs are limited obligation tax-exempt bonds issued by Minnesota Housing as authorized by under Minnesota Statute 462A.37, and the proceeds of

HIBs can be used to fund deferred loans. Proceeds of HIBs can be used for a number of purposes set out in statute, including:

- Financing related to permanent supportive housing for individuals without a permanent residence, including permanent supportive housing for people with behavioral health needs;
- Housing for seniors age 55 and older; and
- The preservation of federally assisted rental housing.

The Project is recommended for selection as a preservation project to support the finance costs associated with the acquisition, rehabilitation and replacement of federally assisted rental housing. The HIB loan will have at least a 40-year term and is structured as repayable upon maturity. The HIBs are issued as tax-exempt volume cap bonds in an amount sufficient to meet the 50% of aggregate basis required to qualify the Project for 4% HTCs under 26 U.S. Code Section 42. The amount required to qualify for 4% HTCs is currently estimated to exceed the amount needed as a permanent funding source, a portion of the HIB loan may be structured to be repayable from equity proceeds after construction completion.

LMIR Loan and Bridge Loans

The Project is recommended for a LMIR loan anticipated to be funded through HIF resources. The LMIR loan terms will be a 40-year amortization with a fixed interest rate and must be in first lien position. The loan will be insured under the HUD Risk-Sharing Mortgage Insurance Program and may also be securitized through the Federal Financing Bank (FFB) / Section 542(c) Risk-Sharing Program. Loans processed under HUD's Risk-Sharing Mortgage Insurance Program will include a mortgage insurance premium of 0.125% in addition to the interest charged on the loan.

The Project is recommended for a short-term HIF – BL that will generally have an 18- to 24-month term and carry a fixed interest rate.

Selections for the LMIR loans and BLs through the 2024 Multifamily Consolidated RFP do not represent commitments for funding. Prior to closing, board approval will be required to enter into loan commitments.

Next Steps

With the board's approval, the Project recommended for selection will receive a notice that they have been selected for additional processing. The developers will work with Agency staff, other funding partners and the local community to finalize project details, including final underwriting and due diligence so that they may close on funding to start construction.

Due to the time period between the original application submittal and the start of construction, it is common for project costs and funding sources to evolve. The board will have final approvals for the Project that are:

- Selected for LMIR loans and BLs; and
- Experience material changes and/or require modifications that exceed the delegated authorities previously established by the board.

Attachment Summary

The following 2024 Multifamily Consolidated RFP selection attachments include the resolutions and application narratives with community profiles.

1. Resolutions for HIB, LMIR loan and BL; and
2. Project Development Summary and Community Profile.

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

RESOLUTION NO. MHFA 25-XX

RESOLUTION APPROVING SELECTION OF RED PINES ESTATES FOR FURTHER PROCESSING AND COMMITMENT OF PROJECT FOR DEFERRED FINANCING AND AUTHORIZING THE CLOSING OF LOANS RELATED TO HOUSING INFRASTRUCTURE BONDS (HIB) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide construction financing and permanent financing for the above named multifamily rental housing development serving persons and families of low- and moderate-income; and

WHEREAS, Agency staff has reviewed the application and determined that the application is in compliance under the Agency's rules, regulations and policies; that such loan is not otherwise available, wholly or in part, from private lenders or other agencies upon equivalent terms and conditions; and that the application will assist in fulfilling the purpose of Minnesota Statutes chapter 462A.

NOW THEREFORE, BE IT RESOLVED:

1. The board hereby authorizes Agency staff to enter into a loan agreement, and to close said loan for the application and in the amount set forth below, subject to the terms and conditions contained herein:

Property #	Project #	Project Name	Funding Source	Selection Amount
D0121	M19671	Red Pine Estates	HIB	$ 14,379,000
			TOTAL HIB SELECTION AMOUNT	**$ 14,379,000**

2. Agency staff shall review and approve the mortgagor; and
3. The issuance of a mortgage loan commitment for the HIB loan in form and substance acceptable to Agency staff and the closing of the loan shall occur no later than 20 months from the adoption date of this Resolution; and
4. The selection is subject to available resources and requirements applicable to the funding source, including any conditions of approval; and
5. The Commissioner is authorized to approve non-material changes to the selection; and
6. The sponsor, the builder, the architect, the mortgagor and any other parties that Agency staff, in its sole discretion deem necessary, shall execute all such documents relating to the loan, to the security for the loan, to the construction of the development and to the operation of the development, subject to such terms and conditions as the Agency, in its sole discretion, deems necessary.

Adopted this 22nd day of May 2025

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CHAIR

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

RESOLUTION NO. MHFA 25-XXX

RESOLUTION APPROVING SELECTION OF LOW AND MODERATE INCOME RENTAL PROGRAM LOAN AND BRIDGE LOAN

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications to provide construction financing and permanent financing for multifamily rental housing developments serving persons and families of low- and moderate-income for certain developments; and

WHEREAS, Agency staff has reviewed the application and determined that the application is in compliance under the Agency's rules, regulations and policies; that such loans are not otherwise available, wholly or in part, from private lenders or other agencies upon equivalent terms and conditions, and that the application will assist in fulfilling the purpose of Minnesota Statutes chapter 462A.

NOW THEREFORE, BE IT RESOLVED:

1. The board hereby selects Red Pine Estates for further processing for Housing Investment Fund (HIF) – Low and Moderate Income Rental (LMIR) Program loan and HIF – Bridge Loan (BL):

Property #	Project #	Project Name	Funding Source	Selection Amount
D0121	M19671	Red Pine Estates	HIF – LMIR HIF – BL	$ 4,131,000 $ 2,110,000
			Total Selection Amount:	**$ 6,241,000**

2. Agency staff are authorized to continue underwriting and reviewing the developments for applicable funding as set out above;
3. Selected entities must provide such information and documentation as is deemed necessary by Agency staff; and
4. Agency staff must bring each LMIR loan or BL back to the board for final approval prior to obtaining authorization to close the loan.

Adopted this 22nd day of May 2025

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CHAIR

MINNESOTA HOUSING

Development Summary

Red Pine Estates

Sponsor	The Schuett Companies, Inc.		
Location	Bemidji	**Project Type(s)**	Preservation
Property #	D0121	**Project #**	M19671

Project Description

Red Pine Estates (Project) is a preservation project located in Bemidji, currently owned by The Schuett Companies, Inc. The site originally included two components, a 50 unit apartment building for residents that are senior or disabled and 36 townhomes for families for a total of 86 units. All 86 units have project-based rental assistance.

In June 2023, the city required the 50 unit apartment building to be immediately vacated due to failing structural components that threatened the safety of the residents. The engineering report determined that the failure related to a defect in the original construction of the apartment building. The townhomes were also found to have similar defects but were temporarily stabilized and remain occupied. The residents from the apartment building found a variety of temporary housing and many continue to benefit from the rental assistance in temporary settings.

The Project will demolish the existing vacant 50 unit apartment building, construct two new apartment buildings on the site totaling 86 units, and then demolish the existing 36 townhomes, thereby replacing all existing units with minimal disruption to the current tenants in the family townhomes. The Project will preserve the project based rental assistance for all 86 units. The former senior apartment residents will have the ability to return to the new senior building, and the existing townhome residents will be able to transfer to the new family apartment building.

Population Served

Units may be counted more than once, as allowed by the Self-Scoring Worksheet.

- Rental Assistance: the Project will preserve 86 units that benefit from a project-based rental assistance contract.
- Supportive Housing: the development is partially supportive housing (fewer than 50% of units designated for HPH, PWD or other homeless households).
- High Priority Homeless: nine units will serve single adults that meet the definition of High Priority Homeless (HPH) and will benefit from project based rental assistance.
- Persons with Disabilities: nine units will serve single adults with a disability and will benefit from project based rental assistance.

Additional population notes

- The Project serves a population of age 55 and older.

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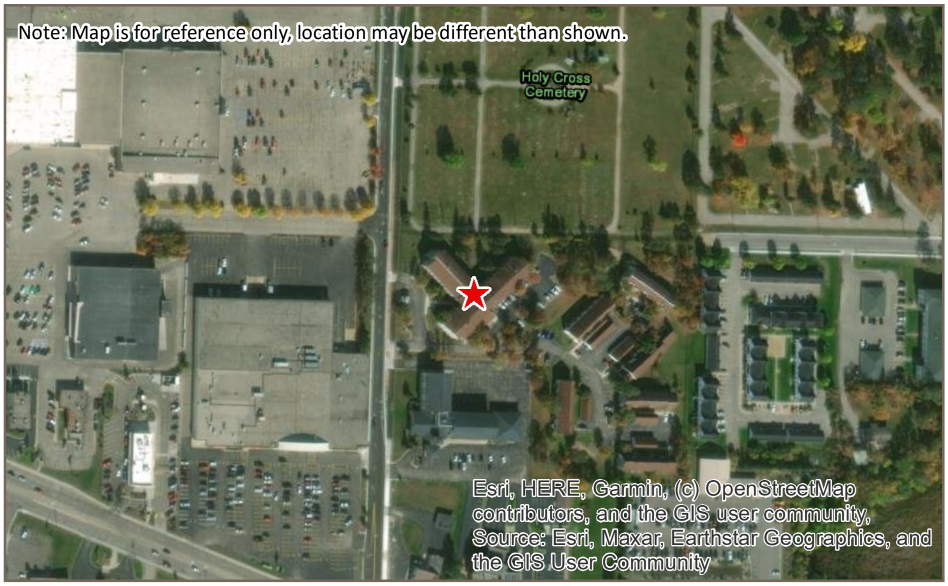
Red Pine Estates

Property Number: D0121
Total Units: 86
Sponsor Name:
Schuett Development, LLC
City of Bemidji, Beltrami



Recent Employment and Household Trends in the City

Note: data in this section are current city data and do not necessarily reflect the project's achievement of the QAP priority areas due to differing geography and data.

Job Trends 2018-2023		Household Trends 2012-2022		Population Trends 2012-2022	
Current Jobs:	**13,659**	Current Households:	**6,543**	Current Population:	**15,947**
Five Year Change:	**-232**	10 Year Change:	**1,123**	10 Year Change:	**2,387**
Percent Change:	**-2%**	Percent change:	**21%**	Percent Change:	**18%**

Unemployment Rate: **4.8%** (county) **4.6%** (city, if available)

Fair Market Rents (2024)

Bedroom Size	Fair Market Rents (Co)
0 Bedrooms	$802.00
1 Bedroom	$832.00
2 Bedrooms	$1,092.00
3+ Bedrooms	$1,316.00

Local Area Incomes and Rents

In census tract 27007450703 **(Region: Greater MN Non-MSA)**,

- the median household income is **$36,560.00**.
  (Tract household income is in the **0 - 19th percentile** based on region type)
- the median renter household income is **$36,424.00**.
  (Tract renter income is in the **40 - 59th percentile** based on region type)
- **61%**, of lower income renters are cost burdened.
  (Tract cost burdened renters is in the **80 - 100th percentile** based on region type)
- **36%**, of the population is Black, Indigenous, or person of color.
  (Tract share of population BIPOC is in the **80 - 100th percentile** statewide)
- **24%** % of people are in poverty.
  (Tract share of people in poverty is in the **80 - 100th percentile** statewide)
- the median rent for all units is **$931.00**.
  (Tract median rent is in the **60 - 79th percentile** based on region type)

Sources: Census Tract data based on data from the American Community Survey 2018-2022 sample. City data on job growth is from the MN Department of Employment and Economic Development Quarterly Census of Employment and Wages. Population and Household growth figures are from the MN State Demographer's estimates, which use the Decennial Census. Fair Market Rents are from HUD and for the County for 2025.

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MINNESOTA HOUSING

Item: Approval, Selection and Commitment, 2025 Housing Tax Credit Program - Round 2

Action Item: 7.F
Date: 05/22/2025
Staff Contacts: Tim Sullivan, 651.296.8149, tim.sullivan@state.mn.us
Nicola Viana, 651.296.8277, nicola.viana@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests adoption of a resolution approving the selection and allocation of 2025 Housing Tax Credit (HTC) Round 2 competitive federal 9% Low Income HTCs and the creation of a waiting list.

Fiscal Impact

HTCs are federal resources, and the Agency earns administrative fees for the costs to implement the program.

Agency Priorities

☐ Improve the Housing System

☒ Preserve and Create Housing Opportunities

☐ Make Homeownership More Accessible

☒ Support People Needing Services

☒ Strengthen Communities

Attachments

- Background
- Summary of 2025 HTC Round 2 Selections
- Summary of 2025 HTC Round 2 Waiting List
- Resolution
- Development Summaries and Community Profiles
- Selection Map

Background

Minnesota Housing allocates 9% HTCs twice a year through a competitive process. Most HTCs are allocated during the annual Multifamily Consolidated Request for Proposals (RFP)/HTC Round 1. Following HTC Round 1, the Agency acquires additional 9% HTCs from various sources. These include any remaining HTCs from Round 1, HTC returns, the National Pool where other states return unused HTCs, and any Internal Revenue Service (IRS) updates that result in additional HTCs. Round 2 is used to allocate any remaining 9% HTCs.

In this round, HTCs are combined into one unified pool that does not consider geographic distribution. Projects located in a suballocator jurisdiction with a for-profit sponsor can apply directly to Minnesota Housing. The Non-Profit and Rural Development set-asides will only be considered if those pools were not fully allocated in Round 1. Additionally, Round 2 creates a waiting list for additional HTCs that may become available.

In the 2024 Multifamily Consolidated RFP/2025 HTC Round 1, Minnesota Housing allocated $13,235,604. Table A provides a breakdown of the sources of 2025 HTCs available for allocation in Round 2. The returned HTC amount is due to two previously selected projects returning a portion of their HTCs. On February 13, 2025, Minnesota Housing accepted applications for the 2025 HTC Round 2. A total of $1,141,992 9% HTCs are available.

Table A: 2025 Round 2 Available HTCs

2025 HTC Round 1 Remaining Balance	Returned HTCs	Increase Due to IRS Update of State Population	Total 2025 HTCs Available in Round 2
$ 874,048	$ 102,236	$ 165,708	**$ 1,141,992**

Under the 2024-2025 HTC Qualified Allocation Plan (QAP), Chapter 2.E on page 10, priority in HTC Round 2 is given to developments that have previously received a substantial portion of eligible HTCs from Minnesota Housing or a suballocator. The suballocators include the city of Minneapolis, city of Saint Paul, Dakota County and Washington County.

Projects that previously received HTCs from Minnesota Housing or a suballocator and have an annual HTC shortfall of at least 5%, but not more than 33.33% of the total qualified annual HTC amount, have priority over other applicants in Round 2. If more than one project qualifies under the supplemental priority, projects are ranked according to their validated score.

Proposals submitted to Minnesota Housing for the 2025 HTC Round 2 were evaluated and ranked in accordance with the QAP. The highest-ranking applications were reviewed by a team of staff underwriters, architects, asset managers, program and housing stability officers for:

- Consistency with Minnesota Housing's mission and strategic priorities

- Compliance with statutes and HTC program guidelines
- Consistency with HTC program priorities
- Financial feasibility, market need, architectural quality and overall development team capacity

Summary of 2025 HTC Round 2 Selections

Minnesota Housing received seven applications in Round 2 requesting a combined total of $9,801,898 HTCs. Table B lists the applicants and the amounts they requested.

Table B: Applications for 2025 HTC Round 2

Project	City	Units	9% HTCs Requested
Red Rock Square III	Newport	51	$ 322,500
Prairie View Townhomes	Mahnomen	24	$ 992,695
EPIC+R	Minneapolis	68	$ 2,500,000
The Community Corner	Brooklyn Center	31	$ 1,297,762
2116 Nicollet	Minneapolis	53	$ 924,000
Eastgate II	Owatonna	60	$ 2,581,299
Aster Commons	Richfield	38	$ 1,183,642
Total of 2025 HTC Round 2 Requests			**$ 9,801,898**

The applications were reviewed, scored and ranked in accordance with the QAP, which includes the [2024-2025 Self-Scoring Worksheet.] Staff advanced the top scoring projects to feasibility review and underwriting. Based on that analysis, two projects are recommended for board approval. Red Rock Square III would be allocated their full requested amount, and Prairie View Townhomes would receive a partial allocation of their requested amount due to limited available HTCs. Neither project requires any waivers. Table C lists the recommendations for selection.

Table C: Recommended Project Selections for 2025 HTC Round 2

Project	Eligible for Supplemental Priority	Units	HTC Allocation Recommendation
Red Rock Square III	Yes	51	$ 322,500
Prairie View Townhomes	No	24	$ 819,492
Total 2025 HTC Round 2 Units and Allocation		**75**	**$ 1,141,992**

Summary of 2025 HTC Round 2 Waiting List

In Round 2, eligible applications that are not selected or that are selected to receive a partial allocation will be maintained on a waiting list until the end of the calendar year in the event Minnesota Housing receives any additional HTCs. Staff recommends that six projects be placed on a waiting list as shown in Table D, which includes Prairie View Townhomes due to the partial allocation and five non-select projects. The two projects that are recommended to receive HTCs have completed a feasibility review.

If more HTCs become available to Minnesota Housing, Prairie View Townhomes would receive additional HTCs up to their full request. If additional HTCs are available beyond what is needed for Prairie View Townhomes, then a non-select project may be selected from the waiting list. Non-select projects, excluding Prairie View Townhomes and 2116 Nicollet, will require a feasibility review and are subject to board approval. The 2116 Nicollet project received a feasibility review because it was comparable in size to Prairie View Townhomes and was a buffer project in the event Prairie View Townhomes was infeasible.

Table D: 2025 HTC Waiting List

Project	Completed Feasibility Review	Reason for Placement on Waitlist
Prairie View Townhomes	Yes	Insufficient resources to fulfil request
EPIC+R	No	Insufficient resources
The Community Corner	No	Insufficient resources
2116 Nicollet	Yes	Insufficient resources
Eastgate II	No	Insufficient resources
Aster Commons	No	Insufficient resources

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

RESOLUTION NO. MHFA 25-XX

RESOLUTION APPROVING ALLOCATION OF
FEDERAL LOW INCOME HOUSING TAX CREDITS
FOR CALENDAR YEAR 2025
TO CERTAIN QUALIFIED LOW-INCOME HOUSING BUILDINGS

WHEREAS, in accordance with the Tax Reform Act of 1986 and the provisions of Minn. Stat. 462A.221-462A.223, the Minnesota Housing Finance Agency (Agency) has received applications as a duly designated housing credit agency for allocations to certain developments of the Low Income Housing Tax Credit (Housing Tax Credit) program provided by Section 42 of the Internal Revenue Code of 1986 (IRC); and

WHEREAS, the Agency has applied to said applications the criteria set forth for selection in Minnesota Housing's Qualified Allocation Plan (QAP), duly adopted by the Agency for 2025;

WHEREAS, the Agency has determined to reserve, for future allocation, portions of the 2025 state allocation of Low Income Housing Tax Credit (HTC) to the developments identified below, pending final Agency staff review and delivery by the applicants of additional certifications and information required for the Agency's issuance of such allocations; and

WHEREAS, the Agency has determined to create a waiting list, and to place on such waiting list the developments identified below, from which developments may be selected for future reservations and allocations of HTC.

NOW, THEREFORE, BE IT RESOLVED:

1. The board hereby authorizes Agency staff to reserve and allocate, portions of the state allocation of HTC as set out below upon meeting the requirements for allocation contained in Section 42 of the IRC and QAP subject to the terms and conditions contained herein:

Projects Receiving HTCs

Property #	Project #	Project Name	HTC 9% Allocation Amount
D8806	M19901	Red Rock Square III	$ 322,500
D8589	M19896	Prairie View Townhomes	$ 819,492
		Total Selection Amount:	**$ 1,141,992**

2. Pursuant to the above-referenced statutes and the allocation ranking factors contained in the QAP when applied to the applications submitted, Agency staff is

hereby authorized to make the HTC reservations and allocations for the developments identified in the Projects Receiving HTC table in the amounts shown for calendar year 2025, upon compliance with all of the requirements contained in Section 42 of the IRC and the QAP; and

3. Agency staff is hereby authorized to allocate the portions of the state of Minnesota's ceiling of HTCs to the projects identified in the Projects Receiving HTC table above in the amounts shown, subject to adjustments in accordance with the QAP; and
4. All selections are subject to available resources and the requirements of the HTC program, and the Commissioner is authorized to approve non-material changes to the selections; and
5. Agency staff is hereby authorized to provide notification letters concerning the reservations and allocations described herein to the approved applicants; and
6. Agency staff is hereby authorized to execute all documents related to the reservation and allocations described herein, subject to such terms and conditions as the Agency, in its sole discretion, deems necessary; and
7. A waiting list for future reservations and allocations of 2025 HTC is hereby created and the developments identified in the following table are hereby placed on such waiting list; and

Projects on the 2025 HTC Waiting List

Property #	Project #	Project Name	HTC 9% Requested
D8589	M19896	Prairie View Townhomes	$ 173,203
D8712	M19906	EPIC+R	$ 2,500,000
D8608	M19902	The Community Corner	$ 1,297,762
D8568	M19900	2116 Nicollet	$ 924,000
D8565	M19904	Eastgate II	$ 2,581,299
D8593	M19897	Aster Commons	$ 1,183,642
		Waiting List Amount:	**$ 8,659,906**

8. Pursuant to the above-referenced statutes and the allocation of ranking factors contained in the QAP when applied to the applications submitted, in the event that additional HTC become available, Agency staff is hereby authorized to make an additional reservations and allocations of HTC.

Adopted this 22nd day of May 2025

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CHAIR

MINNESOTA HOUSING

Development Summary

Red Rock Square III

Sponsor	MWF Properties, LLC		
Location	Newport	**Project Type(s)**	Workforce Housing and Supportive Housing
Property #	D8806	**Project #**	M19901

Project Team

HDO	Ted Tulashie
Architect	Mike Thomas
HMO	Jennifer Wille
SHO	Graydon Francis

Project Description

The proposed Red Rock Square III project will be a new construction 51-unit affordable housing project located in Newport proposed by MWF Properties, LLC. The building will be four stories of residential units over underground parking. The unit mix will include 12 one-bedroom, 21 two-bedroom and 18 three-bedroom units. Washington County has committed funding to the project, and the developer has committed a deferred developer fee.

Population Served

Units may be counted more than once, as allowed by the Self-Scoring Worksheet

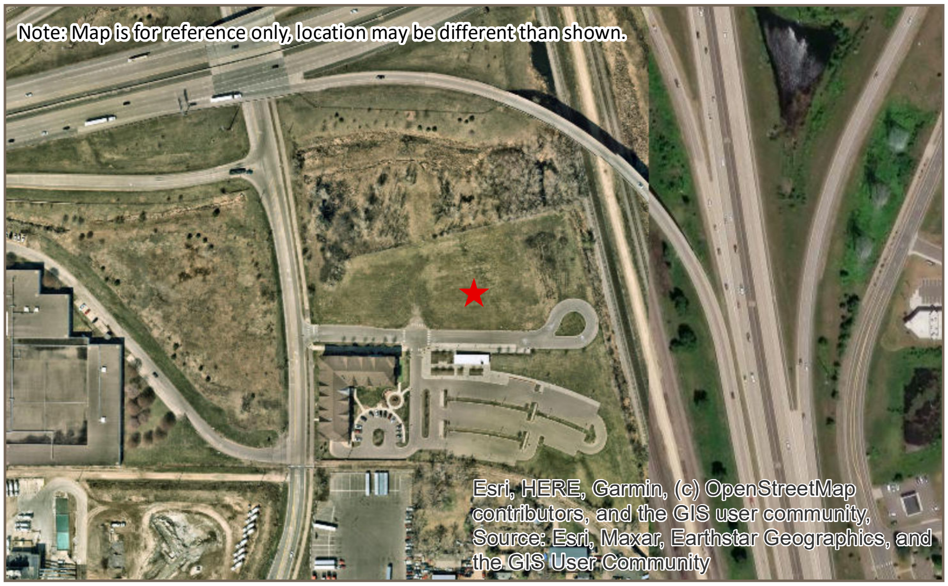
- Supportive Housing: The development is partially supportive housing (less than 50% of units designated for HPH, People with Disabilities (PWD), or other homeless households).
- High Priority Homeless: Four units will serve families that meet the definition of High Priority Homeless (HPH) and will benefit from Housing Support assistance.
- Rental Assistance: Four units will benefit from Housing Support assistance ensuring affordability to households with incomes at or below 30% Multifamily Tax Subsidy Project (MTSP) rent and income limits.
- Serves Lowest Income Tenants: 39 units without rental assistance will have rents restricted to 50% MTSP.

Red Rock Square III

Property Number: D8806
Total Units: 51
Sponsor Name:

City of Newport, Washington

In a HUD R/ECAP: **No**



Recent Employment and Household Trends in the City

Note: data in this section are current city data and do not necessarily reflect the project's achievement of the QAP priority areas due to differing geography and data.

Job Trends 2018-2023		Household Trends 2012-2022		Population Trends 2012-2022	
Current Jobs:	**1,550**	Current Households:	**1,770**	Current Population:	**4,501**
Five Year Change:	**-174**	10 Year Change:	**406**	10 Year Change:	**1,041**
Percent Change:	**-10%**	Percent change:	**30%**	Percent Change:	**30%**

Unemployment Rate: **3.2%** (county) (city, if available)

Fair Market Rents (2024)

Bedroom Size	Fair Market Rents (Co)
0 Bedrooms	$1,220.00
1 Bedroom	$1,381.00
2 Bedrooms	$1,685.00
3+ Bedrooms	$2,244.00

Local Area Incomes and Rents

In census tract 27163071003 **(Region:)**,

- the median household income is **$62,039.00**.
  (Tract household income is in the **0 - 19th percentile** based on region type)
- the median renter household income is **$37,123.00**.
  (Tract renter income is in the **20 - 39th percentile** based on region type)
- **68%**, of lower income renters are cost burdened.
  (Tract cost burdened renters is in the **60 - 79th percentile** based on region type)
- **30%**, of the population is Black, Indigenous, or person of color.
  (Tract share of population BIPOC is in the **60 - 79th percentile** statewide)
- **9%** % of people are in poverty.
  (Tract share of people in poverty is in the **40 - 59th percentile** statewide)
- the median rent for all units is **$1,074.00**.
  (Tract median rent is in the **0 - 19th percentile** based on region type)

Sources: Census Tract data based on data from the American Community Survey 2018-2022 sample. City data on job growth is from the MN Department of Employment and Economic Development Quarterly Census of Employment and Wages. Population and Household growth figures are from the MN State Demographer's estimates, which use the Decennial Census. Fair Market Rents are from HUD and for the County for 2025.

MINNESOTA HOUSING

MINNESOTA HOUSING

Development Summary

Prairie View Townhomes

Sponsor	Midwest Minnesota Community Development Corporation		
Location	Mahnomen	**Project Type(s)**	Workforce Housing and Supportive Housing
Property #	D8589	**Project #**	M19896

Project Team

HDO	Adam Himmel
Architect	Jerry Narlock
HMO	Zahra Hassan
SHO	Sara Gomoll

Project Description

Prairie View Townhomes is the new construction of 24 townhome style units in Mahnomen sponsored and developed by Midwest Minnesota Community Development Corporation. In addition to the units, there will be an office space available for use by property management and service providers. The project will fulfill a need for low-income housing in the Mahnomen area.

Population Served

Units may be counted more than once, as allowed by the Self-Scoring Worksheet

- The development will provide 14 units of workforce housing and ten~~10~~ units of permanent supportive housing.
- Supportive Housing: The development is partially supportive housing (fewer than 50% of units designated for High Priority Homeless, People with Disabilities, or other homeless households).
- High Priority Homeless: Four units will serve families that meet the definition of High Priority Homeless (HPH) and will benefit from Housing Support.
- Persons with Disabilities: Six units will serve families with a person with a disability (PWD) and will benefit from project-based vouchers through the Housing & Redevelopment Authority (HRA) of Bemidji.

- Rental Assistance:
  - Eight units will benefit from project-based vouchers through the Housing and Redevelopment Authority (HRA) of Bemidji. Of the eight units, seven will be limited to households with incomes at or below 30% Multifamily Tax Subsidy Project (MTSP) income limits.
  - Four units will benefit from Housing Support.
- Serves Lowest Income: Seven units without rental assistance will have rents further restricted to 50% MTSP and five units at 30% MTSP.

Prairie View Townhomes

Property Number: D8589
Total Units: 24
Sponsor Name:
Midwest Minnesota Community Development Corporation
City of Mahnomen, Mahnomen

In a HUD R/ECAP: **No**

Recent Employment and Household Trends in the City

Note: data in this section are current city data and do not necessarily reflect the project's achievement of the QAP priority areas due to differing geography and data.

Job Trends 2018-2023		Household Trends 2012-2022		Population Trends 2012-2022	
Current Jobs:	**937**	Current Households:	**507**	Current Population:	**1,233**
Five Year Change:	**-316**	10 Year Change:	**-22**	10 Year Change:	**11**
Percent Change:	**-25%**	Percent change:	**-4%**	Percent Change:	**1%**

Unemployment Rate: **5.6%** (county) (city, if available)

Fair Market Rents (2024)

Bedroom Size	Fair Market Rents (Co)
0 Bedrooms	$640.00
1 Bedroom	$711.00
2 Bedrooms	$933.00
3+ Bedrooms	$1,163.00

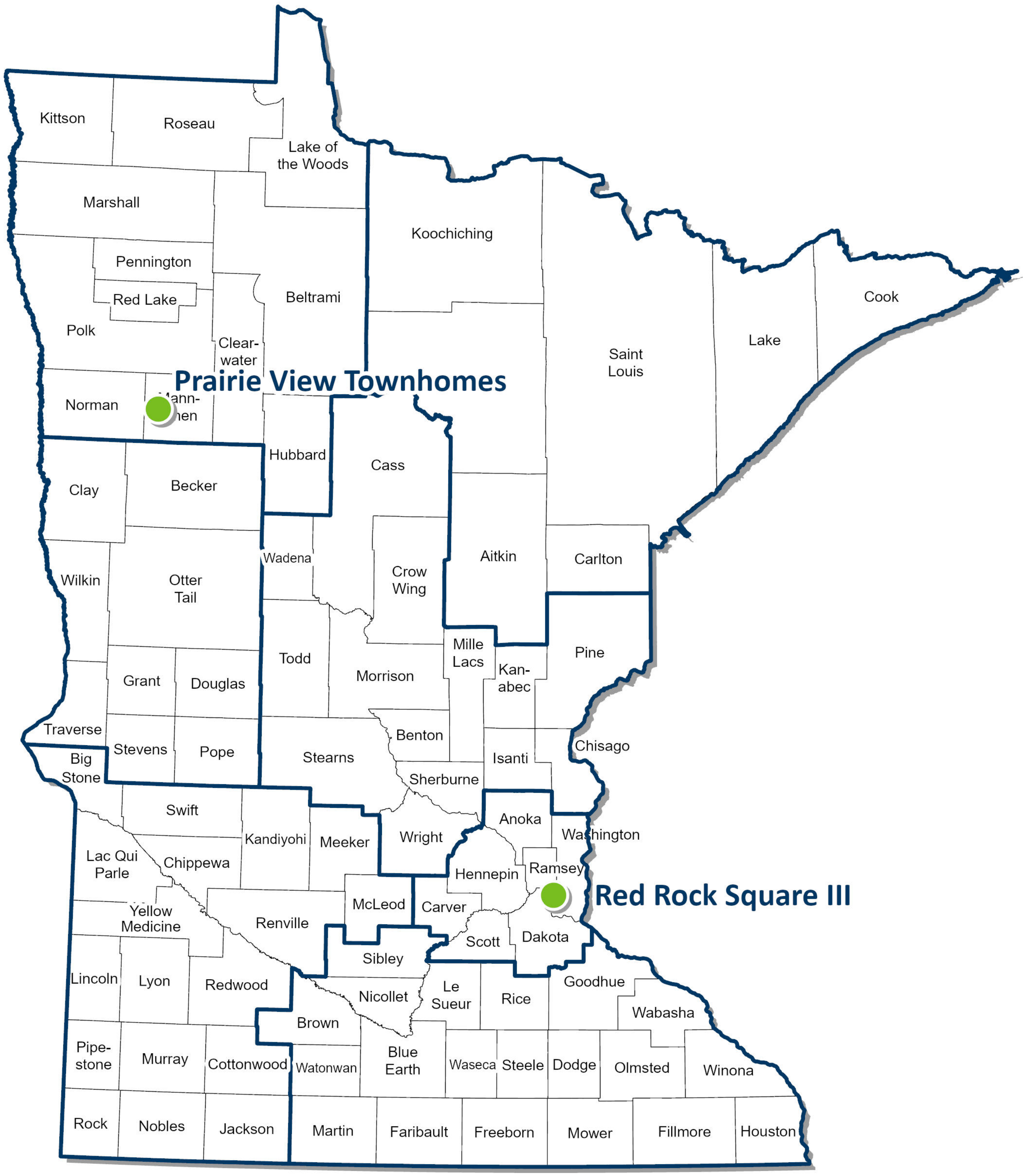
Local Area Incomes and Rents

In census tract 27087940100 **(Region: Greater MN Non-MSA)**,

- the median household income is **$52,125.00**.
  (Tract household income is in the **0 - 19th percentile** based on region type)
- the median renter household income is **$32,857.00**.
  (Tract renter income is in the **20 - 39th percentile** based on region type)
- **50%**, of lower income renters are cost burdened.
  (Tract cost burdened renters is in the **20 - 39th percentile** based on region type)
- **53%**, of the population is Black, Indigenous, or person of color.
  (Tract share of population BIPOC is in the **80 - 100th percentile** statewide)
- **19%** % of people are in poverty.
  (Tract share of people in poverty is in the **80 - 100th percentile** statewide)
- the median rent for all units is **$730.00**.
  (Tract median rent is in the **20 - 39th percentile** based on region type)

Sources: Census Tract data based on data from the American Community Survey 2018-2022 sample. City data on job growth is from the MN Department of Employment and Economic Development Quarterly Census of Employment and Wages. Population and Household growth figures are from the MN State Demographer's estimates, which use the Decennial Census. Fair Market Rents are from HUD and for the County for 2025.

2025 Housing Tax Credits (HTC) Round 2 Recommendations



MINNESOTA HOUSING

Item: Approval, Modification, Housing Infrastructure Bond Loan (HIB), Passage Community, D0822, Minneapolis

Action Item: 7.G
Date: 05/22/2025
Staff Contacts: Jennifer Finnesgard, 651.296.0756, jennifer.finnesgard@state.mn.us
Request Type: Approval, Resolution

Request Summary:

At the December 14, 2023, meeting, the Minnesota Housing board approved Passage Community for deferred funding up to $3,872,000 from the Emergency Rental Assistance (ERA2) Capital Funding program under Resolution No. MHFA 23-077. Subsequently, under Board Delegation No. 005, the ERA2 loan was replaced with a Housing Infrastructure Bond (HIB) loan.

Agency staff completed the underwriting and technical review of the proposed development and recommends adoption of a resolution modifying the loan under the HIB program, from $3,872,000 to a maximum of $4,230,000.

All commitments are subject to the terms and conditions of the Agency term letter.

Fiscal Impact:

Minnesota Housing will not earn interest revenue on the HIB loan. As the debt service on the HIBs to be issued to finance the HIB loan is paid via state appropriations, there is also no interest expense to the Agency.

Agency Priorities:

☒ Improve the Housing System

☒ Preserve and Create Housing Opportunities

☐ Make Homeownership More Accessible

☒ Support People Needing Services

☐ Strengthen Communities

Attachments:

- Development Summary
- Map and Picture
- Resolution
- Term letter

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information				
Development Name	Passage Community		**D# 0822**	**M# 19376**
Address	17 East 24th Street			
City	Minneapolis	**County**	Hennepin	
Date of Selection	December 14, 2023	**Region**	Metro	

A. Project Description and Population Served

- The development involves the substantial rehabilitation of a four-story, walkup building with units ranging from one to three bedrooms.
- The development will provide 17 units permanent supportive housing for persons experiencing High Priority Homelessness (HPH).
- All units will benefit from Project-based Housing Choice Voucher rental assistance and be deeply affordable to households at 30% Multifamily Tax Subsidy Projects (MTSP).
- The project is anticipated to begin construction in summer 2025 and is anticipated to open for residents in spring 2026.

B. Mortgagor Information

Ownership Entity:	Passage Community Housing, LLC
Sponsor:	Simpson Housing Services, Inc.
General Partner/ Managing Member:	Simpson Housing Services, Inc.
Guarantor:	Simpson Housing Services, Inc.

C. Development Team Capacity Review

The sponsor, Simpson Housing Services, Inc. has the experience and capacity to complete the project.

The property manager, Trellis Management Co., has the capacity to manage this development.

The service provider, Simpson Housing Services, Inc., is experienced in serving HPH residents.

LHB, Inc. is the architect, and Flannery Construction, Inc. is the general contractor. Both have the capacity to effectively design and construct the project.

The management company, Trellis Management Co., is a woman-owned business. The general contractor, Flannery Construction, Inc. is a woman-owned business.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction/End Loan
Deferred	HIB	Repayments	$4,230,000	0%	N/A	Approx 12 mos. (const.) + 30 yr	N/A	Construction to Permanent

1. The HIB loan is anticipated to carry an 0% interest rate, but if requested by borrower, up to 1% may be allowed.
    a. A funding modification is being requested to increase the loan amount by $358,000 from $3,872,000 to $4,230,000.

Amortizing Mortgage Loan to Cost: N/A **Amortizing Mortgage Loan to Value:** N/A

E. Significant Changes Since Date of Selection

This rehab project and was originally selected to receive a $3,872,000 ERA2 Capital Funding loan. A funding modification to change the source of the funding from ERA2 to an HIB loan was approved under Board Delegation No. 005 by Mortgage Credit Committee on December 4, 2024 and by Clearinghouse Committee on December 5, 2024. The HIB loan is anticipated to be funded from HIB repayment proceeds.

Since selection, the Total Development Costs (TDC) increased by $812,704, which was due to an increase in construction costs and environmental abatement costs. The gap has been partially filled with $255,000 of additional funding from the city of Minneapolis, $29,987 in newly sought grant funding and the addition of $30,000 in deferred developer fee.

Staff requests additional deferred funding of $358,000, of which $54,000 will fill the remaining gap and $304,000 will repay and replace three existing Minnesota Housing loans. The $304,000 of existing debt is comprised of a $35,000 Construction Cost Reduction loan, a $148,500 Asset Management (AM) loan and another $120,500 AM loan. Repaying those three loans in favor of slightly larger but single HIB loan simplifies the transaction and long-term administration.

On April 10, 2025, the Clearinghouse Committee approved forgiving approximately $97,300 of accrued interest on the three loans under Board Delegation No. 007. The Mortgage Credit Committee provided final approval on April 24, 2025.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	$ 304,000	$ 17,882
Construction Costs	$ 3,793,013	$ 223,118
Environmental Abatement	$ 104,970	$ 6,175
Professional Fees	$ 498,275	$ 29,310
Developer Fee	$ 595,000	$ 35,000
Financing Costs	$ 134,768	$ 7,928
Total Mortgageable Costs	$ 5,430,026	$ 319,413
Reserves	$ 396,724	$ 23,337
Total Development Cost	**$ 5,826,750**	**$ 342,750**

*Individual categories may not sum to exact total due to rounding.

B. Permanent Capital Sources

Description	Amount	Per Unit
Housing Infrastructure Bonds (HIB) Repayment Proceeds	$ 4,230,000	$ 248,824
City of Minneapolis Affordable Housing Trust Fund (AHTF)	$ 905,000	$ 53,235
Hennepin County and Redevelopment Authority Affordable Housing Incentive Fund	$ 403,639	$ 23,743
Hennepin County Environmental Response Fund	$ 129,970	$ 7,645
Minnesota Brownfields Gap Financing Program Grant	$ 15,000	$ 882
Hennepin County Environmental Assessment Grant	$ 14,987	$ 882
Rebates	$ 98,154	$ 5,774
Deferred Developer Fee	$ 30,000	$ 1,765
Total Permanent Financing	**$ 5,826,750**	**$ 342,750**

*Individual categories may not sum to exact total due to rounding.

C. Financing Structure

- The development will not utilize housing tax credits as a funding source.

D. Cost Reasonableness

The predictive cost model is a tool that Minnesota Housing uses to identify, from a statistical perspective, proposed rental developments with unusually high costs. The model predicts the costs of a proposed development based on building characteristics and cost data from developments that the Agency has previously financed or to which it has issued tax credits and is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 56% to 73% of the variation in historical costs, it cannot capture all components of every proposed project.

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

The budgeted TDC per unit of $342,750 is 5% above the predictive cost model estimate of $327,429. Because the percentage is below the predictive cost model threshold of 35% for rehabilitation as permitted in Board Policy No.15, this does not require a board waiver.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (%, of MTSP or AMI)	Rental Assistance Source
1 bedroom	3	$ 1,043	50%	30%	MPHA PBV**
2 bedrooms	7	$ 1,298	50%	30%	MPHA PBV
3 bedrooms	7	$ 1,902	60%	30%	HAP***

*Net Rents are the underwriting rents and are net of a utility allowance. The underwriting rents may not reflect the maximum rent limits.
**Minneapolis Public Housing Authority Project Based Vouchers
***Housing Assistance Payments

HIB:

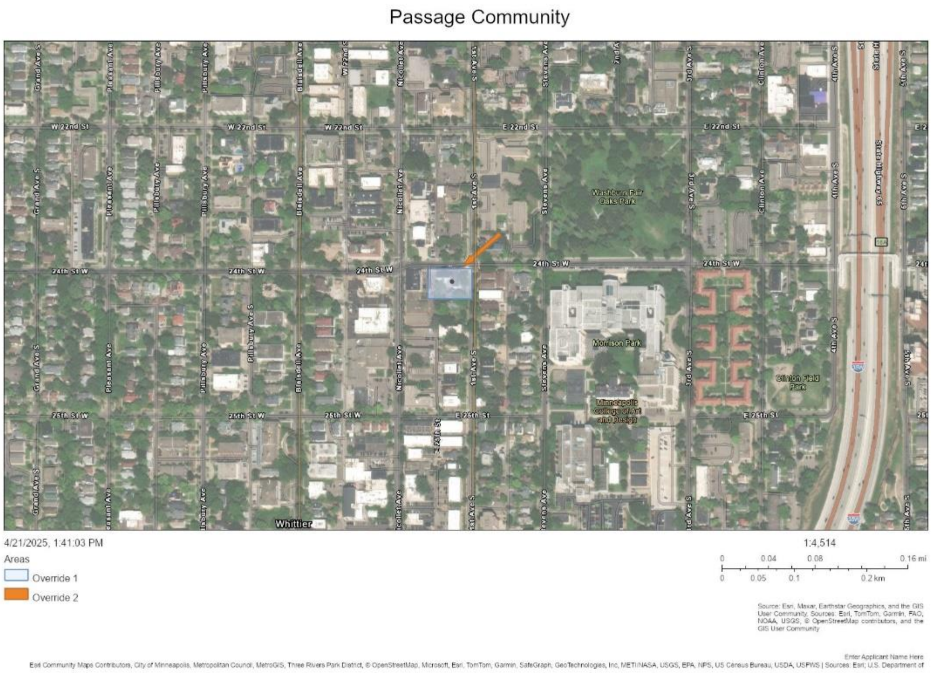
- Seventeen units restricted as follows:
  - Seventeen units with incomes not exceeding 60% MTSP and rents at 60% MTSP.
  - Commitment to construction period plus 50 years of affordability from the date of loan closing.

B. Feasibility Summary

All projects are underwritten within the Agency's underwriting guidelines, unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses, vacancy rate, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- The project was underwritten at 7% vacancy, with 1.5% income and 3% expense inflators.
- Sources of rent include Housing Assistance Payments (HAP) rental assistance for seven units and Minneapolis Public Housing Authority Project Based Vouchers (MPHA PBV) for 10 units.
- The cash flow for this supportive housing project becomes negative in Year 14.
- An operating reserve is expected to be in the amount of $156,724 will be held by Minnesota Housing.
- The AHTF loan program is requiring a replacement cost reserve expected to be in the amount of $240,000. This will be held by Minnesota Housing.

Map of 17 East 24th Street, Minneapolis



Picture of 17 East 24th Street, Minneapolis

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

RESOLUTION NO. MHFA 25-XXX
Modifying Resolution No. MHFA 23-077

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT MODIFICATION HOUSING INFRASTRUCTURE BOND (HIB) PROGRAM

WHEREAS, the Board has previously authorized a commitment for the Passage Community development for $3,872,000 of the Emergency Rental Assistance 2 (ERA2) Capital Funding program by its Resolution No. MHFA 23-077; and

WHEREAS, under Board Delegation No. 005 the Mortgage Credit Committee on December 4, 2024, and the Clearinghouse Committee on December 5, 2024, exchanged the ERA2 Capital Funding program funds for Housing Infrastructure Bond (HIB) funds; and

WHEREAS, Agency staff has determined that there are increased development costs; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to modify the commitment for the indicated development, subject to the revisions noted:

1. The Housing Infrastructure Bond (HIB) loan shall not exceed $4,230,000; and
2. All other terms and conditions of Resolution No. MHFA 23-077 remain in effect.

Adopted this 22nd day of May 2025

____

CHAIR

400 Wabasha Street North, Suite 400
St. Paul, MN 55102
P: 800.657.3769
F: 651.296.8139 | **TTY:** 651.297.2361
www.mnhousing.gov

May 7, 2025

Passage Community Housing, LLC
C/O Simpson Housing Services, Inc.
160 Glenwood Avenue
Minneapolis, MN, 55405

RE: Term Letter
Passage Community, Minneapolis
Development #D0822, Project #M19376

Dear Wendy Wiegmann:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower:	A single asset entity: Passage Community Housing, LLC
General Partner(s) Managing Member(s):	Simpson Housing Services, Inc.
Development Description/Purpose:	Rehabilitation of a 17-unit affordable housing development located in Minneapolis, Minnesota

Minnesota Housing Loan Type/Terms

Program	Housing Infrastructure Bonds (HIB) – SH
Loan Amount	$ 4,230,000
Interest Rate	0%
Mortgage Insurance Premium (%)	Not Applicable
Term	Approx. 12 months (construction) + 30 years
Amortization / Repayment	Loan forgivable after construction + 30 years
Prepayment Provision	Prepay at any time with prior written approval.
Nonrecourse or Recourse	Nonrecourse
Construction to Permanent Loan, Construction Bridge Loan or End Loan	Construction to Permanent Loan
Lien Priority	First Position

Origination Fees: Not Applicable

Bond Issuance Fee Not Applicable

LMIR Interest Rate Extension Fee Not Applicable

Construction Oversight Fee: $75,000 (payable at loan closing)

End Loan Commitment: Not Applicable

Guarantee / Guarantor(s): Not Applicable

Operating Deficit Escrow Reserve Account: Not Applicable

Operating Reserve Account: Capitalized operating reserve in the amount of $156,724 funded at initial loan closing. The operating reserve will be held by Minnesota Housing.

Replacement Reserve Account: Capitalized replacement reserve in the amount of $240,000 funded at initial loan closing. Monthly replacement reserve deposits will be required in the amount of $637.50. The replacement reserve will be held by Minnesota Housing.

Escrows:	Not Applicable
Collateral/Security:	Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.
Rent and Income Requirements:	Housing Infrastructure Bonds (HIB) - SH • 17 units with incomes not exceeding 60% Multifamily Tax Subsidy Projects (MTSP) and rents at 60% MTSP. • Commitment to construction period plus 50 years of affordability from the date of loan closing.
HAP or Other Subsidy Agreement:	Commitment to construction period plus 30 years of affordability from the date of loan closing under the Housing Choice Voucher Program for 17 units.
Other Occupancy Requirements:	Not Applicable
Other Requirements:	The HIB loan is subject to the terms in the attached Selection Criteria.
Closing Costs:	Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.
Expiration Date:	This term letter will expire on the earlier of October 31, 2025 from the date of this letter or loan closing/end loan commitment.
Additional Terms:	Not Applicable
Other Conditions:	Not Applicable
Board Approval:	Commitment of the HIB loan is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.
Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

May 7, 2025
Page 4

Please sign this letter and return it to Kang Her at Kang.Her@state.mn.us on or before 10 business days from date of this letter.

If you have any questions related to this letter, please contact Jennifer Finnesgard at Jennifer.Finnesgard@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

PASSAGE COMMUNITY HOUSING, LLC

By: ____
Wendy Wiegmann, Associate Director of Simpson Housing Services, Inc.

Date Accepted: ________________________

MINNESOTA HOUSING

Selection Criteria Related to 2023 RFP/2024 HTC Round 1

Project Name:	**Passage Community**
Project City:	**Minneapolis**
Property Number (D#):	**D0822**
Project Number:	**M19376**

Deeper Rent Targeting A

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
Project excluded because 100% of units include project based rental assistance.	Project excluded because 100% of units include project based rental assistance.	

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the deferred loan Declaration and/or Declaration of Land Use Restrictive Covenants Agreement (LURA).

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the deferred loan Declaration and/or LURA.

Units with project-based rental assistance count toward this requirement.

Deeper Rent Targeting B

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
Project excluded because 100% of units include project based rental assistance.	Project excluded because 100% of units include project based rental assistance.	

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the deferred loan Declaration and/or LURA.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the deferred loan Declaration and/or LURA.

Units with project-based rental assistance count toward this requirement.

Large Family Housing

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
75% two or more bedrooms and 1/3 of the 75% contain three or more bedrooms	12	75% two or more bedrooms and 1/3 of the 75% contain three or more bedrooms	12	7 2 Bedrooms Units 7 3 Bedrooms Units 0 4 Bedrooms Units 0 5 Bedrooms Units 0 6 Bedrooms

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the deferred loan Declaration and/or LURA.

The project will provide family housing that is not restricted to persons 55 years or older in which at least 75% of the affordable units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms. The Owner agrees to market to families with minor children.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the deferred loan Declaration and/or LURA.

Permanent Supportive Housing for High Priority Homeless

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
10% to 49.99% of the total units, but no fewer than 7 units	10	10% to 49.99% of the total units, but no fewer than 7 units	10	17

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required and performance requirements to meet this criterion for the term of the deferred loan Declaration/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and may be incorporated into the loan and HTC documents.

The Owner agrees that if units set aside for High Priority Homeless are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the required rent restrictions set out in the Self-scoring Worksheet and will be incorporated into the loan and HTC documents.

The Owner agrees units will be set aside and rented to High Priority Homeless who are a household prioritized for permanent supportive housing by Coordinated Entry System (HPH units). Minnesota Housing, at its sole discretion, in consultation with the owner and the local community, will consider requests for an alternative referral and prioritization process for populations that have a need for supportive housing but are not included in the Coordinated Entry System. Final approval must be in writing by Minnesota Housing.

The Owner agrees to pursue and continue renewal of rental assistance, operating subsidy, or service funding contracts for as long as the funding is available.

Permanent Supportive Housing for High Priority Homeless and People with Disabilities units (Tier 1 or Tier 2) must be distinct and cannot be layered.

The Owner will be required to certify on an annual basis that the development complies with this criterion for the term of the deferred loan Declaration and/or LURA.

Preservation - Existing Federal Rental Assistance – Tier 1

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
100% of Units	40	100% of Units	40	17

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may require the Owner to continue renewals of existing project-based housing subsidy payment contracts(s) for as long as the assistance is available. Except for "good cause," the Owner must not evict existing subsidized residents and must continue to renew leases for those residents.

Preservation units cannot be used to satisfy the Rental Assistance criterion; units must be separate and distinct. Preservation Tier 1 units cannot be used to satisfy the Serves Lowest Income criterion; units must be separate and distinct.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the deferred loan Declaration and/or LURA.

Long Term Affordability

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Long-term affordability for a minimum of 50 years	9	Long-term affordability for a minimum of 50 years	9

Loan/HTC Commitment and Compliance Monitoring

Owner agrees to extend the term of the LURA and the Qualified Contract provision in Section 42 does not apply to the project for the applicable term, and/or the deferred loan project will extend the term of the deferred loan declaration beyond 30 years.

Need for More Affordable Housing Options

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 2 Tracts or Cities	8	Tier 2 Tracts or Cities	8

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Workforce Housing Communities

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Top Job Center or Net Five Year Job Growth Community	6	Top Job Center or Net Five Year Job Growth Community	6

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Transit and Walkability

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
One half mile of a planned or existing LRT, BRT, or commuter rail station	7	One half mile of a planned or existing LRT, BRT, or commuter rail station	7

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Walk Score of 80 or more	2	Walk Score of 80 or more	2

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Community Development Initiative

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Contributes to active implementation of a Community Development Initiative	3	Contributes to active implementation of a Community Development Initiative	3

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

QCT/Community Revitalization, Tribal Equivalent Areas, and Opportunity Zones

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
QCT Community	3	QCT Community	3

Revitalization Area, Tribal Equivalent Area, or Opportunity Zone		Revitalization Area, Tribal Equivalent Area, or Opportunity Zone	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Black-, Indigenous-, People of Color-, and Women-owned Business Enterprise - Development Team

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Two or more entities are Women-owned Business Enterprises or a combination of Black-, Indigenous-, People of Color-owned or Women-owned Business Enterprise	4	Two or more entities are Women-owned Business Enterprises or a combination of Black-, Indigenous-, People of Color-owned or Women-owned Business Enterprise	4

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the deferred loan construction completion and/or 8609.

Financial Readiness to Proceed/Leveraged Funds

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
10.51% or more of funding secured	16	10.51% or more of funding secured	16

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection based on submitted permanent funding commitments indicated in the project's application. The Funding commitments, or an equivalent commitment, must be maintained and will be monitored through the loan closing and/or 8609.

Intermediary Costs

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
20.1 to 25%	2	20.1 to 25%	2

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the loan closing and/or 8609.

Smoke Free Building

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points

Smoke Free Buildings	1	Smoke Free Buildings	1

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include that the owner must maintain a smoke free policy and include a non-smoking clause in the lease for every household for the term of the deferred loan Declaration and/or LURA. The written policy will be validated during the due diligence process and must include procedures regarding transitioning to smoke free for existing residents and establishment of smoking areas outside of units and common areas, if applicable. Consequences for violating the smoke free policy are determined by the owner but must be included in the written policy.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the deferred loan Declaration and/or LURA.

Total Developer Claimed:	**123**	**Total Agency Awarded:**	**123**

Item: Approval, Commitment, Low and Moderate Income Rental (LMIR) Loan, Enclave Overlook, D8577, Rockford, MN

Action Item: 7.H
Date: 05/22/2025
Staff Contacts: David McGee, 651.296.9440, david.mcgee@state.mn.us
Susan Thompson, 651.296.9838, susan.thompson@state.mn.us
Request Type: Approval, Resolution

Request Summary:

At the December 14, 2023, board meeting, the Enclave Overlook was selected for financing under the LMIR program in the amount of up to $1,903,000 in Resolution No. MHFA 23-078. Agency staff completed the underwriting and technical review of the proposed development and recommends adoption of a resolution authorizing the issuance of a LMIR program commitment in the amount of up to $1,757,000.

All commitments are subject to the terms and conditions of the Agency term letter.

Fiscal Impact:

Minnesota Housing will earn interest rate spread income on the LMIR loan as well as additional fee income.

Agency Priorities:

☒ Improve the Housing System

☒ Preserve and Create Housing Opportunities

☐ Make Homeownership More Accessible

☒ Support People Needing Services

☒ Strengthen Communities

Attachments:

- Development Summary
- Map and Picture
- Resolution
- Term letter

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information				
Development Name	Enclave Overlook		**D# 8577**	**M# 19326**
Address	900 County Road 50			
City	Rockford	**County**	Hennepin	
Date of Selection	12/14/2023	**Region**	Metro	

A. Project Description and Population Served

- Enclave Overlook involves the new construction of 48 units in a three-story elevator building with units ranging from one to three bedrooms.
- The development will provide workforce housing for singles and family households.
- Six units will serve single adults with disabilities and will benefit from the Housing Support assistance.
- Four units will have a priority to serve individuals single adults experiencing homelessness and will benefit from Housing Support assistance.
- In addition to the units receiving rental assistance, three units will be deeply affordable to households at or below 30% Multifamily Tax Subsidy Projects (MTSP).

The development was also selected for deferred funding up to $3,319,000 under the Economic Development and Housing Challenge (EDHC) program under Resolution No. MHFA 23-077. The EDHC loan amount was decreased by $92,000 for a total amount of up to $3,227,000.

In addition to the Agency loans discussed above, the project includes 9% federal Housing Tax Credits (HTCs) from Minnesota Housing.

B. Mortgagor Information

Ownership Entity:	Rockford Housing Group, LLC
Sponsor:	TTT Housing, LLC
General Partner:	Rockford Housing Partners, LLC
Guarantors:	TTT Housing, LLC, Nicole Sand, Megan Sand Carr and Kathryn Peterson

C. Development Team Capacity Review

This is the second project the sponsor/developer, TTT Housing, LLC, has with Minnesota Housing. However, its members have successfully completed numerous projects similar in size and scope and are familiar with Minnesota Housing funding, processes and requirements.

The management company, Sand Property Management, LLC, has experience working with Minnesota Housing and is expected to have capacity to add this development.

The service provider, Touchstone Mental Health, has been found to be acceptable working with this population.

Sand Architects, LLC and Sand Construction, LLC have successfully completed projects similar in size and scope and have the capacity to effectively design and construct the project.

The project's developer/sponsor, management company and architect represent Women-owned business enterprises.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction /End Loan
Permanent Amortizing	LMIR	Pool 2	$1,757,000	7.50%	N/A	40 Yrs	40 Yrs	End

- The rate is subject to being reset at the then market rates if the End Loan Commitment is not executed by October 31, 2025.
- The End Loan Commitment shall have a 24-month term.

Amortizing Mortgage Loan to Cost: 7.9% **Amortizing Mortgage Loan to Value:** TBD*

*Subject to confirmation by the appraisal prior to closing. The maximum loan-to-value is 90%.

E. Significant Changes Since Date of Selection

There are no significant changes since selection.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	$ 791,100	$ 16,481
Construction Costs	$ 17,279,455	$ 359,989
Professional Fees	$ 1,408,328	$ 29,340

Developer Fee	$ 600,000	$ 12,500
Financing Costs	$ 1,703,266	$ 35,485
Total Mortgageable Costs	$ 21,782,149	$ 453,795
Reserves	$ 322,000	$ 6,708
Total Development Cost	**$ 22,104,149**	**$ 460,503**

Individual categories may not sum to exact total due to rounding.

B. Permanent Capital Sources

Description	Amount	Per Unit
LMIR Amortizing Mortgage	$ 1,757,000	$ 36,604
General Partner Cash	$ 1050	$ 22
HTC Equity Proceeds (Wells Fargo)	$ 16,018,398	$ 333,717
EDHC	$ 3,227,000	$ 67,229
Hennepin County HOME	$ 1,020,000	$ 21,250
Energy Rebates	$ 80,701	$ 1,681
Total Permanent Financing	**$ 22,104,149**	**$ 460,503**

Individual categories may not sum to exact total due to rounding.

C. Financing Structure

The development was allocated $2,378,744 in annual 9% HTCs from Minnesota Housing, which will result in equity proceeds from Wells Fargo. The term of the Land Use Restrictive Agreement will be 50 years.

D. Cost Reasonableness

The predictive cost model is a tool that Minnesota Housing uses to identify, from a statistical perspective, proposed rental developments with unusually high costs. The model predicts the costs of a proposed development based on building characteristics and cost data from developments that the Agency has previously financed or to which it has issued tax credits and is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 56% to 73% of the variation in historical costs, it cannot capture all components of every proposed project.

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

The budgeted total development cost (TDC) per unit of $460,503 is 13% above the predictive cost model estimate of $408,058. Because the percentage is within the predictive cost model threshold of 25% for new construction or 35% for preservation and adaptive reuse developments as permitted in Board Policy No.15, no further action is required.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (%, of MTSP or AMI)	Rental Assistance Source
1BR	2	$ 682	30% MTSP	30% MTSP	Housing Support
1BR	2	$ 943	30% MTSP	30% MTSP	Housing Support
1BR	6	$ 943	50% MTSP	30% MTSP	Housing Support
2BR	12	$ 1,178	50% MTSP	50% MTSP	
3BR	5	$ 1,534	50% MTSP	50% MTSP	
2BR	4	$ 1,350	60% MTSP	60% MTSP	
3BR	8	$ 1,550	60% MTSP	60% MTSP	
4BR	2	$ 1,800	60% MTSP	60% MTSP	
1BR	2	$ 647	30% MTSP	30% MTSP	
2BR	1	$ 771	30% MTSP	30% MTSP	
3BR	2	$ 1,534	50% MTSP	50% MTSP	
4BR	2	$ 1,706	50% MTSP	50% MTSP	

*Net Rents are the underwriting rents and are net of a utility allowance. The underwriting rents may not reflect the maximum rent limits.

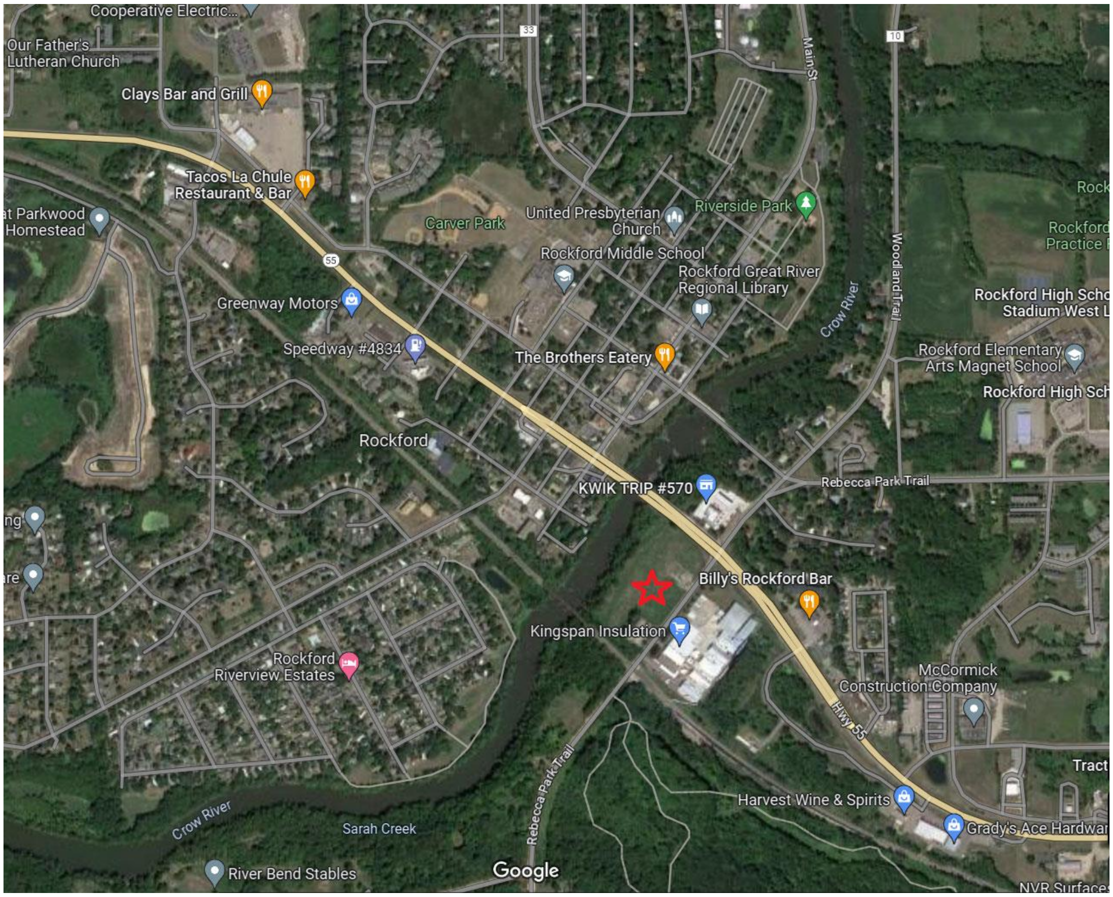
B. Feasibility Summary

All projects are underwritten within the Agency's underwriting guidelines, unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses, vacancy rate, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- The project maintains positive cash flow for 15 years, with a projected debt coverage ratio in year 15 of 1.15.
- The project was underwritten at 6% vacancy, with 2% income and 3% expense inflators.

- Ten units will benefit from Housing Support assistance.

Map of 9000 County Rd 50 Rockford, MN 55373



Picture of 9000 County Rd 50 Rockford, MN 55373

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

RESOLUTION NO. MHFA 25-xxx

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide construction and permanent financing for a multiple unit housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development:	Enclave Overlook
Sponsors:	TTT Housing, LLC
Guarantors:	TTT Housing, LLC; Nicole Sand; Megan Sand Carr; Kathryn Peterson
Location of Development:	Rockford, MN
Number of Units:	48
Amount of LMIR Mortgage: (not to exceed)	$1,757,000

WHEREAS, the Minnesota Housing board approved the proposed development for financing under the Low and Moderate Income Rental loan in the amount of up to $1,903,000 a in Resolution No. MHFA 23-078; and

WHEREAS, Agency staff has determined the modified loan size is reasonable and justified; and

WHEREAS, Agency staff has determined that such applicant is an eligible sponsor under the Agency's rules; that such permanent mortgage loan is not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the construction of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, Agency staff has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide a permanent mortgage loan to the sponsor or an affiliate thereof from the Housing Investment Fund (Pool 2) for the indicated development, upon the following terms and conditions:

1. This authorization shall expire on October 31, 2025; and
2. The amount of the LMIR amortizing loan shall not exceed $1,757,0000; and

3. The interest rate on the LMIR loan shall be 7.50% per annum (subject to change, as set forth in the attached Agency term letter dated May 2, 2025); and

4. The term of the LMIR loan shall be 40 years, with monthly principal and interest payments based on a 40-year amortization; and

5. The LMIR End Loan Commitment shall be entered into on or before October 31, 2025, and shall have 24 month term; and

6. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The Commissioner is authorized to approve non-material modifications to those terms; and

7. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and

8. The Sponsor shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.11 debt service coverage ratio (assuming stabilized expenses) for three successive months; and

9. The Sponsor shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

10. The sponsor, the general contractor, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loans, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 22nd day of May 2025

____

CHAIR

400 Wabasha Street North, Suite 400
St. Paul, MN 55102
P: 800.657.3769
F: 651.296.8139 | TTY: 651.297.2361
www.mnhousing.gov

May 2, 2025

Rockford Housing Group, LLC
c/o TTT Housing, LLC
Megan Carr
366 10th Ave. S
Waite Park, MN 56387

RE: Term Letter
Enclave Overlook, Rockford
Development #D8577, Project #M19326

Dear Megan Carr:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower:	A single asset entity: Rockford Housing Group, LLC
General Partner(s) Managing Member(s):	Rockford Housing Partners, LLC
Development Description/Purpose:	New construction of a 48-unit affordable housing development located in Rockford, Minnesota

Program	Low and Moderate Income Rental Program (LMIR)	Economic Development and Housing Challenge (EDHC)
Loan Amount	$ 1,757,000	$ 3,227,000
Interest Rate	7.5%**	0%
Mortgage Insurance Premium (%)	Not Applicable	Not Applicable
Term	40 years	50 years
Amortization / Repayment	40 years	Deferred lump sum payment due in approx. 50 years.
Prepayment Provision	No prepayment first 10 years from date of the Note.	Prepay at any time without penalty.
Nonrecourse or Recourse	Nonrecourse	Nonrecourse
Construction to Permanent Loan, Construction Bridge Loan or End Loan	End Loan	End Loan
Lien Priority	First	Second

** The interest rate on the LMIR loan has been established in consultation with the Finance Division. The rate is subject to being reset at the then market rates if the end loan commitment is not executed by October 31, 2025.

Origination Fees:
- LMIR Loan: $35,140 (payable at the earlier of loan commitment or loan closing)

Construction Oversight Fee: $75,0000 (payable at loan closing)

End Loan Commitment: Both the LMIR and the EDHC loans will be structured as an End Loan. The term of the End Loan Commitment shall be 24 months.

Guarantee / Guarantor(s):
- LMIR loan: Repayment and Operations Guarantees from:
  - TTT Housing, LLC
  - Nicole Sand
  - Megan Sand Carr
  - Kathryn Peterson

Operating Deficit Escrow Reserve Account: $52,710 to be funded on the day of closing of the LMIR loan by cash or letter of credit (outside of the development budget) to be held by Minnesota Housing. The reserve may be funded from equity proceeds for syndicator required operating reserve.

Operating Reserve Account: Capitalized operating reserve in the amount of $322,000 is required by the syndicator and will not be held by Minnesota Housing. As allowed by syndicator, a portion may fund the Operating Deficit Reserve until released by Minnesota Housing. Upon release of the Operating Deficit Reserve, the balance will be transferred to the Operating Reserve.

Replacement Reserve Account: Monthly replacement reserve deposits will be required in the amount of $1,800. The replacement reserve will be held by Minnesota Housing.

Escrows: Real estate tax escrow and property insurance escrow to be established on the day of closing of the LMIR loan (outside of the development budget) and will be held by Minnesota Housing.

Collateral/Security: Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

Rent and Income Requirements: LMIR 1st Mortgage
- 48 units restricted as follows:

- 20 units with rents and incomes not exceeding 60% MTSP
- 12 units may have unrestricted incomes and
- 16 units with incomes equal to or less than 100% of the greater of area or statewide median income as determined by HUD.

- Commitment to affordability in effect while the loan is outstanding.

EDHC MF

- 48 units with incomes not exceeding 60% MTSP and rents at 60% MTSP.
- Commitment to 50 years of affordability from the date of loan closing.

HAP or Other Subsidy Agreement: Commitment to 15 years of affordability from the date of loan closing under the Housing Support Program for 10 units.

Other Occupancy Requirements: Not applicable

Other Requirements: The EDHC loan is subject to the terms in the attached Selection Criteria.

Closing Costs: Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date: This term letter will expire on the earlier of October 31, 2025, or execution of the end loan commitment.

Additional Terms: Not Applicable

Other Conditions: Subject to appraised value achieving a maximum 90% LTV.

Board Approval: Commitment of the loans under the LMIR program are subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.

Not a Binding Contract: This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Kang Her at Kang Her@state.mn.us on or before 10 business days from date of this letter.

If you have any questions related to this letter, please contact David McGee at David.McGee@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

ROCKFORD HOUSING GROUP, LLC

By: ____

Megan S. Carr, Manager, Rockford Housing Partners, LLC

Date Accepted: ______________________

MINNESOTA HOUSING

Selection Criteria Related to 2023 RFP/2024 HTC Round 1

Project Name: Enclave Overlook
Project City: Rockford
Property Number (D#): D8577
Project Number: M19326

Deeper Rent Targeting A

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
At least 2% of units, with a minimum number of 1 unit, with rents restricted at or below the county 30% MTSP rent limit.	At least 2% of units, with a minimum number of 1 unit, with rents restricted at or below the county 30% MTSP rent limit.	1

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the deferred loan Declaration and/or Declaration of Land Use Restrictive Covenants Agreement (LURA).

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the deferred loan Declaration and/or LURA.

Units with project-based rental assistance count toward this requirement.

Deeper Rent Targeting B

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
At least 3% of units, with a minimum number of 1 unit, with rents restricted at or below the HAP payment standard as determined by the responsible entity in the jurisdiction. The units must be evenly distributed by bedroom type.	At least 3% of units, with a minimum number of 1 unit, with rents restricted at or below the HAP payment standard as determined by the responsible entity in the jurisdiction. The units must be evenly distributed by bedroom type.	2

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the deferred loan Declaration and/or LURA.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the deferred loan Declaration and/or LURA.

Units with project-based rental assistance count toward this requirement.

Large Family Housing

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
75% two or more bedrooms and 1/3 of the 75% contain three or more bedrooms	12	75% two or more bedrooms and 1/3 of the 75% contain three or more bedrooms	12	17 2 Bedrooms Units 15 3 Bedrooms Units 4 4 Bedrooms Units 0 5 Bedrooms Units 0 6 Bedrooms

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the deferred loan Declaration and/or LURA.

The project will provide family housing that is not restricted to persons 55 years or older in which at least 75% of the affordable units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms. The Owner agrees to market to families with minor children.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the deferred loan Declaration and/or LURA.

Large Family Housing - 1/3 Units Four or More Bedrooms

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
1/3 of three or more bedrooms required above must contain four or more bedrooms.	3	1/3 of three or more bedrooms required above must contain four or more bedrooms.	3	4 4 Bedrooms Units 0 5 Bedrooms Units 0 6 Bedrooms Units

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the deferred loan Declaration and/or LURA.

The project will provide family housing that is not restricted to persons 55 years or older in which at least one-third of the required three or more bedrooms contain four or more bedrooms.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the deferred loan Declaration and/or LURA.

Permanent Supportive Housing (Partially) - 30% Rent Units With Homeless Priority

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
5% to 9.99% of the total units, but no fewer than 4 units	7	5% to 9.99% of the total units, but no fewer than 4 units	7	4

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the deferred loan Declaration and/or LURA.

The Owner agrees that rents will be restricted to 30% MTSP and units will maintain a priority to serve homeless households. The project is required to comply with any due diligence/reporting requirements post-selection and for the term of the Declaration.

The Owner agrees that if units set with a priority to serve homeless households are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the required rent restrictions set out in the Self-scoring Worksheet and will be incorporated into the loan and HTC documents.

The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy, or service funding contracts for as long as the funding is available.

Permanent Supportive Housing (Partially) – 30% Units with Homeless Priority and People with Disabilities units (Tier 1 or Tier 2) must be distinct and cannot be layered.

The owner will be required to certify on an annual basis that the rent restrictions comply.

People with Disabilities – Tier 1

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
10% to 14.99% of the total units, but no fewer than 5 units	9	10% to 14.99% of the total units, but no fewer than 5 units	9	6

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the deferred loan Declaration/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and may be incorporated into the loan and/or HTC documents.

The Owner agrees units will be set aside and rented to households with a disability with income limits at 30% MTSP. The Owner also agrees that if units set aside for People with Disabilities are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the required rent restrictions set out in the Self-scoring Worksheet and will be incorporated into the loan and/or HTC documents.

Units cannot be restricted to persons of a particular age group and must be provided in an integrated setting for the term of declaration

The units must be set aside and rented to persons with at least one of the following disabilities in a manner consistent with Minnesota Statutes, Section 462A.222, subdivision 3, subparagraph (d)(3):

a. A serious and persistent mental illness as defined in MN Statutes Section 245.462, Subdivision 20, Paragraph C; or

b. A developmental disability as defined in United States Code, Title 42, Section 6001, Paragraph (5), as amended; or

c. Assessed as drug dependent persons as defined in MN Statute Section 254A.02, Subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in MN Statute Section 254A.02, Subdivision 2; or

d. A brain injury as defined in MN Statute Section 256B.093, Subdivision 4, Paragraph (a); or

e. Permanent physical disabilities that substantially limit major life activities, if at least 50 percent of the units in the Project are accessible as provided under Minnesota Rules, Chapter 1341.

Permanent Supportive Housing for High Priority Homeless and People with Disabilities units must be distinct and cannot be layered.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the deferred loan Declaration and/or LURA.

Rental Assistance

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
20.1% but under 51% of the total units	13	20.1% but under 51% of the total units	13	10

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion. Specific performance requirement relief provisions are available for projects that meet the selection criterion and will be incorporated into the deferred loan Declaration and/or LURA.

The owner will be required to continue renewals of project-based housing subsidy payments for a minimum of 15 years. The owner must continue renewals of existing project-based housing subsidy payment contract(s). The owner agrees that rents will remain affordable at 50% MTSP income limits for a 15-year period if rental assistance is not available for the full period. The 15-year period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

For purposes of this category, project-based rental assistance is defined as project-specific funding stream that supports the operations of the property, reduces the tenant burden, and provides the tenant portion of rent to be no greater than 30% of household income except as approved by Minnesota Housing. The project must comply with the requirements in the Self-Scoring Worksheet.

Minnesota Housing, at its sole discretion, will consider rental assistance programs with alternative rent structures as proposed by the applicant, where households may pay more than 30% of their household income when the program goals align with the needs of low-income populations such as with the Moving to Work and site-based Housing Support programs.

Rental Assistance units cannot be used to satisfy Preservation or Serves Lowest Income Unit criteria; units must be separate and distinct.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of deferred loan Declaration and/or LURA.

Rental Assistance – Further Restricted Rental Assisted Units (FRRA)

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
15.1% to 25% of the total units	4	15.1% to 25% of the total units	4	10

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion. Specific performance requirement relief provisions are available for projects that meet the selection criterion and will be incorporated into the deferred loan Declaration and/or LURA.

Owner agrees to further restrict units with project-based rental assistance or Housing Support to households whose incomes do not exceed 30% of MTSP income limit for a 10-year period. The 10-year period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

The owner will be required to certify on an annual basis that the development complies with this criterion for the 10-year period.

Serves Lowest Income Tenants/Rent Reduction

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
50% of the total unit rents at 50% MTSP	8	50% of the total unit rents at 50% MTSP	8	24

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion.

The project must not exceed the gross rent levels for the term deferred loan Declaration and/or LURA. The period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

Units that have rental assistance cannot be used to satisfy the Serves Lowest Income Tenants/Rent Reduction criterion; units must be separate and distinct. The owner will be required to certify on an annual basis that the rent restrictions are in compliance.

Serves Lowest Income Tenants/Rent Reduction – 30% Further Restriction

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
5% to 9.99% of the total units	4	5% to 9.99% of the total units	4	3

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion.

The project must not exceed the 30% MTSP gross rent limits for the term of the deferred Loan Declaration/LURA. The period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

Units that have rental assistance cannot be used to satisfy the Serves Lowest Income Tenants/Rent Reduction criterion; units must be separate and distinct. The owner will be required to certify on an annual basis that the rent restrictions are in compliance.

Long Term Affordability

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Long-term affordability for a minimum of 50 years	9	Long-term affordability for a minimum of 50 years	9

Loan/HTC Commitment and Compliance Monitoring

Owner agrees to extend the term of the LURA and the Qualified Contract provision in Section 42 does not apply to the project for the applicable term, and/or the deferred loan project will extend the term of the deferred loan declaration beyond 30 years.

Need for More Affordable Housing Options

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 1 Tracts or Cities, and Reservations	10	Tier 1 Tracts or Cities, and Reservations	10

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Workforce Housing Communities

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Top Job Center or Net Five Year Job Growth Community	6	Top Job Center or Net Five Year Job Growth Community	6

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Transit and Walkability

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
One half mile of a designated transit stop, or served by demand response/dial-a-ride, or within one half mile of a commuter rail station; and is available daily, Monday through Friday, providing same day service.	7	One half mile of a designated transit stop, or served by demand response/dial-a-ride, or within one half mile of a commuter rail station; and is available daily, Monday through Friday, providing same day service.	7

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Walk Score between 30 and 49	1	Walk Score between 30 and 49	1

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Community Development Initiative

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Contributes to active implementation of a Community Development Initiative	3	Contributes to active implementation of a Community Development Initiative	3

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Equitable Development

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Evidence that Communities Most Impacted by housing	3	Evidence that Communities Most Impacted by housing	3

disparities have a role in the project proposal and qualifying stakeholder groups.		disparities have a role in the project proposal and qualifying stakeholder groups.	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through deferred loan post construction and/or 8609.

Rural/Tribal

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 1: The project is located in a Rural/Tribal Designated Area that is outside of the Metropolitan Area and has a population less than 5,000	6	Tier 1: The project is located in a Rural/Tribal Designated Area that is outside of the Metropolitan Area and has a population less than 5,000	6

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Multifamily Award History

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Communities that have not received an award or allocation for the last five years	4	Communities that have not received an award or allocation for the last five years	4

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Black-, Indigenous-, People of Color-, and Women-owned Business Enterprise - Ownership

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Owner for-profit Women-owned Business Enterprise	5	Owner for-profit Women-owned Business Enterprise	5

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the deferred loan construction completion and/or 8609.

Black-, Indigenous-, People of Color-, and Women-owned Business Enterprise - Development Team

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Two or more entities are Women-owned Business Enterprises or a combination of Black-, Indigenous-, People of Color-owned or Women-owned Business Enterprise	4	Two or more entities are Women-owned Business Enterprises or a combination of Black-, Indigenous-, People of Color-owned or Women-owned Business Enterprise	4

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the deferred loan construction completion and/or 8609.

Black-, Indigenous-, People of Color-, and Women-owned Business Enterprise - Partnership

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Partnership with a Black-, Indigenous-, People of Color-owned/Women-owned Business Enterprise entity with the goal of building the entity’s capacity	1	Partnership with a Black-, Indigenous-, People of Color-owned/Women-owned Business Enterprise entity with the goal of building the entity’s capacity	1

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the deferred loan construction completion and/or 8609.

Financial Readiness to Proceed/Leveraged Funds

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
4.51% to 6.0% of funding secured	8	4.51% to 6.0% of funding secured	8

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection based on submitted permanent funding commitments indicated in the project's application. The Funding commitments, or an equivalent commitment, must be maintained and will be monitored through the loan closing and/or 8609.

Other Contributions

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points

1.0 to 3.4%	2	1.0 to 3.4%	2

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection based on submitted commitments indicated in the project's application. The commitments, or an equivalent commitment, must be maintained and will be monitored through the loan closing and/or 8609.

Intermediary Costs

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
0.0 to 15%	6	0.0 to 15%	6

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the loan closing and/or 8609.

Universal Design

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
Buildings with an elevator	3	Buildings with an elevator	3	48 Elevator Building Units

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase and architectural review.

Smoke Free Building

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Smoke Free Buildings	1	Smoke Free Buildings	1

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include that the owner must maintain a smoke free policy and include a non-smoking clause in the lease for every household for the term of the deferred loan Declaration and/or LURA. The written policy will be validated during the due diligence process and must include procedures regarding transitioning to smoke free for existing residents and establishment of smoking areas outside of units and common areas, if applicable. Consequences for violating the smoke free policy are determined by the owner but must be included in the written policy.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the deferred loan Declaration and/or LURA.

Enhanced Sustainability - Optional Criteria Points

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 2: Project includes at	2	Tier 2: Project includes at	2

least 3x the minimum number of optional criteria points in the Intended Methods		least 3x the minimum number of optional criteria points in the Intended Methods	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase, during architectural review, and post construction.

Enhanced Sustainability - Performance Pathways

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 4: Project will be certified by at least one alternative building performance pathways	4	Tier 4: Project will be certified by at least one alternative building performance pathways	4

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase, during architectural review, and post construction.

Total Developer Claimed: **145** **Total Agency Awarded:** **145**

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MINNESOTA HOUSING

Item: Approval, Housing Tax Credit Compliance Guide, HOME/NHTF Compliance Guide

Action Item: 7.I
Date: 05/22/2025
Staff Contacts: Renee Dickinson, 651.296.9491, renee.dickinson@state.mn.us
Eric Thiewes, 651.296.6527, eric.thiewes@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff requests approval of updates to the:

- Housing Tax Credit (HTC) Program Compliance Guide; and
- Multifamily HOME Investment Partnership Act and National Housing Trust Fund (HOME/NHTF) Compliance Guide.

Fiscal Impact

The Agency collects monitoring fees from properties with HTCs to help offset the cost of administering the program.

Agency Priorities

☒ Improve the Housing System

☒ Preserve and Create Housing Opportunities

☐ Make Homeownership More Accessible

☐ Support People Needing Services

☐ Strengthen Communities

Attachments

- Background
- Housing Tax Credit Program Compliance Guide

- Resident Notification Letter/Low Income Housing Tax Credit Lease Rider
- HTC Monitoring Fee Schedule
- Multifamily HOME Investment Partnerships and National Housing Trust Fund Program Compliance Guide
- HOME/NHTF Form 22: Lease Addendum

Background

26 U.S. Code Section 42 (Section 42) requires allocating agencies to include in their qualified allocation plan (QAP) a procedure to monitor all HTC projects for compliance with the requirements of Section 42. The purpose of the Housing Tax Credit Program Compliance Guide (HTC Compliance Guide) is to set forth the procedures to be followed by Minnesota Housing and the owners of HTC projects to comply with the requirements of Section 42 and the associated Treasury Regulations. The HTC Compliance Guide only applies to the federal HTC program and not the State Housing Tax Credit program.

Minnesota Housing has administered the federal HOME Investment Partnerships (HOME) Program since 1992, which includes HOME Targeted, HOME Rental Rehabilitation and HOME Affordable Rental Preservation. Minnesota Housing has administered the federal National Housing Trust Fund (NHTF) Program since 2016. Properties that have been developed using these funds are subject to specific rules designed to ensure that they remain affordable throughout the required period of affordability. The Multifamily HOME Investment Partnership and NHTF Compliance Guide (HOME/NHTF Compliance Guide) is designed to assist owners and their agents to plan and maintain compliance with the regulatory requirements associated with the utilization of these funds in multifamily properties.

Normally, these compliance guides are updated annually to incorporate only regulatory changes or technical clarifications due to federal changes that can be approved by the commissioner under Board Delegation No. 013. Board approval was last requested for the HTC Compliance Guide in November 2020.

The HOME/NHTF Compliance Guide was last reviewed by the board when it was created in December 2009. Staff suspended release of additional guide updates in 2024 in anticipation of new guidance from the U.S. Department of Housing and Urban Development (HUD) for implementing changes resulting from the Housing Opportunities Through Modernization Act (HOTMA). HOTMA was enacted in 2016 and was intended to streamline administration of several HUD programs, including HOME and NHTF. HOTMA also redefined income and income from assets and verification requirements. Because HTC, HOME and NHTF use the Section 8 definition of income, HOTMA also affects these programs.

Certain HOTMA provisions could not be implemented until HUD issued implementation guidance, which it did in late 2023. However, many of HOTMA's provisions for the Section 8 program require updated HUD software and forms, which HUD has yet to release. Because of this, HUD adjusted the date for full compliance with HOTMA several times. The projected date for full compliance is currently July 1, 2025, for HUD's multifamily programs and January 1, 2026, for programs under its Public and Indian Housing Programs, which includes HOME and NHTF.

Staff's goal is to align HOTMA implementation for HTC, HOME and NHTF with the Agency's Performance Based Contract Administration (PBCA) department so that Section 8 properties financed with HTC, HOME or NHTF would not experience any compliance issues. While HUD still needs to update its software and forms to be able to fully implement HOTMA, HUD has now issued guidance for its current software system that allows owners of Section 8 properties to implement some parts of HOTMA for income determinations. Since HTC, HOME and NHTF use the Section 8 definition of income, we can now provide guidance on the parts of HOTMA that apply to these programs.

In addition, on January 6, 2025, HUD's Office of Community Planning and Development published a final rule making changes to the HOME program regulations. The final rule, which went into effect on April 20, 2025, modifies a number of HOME program requirements and is intended to streamline administration to better align the program with other federal housing programs, including HTC and other HUD programs, subject to the constraints of the HOME statute.

In addition to the substantive updates listed below, both guides were reorganized and edited to remove redundancies, provide clarity, conform to Agency style guide, and address accessibility. The scope of changes and reorganization within the respective guides made red line versions of the guides cumbersome to read. As such, red line versions are not included with this memo but are available upon request.

Proposed Updates

Substantive updates for the **HTC Compliance Guide** include:

1. Page 2, Introduction. Clarifying the Housing Tax Credit Compliance Guide does not provide guidance for the State Housing Tax Credit Contribution Fund program. This was added to avoid confusion between these similarly named programs that operate very differently.
2. Section 4.04, page 24. Replacing references to and requirements of the U.S. Housing and Urban Development's (HUD) Uniform Physical Inspection Standards (UPCS) with the National Standards for Physical Inspection of Real Estate (NSPIRE). This includes incorporating NSPIRE's minimum affirmative habitability requirements. HUD replaced UPCS with NSPIRE in late 2023 and compliance staff began inspecting all properties using the new standard in 2024.
3. Chapter 6. Providing guidance for tenant income and methods for certifying and verifying income and income from assets pursuant to HOTMA.
4. Chapter 6. Referring to July 1, 2025, or such later date as determined by HUD for full HOTMA implementation.
5. Section 5.01, Page 29. Adding new language defining permissible and impermissible applicant and tenant fees, defining what constitutes a separate fee for purposes of tenant facilities included in tax credit eligible basis and guidance for when fees will be treated as rent.
6. Section 5.01, Page 33. Adding new requirement for 120 days' notice to tenants if an owner increases rent more than 5%. This change has an effective date of November 1, 2025 and will allow residents additional time to budget for the increase or explore other housing options if they are unable to afford the increased rent. Examples were included to provide clarity as to when the provision applies and what must be done if owner fails to provide the tenant with sufficient notice. The Resident Notification Letter and HTC Lease Rider were also updated to conform with this new provision.
7. Section 5.03, Page 35. Adding new lease requirements to include the Minnesota Housing Attachment to HUD's Violence Against Women Act (VAWA) Lease Addendum. This attachment incorporates required VAWA provisions that HUD has not yet updated in its VAWA Lease Addendum. The Resident Notification Letter and HTC Lease Rider were also updated to conform with this new provision.

8. Section 4.07, page 28, and Chapter 9, page 97. Replacing the annual monitoring fees and utility allowance review fees with a reference to the Multifamily Loan Programs and HTC Fee Schedule that is now the central spot for all program fees in the Multifamily Division, and increasing the review fee for the additional work staff must perform when reviewing utility allowances that involve submetering systems. The fees were last updated in 2020, and Agency staff will be reviewing the fee amounts that help offset the cost to administer the compliance requirements. Charging fees is permissible under Minnesota Statute 462A.05, subdivision 8. Provided the fees are consistent with the statute, the fee amounts are established under the commissioner's administrative authority and published on the website.

Substantive changes to the **HOME/NHTF Compliance Guide** include:

1. Section 1.02, page 4. Allowing HOME rents to exceed applicable HOME rent limit when a household is also assisted with project-based or tenant-based rental assistance per the 2025 HOME rule, after April 20, 2025.
2. Section 1.02, page 4. Allowing Low HOME units paired with HTC to comply with Low HOME rent limits if rent does not exceed the applicable HTC rent limit per the 2025 HOME rule, after April 20, 2025. See explanation of High HOME and Low HOME rents, below.
3. Section 3.01, page 26. Clarifying HUD's requirement that selection of qualified applicants must be from a written waiting list in the chronological order of their application, insofar as is practicable.
4. Section 5.01, page 60 and throughout. Replacing references to and requirements of HUD's UPCS with HUD's new inspection standard, NSPIRE. This includes incorporating NSPIRE's minimum affirmative habitability requirements.
5. Section 3.08, page 31, and throughout. Providing guidance for tenant income and methods for certifying and verifying income and income from assets pursuant to HOTMA.
6. Section 3.08, page 31, and throughout. Referring to July 1, 2025, or such later date as determined by HUD for full HOTMA implementation.
7. Section 1.05, page 6. Adding new language defining permissible and impermissible applicant and tenant fees and guidance for when fees will be treated as rent.
8. Section 1.07, page 9. Adding new language per the 2025 HOME rule that requires 60-days minimum notice of rent increase.
9. Section 1.07, page 9. Adding new language prohibiting rent increases more than once annually. This language already exists on page 32 of the HTC Compliance Guide.
10. Section 1.07, page 9. Adding new requirement for 120 days' notice to tenants if owner increases rents more than 5%. This change has an effective date of November 1, 2025. Examples were included to provide clarity as to when the provision applies and what must be done if owner fails to provide the tenant with sufficient notice. The HOME/NHTF Lease Addendum was updated to add these provisions.

11. Section 3.02, page 27. Adding new lease requirement to include the Minnesota Housing Attachment to VAWA Lease Addendum. This attachment incorporates required VAWA provisions that HUD has not yet updated in its own VAWA Lease Addendum form.
12. Section 1.08, page 10. Allowing use of the Public Housing Agency utility allowance after April 20, 2025, per 2025 HOME rule.
13. Adding Legal Addendum.

Low HOME and High HOME Rents

Rents are the lesser of the Fair Market Rent (FMR) for the unit size or 30% of the adjusted income of a family whose income equals 65% of the area median (High HOME Rent).

In rental projects of five or more HOME-assisted units, 20% of the HOME-assisted units must be occupied by very low-income families whose rents do not exceed 30% of the annual income of a family whose income equals 50% of the area median (Low HOME Rent). Low HOME Rents may not exceed High HOME Rents for the unit size.

The HOME rent limits provided by HUD will include average occupancy per unit and adjusted income assumptions and are adjusted by bedroom size.

Housing Tax Credit Program

Compliance Guide

Last Updated: May 2025

Contents

Values Statement

All Minnesotans live and thrive in a stable, safe and accessible home they can afford in a community of their choice. To achieve the concept of One Minnesota where everyone thrives, we will reorient how we work and expand who has a voice at the table and who participates in and benefits from the housing economy.

We will:

- Center the people and places most impacted by housing instability at the heart of our decision making,
- Listen and share the power we have,
- Honor, respect and strengthen communities, and
- Be inclusive, equitable, just and antiracist in our actions.

Introduction

Minnesota Statute 462A.223 designates the Minnesota Housing Finance Agency (Minnesota Housing) as the primary federal low-income housing tax credit (HTC) allocating agency in Minnesota. Minnesota Statute 462A.222 subdivision 1 directs Minnesota Housing to reserve a portion of the state's annual credit ceiling for HTC Suballocators, which currently includes: the cities of Duluth, Rochester, St. Cloud, St. Paul and Minneapolis, and Washington County and Dakota County.

The purpose of Minnesota Housing is to ensure the availability of decent, safe, energy efficient and affordable housing to low- and moderate-income households. To achieve its purpose, Minnesota Housing is active in lending and financing, allocating housing grants and subsidies, advocating for affordable housing, establishing state housing policies and providing technical assistance to housing sponsors.

This guide does not apply to the State Housing Tax Credit Program and Contribution Fund (SHTC Contribution Fund). Learn more about the SHTC Contribution Fund.

Foreword

Minnesota Housing shall be under no obligation to undertake an investigation of the accuracy of the information submitted for compliance monitoring. Minnesota Housing's review shall not constitute a warranty of the accuracy of the information, nor of the quality or marketability of the housing to be purchased, constructed or rehabilitated pursuant to the HTC Program. Developers, potential investors and interested parties should undertake their own independent evaluation of the feasibility, suitability and risk of the project. If any information submitted by building owners to Minnesota Housing is later found to be incorrect in any material respect, it is the responsibility of the building owners to inform Minnesota Housing and to request a reexamination of the information. Interested parties should consult with a knowledgeable tax professional prior to entering into any commitment concerning the use and claim of HTC.

In January 2007, the Internal Revenue Service (IRS) released its Guide for Completing Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition (8823 Guide), updated it in September 2009 and again in January 2011. The 8823 Guide was not intended to change any Section 42 rules or policies, but to provide definitions of what the IRS considers "in compliance" and for consistency in reporting "out of compliance," and "back in compliance," on IRS Form 8823.

Minnesota Housing's compliance, monitoring and reporting policy and procedure are reflective of instructions in the 8823 Guide.

This guide has not been reviewed or approved by the IRS and should not be relied upon for interpretation of federal income tax law or regulations.

Background and Overview

Section 42 (m)(1)(B)(iii) of the Internal Revenue Code (Section 42) requires allocating agencies to include in their qualified allocation plan (QAP) a procedure to monitor all HTC projects for compliance with the requirements of Section 42.

An allocating agency must have a procedure for monitoring compliance with the provisions of Section 42 and notifying the IRS of any noncompliance of which it becomes aware whether it is corrected or not. The monitoring requirements became effective on January 1, 1992, were amended on January 14, 2000, February 26, 2019, and July 7, 2020, and apply to all HTC projects, even if the projects received an allocation prior to 1992.

The purpose of this guide is to set forth the procedures to be followed by Minnesota Housing and the owners of HTC projects to comply with the requirements of Section 42 and the associated Treasury Regulations. The compliance monitoring requirements are subject to modification by the IRS, and income determination requirements are subject to modification by the U.S. Department of Housing and Urban Development (HUD). Minnesota Housing will revise this guide annually.

Owners should be aware that Treasury Regulations Section 1.42-5 explicitly provides that the credit agency monitoring procedures only address the requirements for allocating agency monitoring and do not address forms and other records that may be required by the IRS on examination or audit.

Projects with Allocations from Multiple Allocating Agencies. Some HTC projects receive HTCs from both Minnesota Housing and a Suballocator. HTC compliance monitoring for those projects will be done by the entity that first allocated HTC to the project unless the allocators make other arrangements regarding the project.

Tax-exempt Bond Projects. Minnesota Housing will monitor developments that received their award of HTCs from Minnesota Housing through the issuance of tax-exempt bonds. If a Suballocator makes the award of HTCs, the Suballocator will be responsible for compliance monitoring unless the allocators make other arrangements regarding the project. Tax-exempt bond developments must comply with the same IRS requirements and HTC compliance monitoring procedures as non-tax-exempt bond developments.

Projects Electing the Average Income Test (AIT) Minimum Set-Aside. On October 12, 2022, IRS published Treasury Regulations 1.42-19, which provide guidance on the AIT, including how the minimum set-aside is met, the timing for when units must be designated for income and rent limits, unit redesignations, unit transfer and available unit rules, and correction of noncompliance. Additional temporary provisions under 1.42-19T regarding reporting requirements were also included for further public consideration.

Chapter 1 – Program Summary

The following is a summary of the requirements of the HTC program. It is not intended to be detailed or comprehensive.

1.01 Minimum Set-Aside Election

Three options are available for the minimum set-aside requirement:

1. **20/50 test.** No less than 20% of the housing units in a project must be set aside for tenants whose incomes are 50% or less of the Multifamily Tax Subsidy Project income limits (MTSP); or
2. **40/60 test.** No less than 40%of the housing units in a project must be set aside for tenants whose incomes are 60% or less of MTSP; or
3. **Average Income Test (AIT).** No less than 40% of the housing units in a project must be set aside for tenants whose income does not exceed the imputed income limitation designated by the owner with respect to the specific unit. The designated imputed income limitation for each unit shall be 20%, 30%, 40%, 50%, 60%, 70% or 80% of MTSP, and the average of the imputed income limitations for the project shall be 60% or less of MTSP.

Each building is considered a separate project under Section 42(g)(3)(D), and the minimum set-aside applies separately to each building, unless the owner elects to treat buildings as a multiple-building project, in which case the minimum set-aside and other project rules apply to the identified project. Owners identify the building(s) in a multiple-building project by attaching a statement to the owner's first-year tax return. Refer to instructions on IRS Form 8609, line 8b for details. This election also determines to which buildings unit transfers may be made and the number of units that Minnesota Housing must inspect during an on-site review.

Property managers should confirm the set-aside that was established by the building owner on IRS Form 8609 for the first year of the credit period to ensure continued compliance. Once selected, the election *cannot* be changed. Note that this is only the *minimum* set-aside. All low-income units must comply with the corresponding income and rent limits. For example, for a 20/50 minimum set-aside, if a building's applicable fraction is 100%, all units must have an income and rent restriction of 50% of MTSP.

Owners may elect additional state-established, set-aside requirements (such as additional rent restrictions, serving certain populations, etc.) as a condition of obtaining HTCs. These will be reflected in the allocation documents, which include the Carryover Agreement and Declaration of Land Use Restrictive Covenants for Low Income Housing Tax Credits (LURA). If such additional set-asides are elected, they must be maintained throughout the compliance period and extended use period and will be monitored at the same time as, and in a manner similar to Section 42 requirements.

If a property is financed using Native American Housing Assistance and Self-Determination Act (NAHASDA) or HOME funds that 1) have not been subtracted from the basis calculation or 2) have an interest rate below the Applicable Federal Rate, and the owner receives HTCs at the 70% present value rate (i.e., 9% HTC), then the owner must rent 40% of the units *in each building* to households whose income is 50% of MTSP or less[1]. There is not a corresponding rent restriction with this HOME income limit set-aside. Rent limits are set according to the elected HTC set-aside and/or any additional rent restrictions under which the allocation was made.

1.02 Rent and Income Requirements

The income necessary to be eligible to rent a unit is based on the household income limits adjusted for family size for the area in which the project is located. Income determination is consistent with Section 8 as described in 24 Code of Federal Regulations (CFR) 5.609.

The formula for computing *maximum* gross rent is based on 1.5 persons per bedroom not to exceed 30% of the corresponding income election.

1.03 Rent and Income Figures

HUD annually publishes MTSP figures for all Minnesota counties. Minnesota Housing uses these figures to calculate the maximum allowable rents and tenant incomes for rental units receiving the HTC. Minnesota Housing publishes MTSP income and rent limits for HTC projects on its website and notifies owners and managers of the updated limits as they become available.

Due to the Housing and Economic Recovery Act of 2008 (HERA), income limits for projects funded with HTC are held harmless from decreases; therefore, they are calculated and presented separately from the Section 8 income limits.

Be sure to use the correct limits table for each property. To avoid confusion, Minnesota Housing produces different tables (e.g., Table A, B, C) for income and rent limits. According to HERA, the placed in service (PIS) date for a project determines which table to use. Refer to the HTC income and rent limit tables and instructions to determine which tables apply to which range of PIS dates.

When determining which table to use for properties with PIS dates both before and after the income limit effective dates, also consider the following:

- The earliest PIS date for a building governs. For example, if a building has acquisition HTC with a PIS date prior to January 1, 2009, it uses Table A even if the rehabilitation HTC PIS date is after January 1, 2009.

[1] Buildings placed in service after July 30, 2008, are not subject to this provision.

- Under Section 42, each building is considered a separate project unless the owner elects to treat buildings as a multiple-building project. The multiple-building election is made by the owner on line 8b in Part II of IRS Form 8609. However, since IRS Form 8609 is typically issued well after the PIS date, owners of properties with buildings placed in service both before and after the publication of new limits must determine what this election will be and which buildings are part of the project. The owner must document this determination in the property's records, and when completing Part II of IRS Form 8609, the election must be consistent.
- The earliest PIS date for any building that is part of a multiple-building project (line 8b on IRS Form 8609 is or will be checked "yes" and the owner has identified the buildings that are part of the multiple-building project) determines which table will be used by all of the buildings that are part of that multiple-building project.
- If buildings are not part of a multiple-building project (line 8b is or will be checked "no" and therefore each building will be treated as a separate project), then each building may use a different table depending on their respective PIS dates.
- Under IRS Revenue Procedure 94-57, the owner may establish a different table for rent limits than the table used for income limits if the owner made a proper Statement of Election of Gross Rent Floor to use the carryover/preliminary determination date to set the rent floor and income and rent limits decrease prior to the PIS date. If the owner makes no election, the rent floor defaults to the carryover or preliminary determination date.

1.04 Building Regulations

The HTC amount allocated to each building in a project is partially calculated on the following factors.

Eligible Basis

In general, the eligible basis of a building is equal to the building's adjusted basis for acquisition, rehabilitation or construction costs for the entire building, subject to certain conditions and modifications set forth in Section 42 (d). As a general rule, the adjusted basis rules of Section 1016 apply, with the exception that no adjustments are made for depreciation. Some of the special provisions for determining eligible basis under Section 42 (d) are:

- Buildings located in areas designated as a "qualified census tract" or "difficult development area" may qualify for an increase in eligible basis.
- Units intended for eligible HTC tenants must be comparable in size, location and quality to those rented to other tenants. If units rented to non-qualifying households are above the average quality standards of the units rented to HTC households, then the eligible basis of the project which is used to determine the amount of tax credits must be reduced by the portion which is attributable to the excess costs of the above-standard units. This reduction in eligible

basis need not occur if an election is made to exclude such excess costs pursuant to Section 42(d)(3) of the Code.

- The cost of depreciable property used in common areas or provided as comparable amenities to all residential units (e.g., carpeting and appliances) is included in determining eligible basis. The cost of tenant facilities (e.g., parking, garages, and swimming pools) may be included in eligible basis if there is no separate charge for use of the facilities and they are made available on a comparable basis to all tenants in the project.
- Eligible basis is reduced by federal grants, any historic rehabilitation credits, and nonresidential rental property.
- Eligible basis, as of the end of the first year of the credit period, is reported to the IRS on Part II of IRS Form 8609, and it does not change from year to year, unless a space that originally qualified as residential rental property changes character or a space that was designated for use by qualified tenants is no longer available to them.

Applicable Fraction

The applicable fraction is the lesser of:

- The unit fraction, which is the number of HTC units in a building divided by the total number of residential rental units; or
- The floor space fraction, which is the total floor space of the HTC units in the building divided by the total floor space of the residential rental units in the building.

When determining which units to include in the numerator (low-income units), and in the denominator (total units) of the applicable fraction, please note:

- Units that have never been occupied or are occupied by a nonqualified household cannot be included in the numerator but must be included in the denominator.
- Vacant units that were last occupied by a nonqualified household cannot be included in the numerator but must be included in the denominator.
- Units not suitable for occupancy, including HTC units being rehabilitated in the first year of the credit period, cannot be included in the numerator, but must be included in the denominator.
- Common space units (units for full-time manager, full-time maintenance or security – refer to section 1.05 below), are not included in either the numerator or denominator.
- For projects that elected the AIT minimum set-aside, only units that are part of a qualified group of units (as defined in Treas. Reg. 1.42-19(b)(2)) may be included in the numerator of a building's applicable fraction. Unless a building is a separate project, units included in the numerator of a building's applicable fraction do not need to be a qualified group of units on their own. See Treas. Reg. 1.42-19(e)(4).

1.05 Full-Time Resident Manager's Unit

The full-time resident or on-site manager's unit may or may not be included in determining the applicable fraction depending on the circumstances. According to IRS Revenue Ruling 92-61, the ways in which the on-site manager's unit may be considered are:

- For buildings that have been placed in service after September 9, 1992, the full-time manager's unit must be treated as common space (i.e., it would not be included in either the numerator or denominator of the applicable fraction).
- For buildings that were placed in service prior to September 9, 1992, the full-time manager's unit may be treated as follows:
- The full-time manager's unit is considered a qualified low-income unit (the rent is restricted to a qualifying amount and the resident manager is a certified low-income tenant); or
- The full-time manager's unit is considered common space. As common space, the unit would not be included in either the numerator or the denominator of the applicable fraction.

Example: A building contains 24 units and the applicable fraction is 100%. HTCs were allocated based on 23 units. This means that the manager's unit was treated as common space when the HTC was allocated. The applicable fraction would be 23/23 or 100%.

A full-time manager or maintenance person must occupy a resident manager's unit. The number of hours worked does not define full-time; rather, it is defined by the fact that the manager's presence on site is reasonably required for the development. Some things to consider are what is warranted by the type, size and/or location of the development, as well as what is needed in terms of the resident population. Some developments may not need to employ a resident manager for what is normally considered full-time, and other developments may need to employ more than one on-site manager or maintenance person. Full-time is considered to be whatever is reasonably required to make operations run smoothly at the development. As a general guide, a manager who performs management functions such as leasing units, preparing certification paperwork, cleaning, general maintenance, preparing turnovers, collecting rent, etc., and is available to the site on an on-call basis to respond to emergencies may be considered a full-time manager under this ruling. According to IRS Revenue Ruling 2004-82, dated August 30, 2004, a unit may also be occupied by a full-time security officer and be treated as common space, if reasonably required.

As noted in a Chief Counsel Advice Memorandum dated June 2, 2014, whether an owner charges rents, utilities, or both for common space units is not relevant in the treatment of the units as facilities that are reasonably required for the project. As such, the fact that the owner of a qualified low-income building charges rents, utilities, or both for units for resident managers or maintenance personnel is not relevant in the treatment of such units as facilities reasonably required for the project. The character and size of the project are, among other things, relevant in determining whether any property, including an employee-occupied unit, is functionally related and subordinate to the project.

Owners of all developments, including those that have not yet received IRS Form 8609, must notify Minnesota Housing of the status of common space unit(s). Prior to issuance of IRS Form 8609, submit a Request for On-Site/Employee Unit (and Treatment of Common Space Unit Pursuant to Revenue Ruling 92-61) to the assigned underwriter. After issuance of IRS Form 8609, submit a Request for Action (RFA) form along with a Request for On-Site/Employee Unit (and Treatment of Common Space Unit Pursuant to Revenue Ruling 92-61) for any unit or change in status to a unit utilized as a site office, or occupied by a full-time resident manager, a full-time maintenance person or a full-time security person as defined in the 8823 Guide and IRS Revenue Ruling 92-61. The following conditions require submission of these forms at the time any change is anticipated:

- Initial request for a common space unit
- Change to a different unit
- Common space unit no longer required

Minnesota Housing will issue an acknowledgement of the common space unit or the reason for denial. For the most part, Minnesota Housing will rely on the owner's determination of whether a full-time unit is reasonably required by the development. However, if Minnesota Housing becomes aware that the unit is not occupied by a full-time manager, maintenance, or security personnel, as represented by the owner, it may become a noncompliance issue.

A unit occupied by a part-time manager, caretaker or maintenance person must either be treated as a qualified low-income unit or as a market rate unit. If the unit is treated as a qualified low-income unit, then the household must meet all HTC eligibility criteria. Note that any reduction in rent in exchange for services must be considered as income.

1.06 Calculating the First Year Applicable Fraction

To determine the applicable fraction for the first year, find the low-income portion[2] as of the end of each full month that the building was in service during the year. Add these percentages together and divide by 12 (per instructions on IRS Forms 8609 and 8609-A). Note that the applicable fraction must be calculated for both the unit and floor space fraction.

Assume that a low-income building was placed in service on January 15 and has the following lease-up schedule during the first year of the credit period.

[2] For projects that elected the AIT minimum set-aside, only units that are part of a qualified group of units (as defined in Treas. Reg. 1.41-19(b)(2)) may be included in the numerator of a building's applicable fraction. See section 1.04 for more information.

Table 1: Sample First Year Applicable Fraction

Month	Low-Income Units	Total Units	Monthly Unit Faction	Low Income Square Feet	Total Square Feet	Monthly Square Foot Fraction
January	1	10	0%	1000	12000	0.00%[3]
February	2	10	20%	2000	12000	16%
March	4	10	40%	3800	12000	31.66%
April	6	10	60%	5400	12000	45%
May	7	10	70%	6300	12000	52.5%
June	7	10	70%	6300	12000	52.5%
July	7	10	70%	6300	12000	52.5%
August	8	10	80%	7200	12000	60%
September	9	10	90%	8400	12000	70%
October	10	10	100%	12000	12000	100%
November	10	10	100%	12000	12000	100%
December	10	10	100%	12000	12000	100%
	Sum of monthly Unit Fraction/12		**66.66%**	**Sum of monthly Square Foot Fraction/12**		**56.68%**

1.07 Qualified Basis

Qualified basis is the portion of the eligible basis applicable to HTC units in a building. Qualified basis is the product of a project's eligible basis multiplied by the applicable fraction. The original qualified basis is determined as of the last day of the first year of the credit period and is reported to the IRS on Part II of IRS Form 8609.

1.08 Claiming Credits

The HTCs are based on a percentage of the qualified costs of the building and may be claimed annually for 10 taxable years beginning in the year the project is placed in service, or, at the owner’s election, the year following placed in service. Minnesota Housing will issue IRS Form 8609 for each building with Part I completed. The owner completes Part II and files the IRS Form(s) 8609 with the IRS at the

[3] The owner may *not* count the unit occupied in January toward the first-year applicable fraction since the building was not placed in service the full month. For all other months, even if a resident moved into a unit on the last day of the month, that unit is considered occupied at the end of the month. The first-year applicable fraction for this building would be 56.68% based on this lease-up schedule.

Philadelphia Service Center, with an original signature in Part II, for the first taxable year in which the HTC was claimed. Refer to IRS Form 8609 and 8609-A for detailed instructions.

1.09 Compliance Period and Extended Use Period

All developments receiving HTCs must comply with eligibility requirements for a period of 15 years beginning with the first taxable year of a building's credit period. This is typically referred to as the "compliance period." All developments receiving HTC allocations after December 31, 1989, must execute and record a LURA prior to the end of the first year of the credit period. The LURA requires developments to comply with eligibility requirements for a minimum additional 15 years beyond the 15-year compliance period for a total of 30 years or more. This is typically referred to as the "extended use period." The LURA is a covenant that runs with the land. Refer to Chapter 9, "Compliance and Monitoring After Year 15" for details on requirements after the 15-year compliance period has expired.

1.10 Outline of Minnesota Housing Compliance Process

1. All HTC projects subject to monitoring by Minnesota Housing must submit a completed owner certification and annual occupancy report to Minnesota Housing by February 15 or the next business day of each calendar year (refer to Chapter 4 of this guide for further details).
2. Minnesota Housing will conduct a compliance inspection of each development at least once every three years and will perform a file review and physical inspection on 20% of the low-income units in each project. For new projects, Minnesota Housing will conduct a monitoring inspection no later than the end of the second year of the credit period.
3. If changes in equity ownership are planned, the owner must submit a Request for Action and other requested documentation. (Refer to Chapter 7 of this guide for additional information.)
4. If Minnesota Housing 1) does not receive certification or documentation, or 2) is not permitted to inspect tenant files, or 3) upon inspection or review, becomes aware of an aspect of the project that is not in compliance:
    a. Minnesota Housing will provide a notice of noncompliance to the owner with a report that describes the noncompliance. The notice will identify the date by which the noncompliance must be corrected.
    b. Minnesota Housing must file IRS Form 8823 "Report of Noncompliance" no later than 45 days after the end of the correction period regardless of whether the noncompliance has been corrected. Refer to Chapter 8 of this guide for more detail.
    c. Minnesota Housing may take other legal action to enforce the terms of the LURA. Failure to take such action does not release an owner from its obligation to comply.

1.11 Owner's Responsibility

Each owner has chosen to utilize the HTC Program to take advantage of the tax benefits provided. In exchange for these tax benefits, certain requirements must be met.

Prior to issuance of a final HTC allocation, the owner must certify to the total project costs. The owner must also certify that all program requirements have been met. Any violation of the requirements of the program could result in the loss or recapture of HTCs to the owner.

The owner is responsible for compliance with Section 42 and the LURA The owner must take any lawful action to comply fully with Section 42 and with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the United States Department of the Treasury, the IRS, or HUD from time to time pertaining to the owner's obligations under Section 42. Any and all financial consequences to the owner as a result of noncompliance, whether identified by Minnesota Housing or the IRS, will be the responsibility of the owner.

Successful operation of an HTC development is management intensive; the owner is responsible for ensuring that the project is properly administered. Thorough understanding of HTC requirements and compliance monitoring procedures requires training of owners and managers. This training should occur before a development is constructed, purchased or rehabilitated, and should be provided to the on-site property management staff. At a minimum, such training should cover key compliance terms, qualified basis rules, determination of rents, tenant eligibility, file documentation, available unit procedures and unit vacancy rules, agency reporting and records retention requirements, site visits and fair housing and equal opportunity. Continuing education each year or at a minimum every other year is strongly recommended to keep current with regulatory and procedural changes.

1.12 Noncompliance

If the management agent and/or the owner determines that a building or entire project is not in compliance with program requirements, they must notify Minnesota Housing immediately. The management agent and/or the owner must formulate a plan to bring the project back into compliance and advise Minnesota Housing in writing of such a plan.

Chapter 2 – Internal Revenue Service Reporting Requirements

The IRS and Minnesota Housing require owners to file specific forms for compliance and reporting purposes. Failure to submit required forms as outlined in this guide to either the IRS or Minnesota Housing as appropriate will constitute noncompliance and may make the owner subject to disallowance or recapture of HTCs.

2.01 Low Income Housing Allocation Certification (IRS Form 8609)

IRS Form 8609 will be issued by Minnesota Housing for each building within a project. If allocations were issued in multiple years, a separate IRS Form 8609 will be issued for each year's allocation. If rehabilitation and acquisition HTCs are issued on the same building, the acquisition HTC and rehabilitation HTC will receive separate IRS Forms 8609.

Part I of the IRS Form 8609 will be completed by Minnesota Housing and sent to the owner after the project is placed in service and all documentation required by Minnesota Housing is reviewed and approved. Each year Minnesota Housing files IRS Form 8610 with the IRS, which includes the original IRS Forms 8609 issued that year. This allows the IRS to compare the IRS Forms 8609 issued by the allocating agency with the IRS Forms 8609 submitted with the taxpayer's return.

Minnesota Housing must complete Part I of IRS Forms 8609. Filing an IRS Form 8609 with the IRS in advance of the owner's receipt of the Minnesota Housing signed version of the approved IRS Form 8609, or filing an IRS Form 8609 that does not accurately reflect the information contained on the IRS Minnesota Housing signed version of the approved IRS Form 8609, is an unacceptable practice. Refer to the applicable QAP for more information.

The owner completes Part II and files the IRS Form 8609 with the IRS at the Philadelphia Service Center, with an original signature in Part II, for the first taxable year in which the HTC was claimed. Refer to IRS Form 8609 and 8609-A for detailed instructions.

Owners should consult with their legal and/or tax advisors for advice on completing and filing the IRS tax forms. Minnesota Housing cannot give legal or tax advice on the filing or completion of tax forms.

2.02 Low Income Housing Credit (IRS Form 8586)

One Low Income Housing Credit (IRS Form 8586) form must be completed to claim HTCs for the first taxable year in which HTCs are taken and every year thereafter in the compliance period.

2.03 Declaration of Land Use Restrictive Covenants (LURA)

The building owner must record an approved LURA which must be in effect on or before the end of the first taxable year HTCs are claimed (Section 42(h)(6)(A)). Failure to timely and properly record this LURA is an event of noncompliance and will be reported to the IRS.

Owners must comply with any occupancy restrictions required by Section 42 and the LURA throughout the compliance period and extended use period. Some LURAs contain relief provisions that allow an owner to petition Minnesota Housing for certain modifications to those requirements. Owners should refer to the LURA for the specific project to determine if relief provisions apply. If the project selected the Single Room Occupancy (SRO) housing threshold requirement and the LURA requires the owner to comply with that threshold, Minnesota Housing recognizes that under some circumstances it may be appropriate for an owner to seek relief from the SRO housing threshold requirement.

Single Room Occupancy (SRO) Threshold Relief Provision

If, for a particular unit held to Single Room Occupancy (SRO) housing threshold requirements that require units (SRO Units) to be affordable by households whose income does not exceed 30% of MTSP, the necessary rental assistance or operating support (collectively SRO Unit subsidy) is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) such withdrawal or termination materially adversely impacts the financial feasibility of the project; (iii) alternative funding is unavailable; and (iv) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to eliminate its requirements for the affected SRO Unit(s). Such petition must contain all material facts and supporting documentation substantiating the owner’s request including, but not limited to, items (i), (ii) and (iii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, owner shall no longer be required to treat such SRO Unit(s) as SRO Unit(s) but must convert the rents of those units to the 50% HTC rent limit; provided that more restrictive thresholds and/or selection priority or funding requirements, if any, do not apply. If such conversion occurs, in order to retain the HTC allocation, the above-described 50% HTC rent limit and the Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the HTC compliance and extended use periods.

If Minnesota Housing shall, at any time thereafter, in its sole discretion, determine that an SRO Unit subsidy may be available for the remainder of the tax credit compliance and extended use periods, and this would not adversely affect the full availability of the HTC allocation, and this would permit the SRO Unit(s) to again serve 30% income households, then at Minnesota Housing’s request, the owner shall promptly apply for such SRO Unit subsidy for the SRO Unit(s), upon terms reasonably acceptable to such owner, and if such SRO Unit subsidy is obtained, shall again set aside such SRO Unit(s), when and to the extent then available, to income qualifying individuals.

To request approval to exercise this SRO relief or any other occupancy requirement with a relief provision in the LURA, the owner must submit a Request for Action. During the review and approval process, Minnesota Housing will advise the owner of documentation that must be submitted.

2.04 Recapture of Low Income Housing Credit (IRS Form 8611)

IRS Form 8611 is used by taxpayers who must recapture tax credits claimed in previous years. A copy of IRS Form 8611 must be filed with the IRS upon completion by the owner.

Chapter 3 – Recordkeeping and Records Retention Requirements

3.01 Recordkeeping

Under the recordkeeping provision of Treasury Regulations Section 1.42-5, the owner must keep records for each building in the project for each year in the compliance period showing:

- The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit)
- The number of occupants in each HTC unit and the household's student status
- The number and percentage of residential rental units in the building that are HTC units, offices, and management units
- The rent charged on each residential rental unit in the building (including utility allowance) as well as any additional charges to tenants. Documentation must include tenant ledgers, leases, and utility allowances as required by the IRS
- The HTC unit vacancies in the building, marketing information, and information that shows when and to whom each of the next available units was rented
- The Tenant Income Certification (TIC), annual income recertifications, where applicable, and annual student certification of each HTC household
- Documentation to support each TIC, including an application disclosing household composition, income and assets and all applicable verifications.
- The character and use of the nonresidential portion of the building included in the building's eligible basis under Section 42(d) (e.g., tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or facilities reasonably required by the project).
- The eligible basis and qualified basis of the building at the end of the first year of the credit period.
- Records demonstrating that any state-established set-aside elected by the owner has been complied with for each year of the compliance period.
- For properties electing the AIT, both (1) the qualified group of units that satisfy the AIT minimum set-aside and (2) the qualified group of units to be used in determining the applicable fractions for the building(s) in the project must be identified and recorded annually in the owner's books and records. See Treas. Reg. 1.42-19T.

3.02 Records Retention

The owner must retain the records described above for at least six years after the due date (with extensions) for filing the federal income tax return for that year. The records for the first year of the credit period, however, must be retained for at least six years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period of the building.

Refer to Q&A 11 in IRS Revenue Ruling 2004-82, published August 30, 2004, which clarifies that owners may comply with the records retention provisions under Treasury Regulations Section 1.42-5(b) by using an electronic storage system instead of maintaining hardcopy (paper) books and records, provided that the electronic storage system satisfies the requirements of IRS Revenue Procedure 97-22.

Owners must maintain applicant and tenant information in a way to ensure confidentiality. Owners must dispose of records in a manner that will prevent any unauthorized access to personal information, such as burn, pulverize, shred, etc.

Chapter 4 – Monitoring: Certification and Review

4.01 Annual Certification

To comply with the certification and review provisions of Treasury Regulations Section 1.42-5 paragraph (c)(1), the owner must certify to Minnesota Housing, under penalty of perjury, at least annually for each year of the 15-year compliance period, on the Owner's Certification of Continuing Program Compliance, or other forms designated the following for the preceding 12-month period:

- The project met the minimum requirements of the 20/50 test under Section 42(g)(1)(A) of the Code; the 40/60 test under Section 42(g)(1)(B) of the Code; the Average Income Test under Section 42(g)(1C) of the Code; or the 15/40 test for "deep rent-skewed" projects under Section 42(g)(4) and 142(d)(4)(B) of the Code, whichever applies to the project.
- There has been no change in the applicable fraction (as defined in Section 42(c)(1)(B) of the Code) for any building in the project, or that there was a change and a description of the change.
- At initial occupancy, the owner received a Tenant Income Certification with supporting documentation and an Annual Student Certification from each low-income household. At annual recertification, the owner has received an Annual Student Certification and, where applicable, a Tenant Income Certification with supporting documentation from each low-income household.
- Each low-income unit in the project has been rent-restricted under Section 42(g)(2).
- No tenants in low-income units were evicted or had their tenancies terminated other than for good cause, and no tenants had an increase in the gross rent with respect to a low-income unit not otherwise permitted under Section 42.
- All units in the project are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under Section 42 (i)(3)(B)(iii)).
- No finding of discrimination under the Fair Housing Act, 42 U.S.C 3601-3619 has occurred for this project. A finding of discrimination includes an adverse final decision by the HUD Secretary, 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C 3616a(a)(1), or an adverse judgment from a federal court.
- Each building and low-income unit in the project is and has been suitable for occupancy, taking into account local health, safety and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low-income unit in the project.
- There has been no change in the eligible basis (as defined in Section 42(d)) of any building in the project since last certification submission, or that there was a change and description of that change.

- All tenant facilities included in the eligible basis under Section 42(d) of any building in the project, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the buildings.
- If a low-income unit in the project has been vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units were or will be rented to tenants not having a qualifying income.
- If the income of tenants of a low-income unit in the project increased above the limit allowed in Section 42(g)(2)(D)(ii) or Section 42(g)(2)(D)(iii), the next available unit of comparable or smaller size was or will be rented to residents having a qualifying income.
- An extended low-income housing commitment as described in Section 42(h)(6) was in effect, including the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f. The owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment.
- If the owner received its HTC allocation from the portion of the state ceiling set-aside for a project involving "qualified non-profit organizations" under Section 42(h)(5), that its non-profit entity materially participated in the operation of the development within the meaning of Section 469(h) of the Internal Revenue Code.
- There has been no change in the ownership or management of the project that has not been reported to Minnesota Housing.

Failure to submit timely, accurate, and complete Annual Certification is noncompliance.

4.02 Annual Submission Requirements

The annual owner's certification must be submitted to Minnesota Housing by February 15, or if not a business day, the next business day, of each calendar year. This includes projects that have received a carryover allocation of HTCs or a preliminary determination letter in the case of tax-exempt bond HTC awards (even if the project has not yet been placed in service). Once the owner has established the first credit year, the certification is supported by a report of unit events.

The annual owner certification and occupancy reporting are completed in Minnesota Housing's Property Online Reporting Tool (PORT). Detailed instructions are provided with the December annual reminder notice and in the PORT User Guide. The December reminder notice that Minnesota Housing sends is considered notification of an upcoming compliance review. Unless otherwise clarified, Minnesota Housing, at its sole discretion, may report on Form 8823 compliance violations that are uncorrected when the December reminder notice is sent.

Also submit IRS Form 8609 for each building, with Part II completed as filed with the IRS. *Submit IRS forms 8609 for the first year of the credit period only.* Send a copy to your assigned compliance officer at the time they are filed with the IRS.

Annual monitoring fees are also due with the owner's certification, beginning with the first credit year. Refer to section 4.07 of this guide for details regarding monitoring fees.

Note that the owner's certification provides that all months within each 12-month period are subject to certification, and all certification items must be completed.

Unit event data entered in PORT must be complete and must report gross income at move-in and certification dates, student status, rent amounts and utility allowance information, gross income at annual recertification (or report if a unit is not subject to income recertification) and recertification dates, where applicable, move-out and transfer information, etc.

Note that Minnesota Housing uses the above information for monitoring but must also supply information on occupants of HTC units to HUD annually to satisfy its obligations under HERA.

Failure to submit annual owner certifications, occupancy information and other required documentation, including IRS Form 8609 with Part II completed, will be considered noncompliance.

Owners who received selection points for serving households who meet Minnesota Housing's definition of Long-Term Homeless or High Priority Homeless (LTH/HPH), have the following additional requirements:

(1) Annually, owners must supply operating data in a form and manner determined by Minnesota Housing.
(2) Annually, owners must complete and return a supportive housing assessment survey in a form and manner determined by Minnesota Housing.
(3) Owners must verify if a household meets the definition of LTH/HPH and obtain eligibility documentation from the Homeless Management Information System (HMIS), the Coordinated Entry Provider or complete the LTH verification or HPH verification for households not in HMIS. The documentation must be maintained in the resident file and provided to Minnesota Housing upon request.
(4) Owners must cooperate in good faith with the Institute for Community Alliances, an Iowa non-profit corporation ("Administrator"), and any successors and/or assigns of Administrator's rights and responsibilities regarding the Minnesota Homeless Management Information System computerized database ("HMIS") to (a) participate in and receive any training which Administrator may require from time to time in order for owner to be a licensed user of HMIS, and (b) satisfy other reasonable requirements which may be imposed by Administrator and Minnesota Housing in connection with HMIS.
(5) Owners must (a) request certain information from the individuals it serves through the Program, pursuant to Owner's agreement with Administrator, (b) input such information into

HMIS in a timely manner, and (c) run reports and test data for accuracy, as directed by the Administrator and Minnesota Housing.

(6) Owners must obtain any and all necessary disclosures, releases and consents to permit Minnesota Housing to access information and receive periodic reports from Administrator (additional information is available at www.hmismn.org). Owners must permit Minnesota Housing to access any and all such information.

4.03 Compliance Monitoring Review Requirements

Under Minnesota Housing's review process, owners must maintain ongoing tenant records on Minnesota Housing approved forms for each unit in the project. The forms provide an historical record of tenant compliance for each unit. Minnesota Housing reserves the right to conduct a review of *any* building after serving appropriate notice and to examine all records pertaining to rental of tax credit units. Minnesota Housing may perform a review at least through the end of the extended use period of the buildings in the project.

Minnesota Housing must inspect each development at least once every three years during the compliance period. Minnesota Housing may adjust the inspection schedule for any reason. Minnesota Housing shall inspect the tenant income certification(s), the documentation to support the certification(s), and the rent record for each tenant in at least 20% of the low-income units in each project, based on the owner's IRS Form 8609, line 8b election to treat buildings as a single or multiple building project and at least 20% of the low-income units in each project. For larger projects, Revenue Procedure 2016-15 established a schedule of the minimum number of units to inspect based on the number of low-income units in the project.

Table 2: Inspection Sampling for Larger Projects

Number of Low-Income Units in the Low-Income Housing Project	Number of Low-Income Units Selected for Inspection or Low-Income Certification Review (Minimum Unit Sample Size)
82-101	21
102-130	22
131-175	23
176-257	24
258-449	25
450-1,461	26
1,462-9,999	27

Minnesota Housing may inspect up to and including 100% of the HTC units in any project for any reason. The first inspection for new projects will occur no later than the end of the second year of the credit period.

The HTC units to be inspected or reviewed must be chosen in a manner that will not give advance notice that certain records will or will not be inspected. Minnesota Housing may give an owner reasonable notice of inspection, not to exceed 15 days, so that the owner may assemble records. In accordance with IRS requirements, Minnesota Housing will not notify the owner which units will be inspected until the day of inspection. Notice of more than 15 days, however, may be reasonable when extraordinary circumstances beyond Minnesota Housing's control exist, such as disasters and severe weather, or illness or family emergency of the inspector or site representative, but only if reasonable efforts to find another inspector or site representative are unsuccessful. In addition, Minnesota Housing will inspect at least one vacant unit in each project, if applicable. Vacant units may be substituted for selected units or inspected in addition to selected units, at the inspector's discretion.

Noncompliance that is identified and corrected by the owner prior to notification of an upcoming compliance review or inspection need not be reported to the IRS. The IRS considers the date of the notification letter a "bright line" date.

Rural Housing Service

Minnesota Housing and the U.S. Department of Agriculture, Rural Housing Service (USDA RHS) have entered into a memorandum of understanding (MOU) effective November 1, 2000. The parties have agreed to share information pertaining to the HTC Program, including, but not limited to, results of file and physical inspections conducted by RHS. Minnesota Housing will not perform routine inspections on RHS properties but will rely on the inspection results as noted by RHS staff. If noncompliance is noted, Minnesota Housing will issue a notice of noncompliance to the owner and require evidence of correction in the same manner as all other HTC developments.

4.04 Procedure for Compliance Inspection

The compliance inspection includes, but is not limited to, a review of: (1) at least 20% of the low-income tenant files in each project (or the number of units identified in Rev. Proc. 2016-15, whichever is less), including a full inspection and calculation of income eligibility and student status, (2) utility allowance information and other property administrative records, and (3) an inspection of the general physical condition of the property, including 20% of the low-income units in each project (or the number of units identified in Rev. Proc. 2016-15, whichever is less), In addition, all buildings must be inspected, and the unit sampling must include vacant units.

In the year a compliance inspection is due, Minnesota Housing will notify the owner and manager by email. The owner or manager will be required to complete and submit a Compliance Review Information and Administrative Records Review form as part of the inspection. This form is used to answer questions regarding property characteristics, and to identify and submit the applicable administrative records for review, such as utility allowance and source documentation, tenant selection plan, AFHMP, fire, boiler and elevator certificates, etc. Once the date and time of the inspection has been agreed to, no more than 15 days in advance of the inspection, Minnesota Housing will send a confirmation email. The confirmation email is considered Minnesota Housing's notification of an upcoming compliance review. Unless otherwise clarified, compliance violations that are uncorrected as of the date of the confirmation email may be reported on Form 8823. If the file review and physical inspection will be conducted separately, separate confirmation emails may be sent. At least 24 hours prior to the inspection date, the owner must notify all occupants of restricted units that their unit may be inspected. A site representative must accompany the compliance officer during the inspection.

In accordance with IRS requirements, Minnesota Housing will not notify the owner which units will be inspected until the day of inspection. Owners must *notify occupants of all program-restricted units that their unit may be inspected* at least 24 hours prior to the inspection date. Alternate units will be selected at random if there are unattended children under age 18 or if an occupant is sleeping or bathing/showering. The compliance officer will request a list of vacant units at the time of inspection and may substitute one or more vacant units for units selected or may inspect one or more vacant units in addition to units selected. If the inspector finds systemic noncompliance, up to 100% of the units may be inspected.

A re-inspection fee will be charged if the compliance officer is unable to complete the inspection due to owner/agent's failure to notify residents or owner/agent's failure to appear for the inspection. The re-inspection fee will be added to the next compliance monitoring fee. Refer to the MF Loan Programs and HTC Fee Schedule.

The Treasury Regulations require allocating agencies to conduct physical inspections consistent with standards governed by HUD's National Standards for the Physical Inspection of Real Estate (NSPIRE) which focuses on inside the building, outside the building and within the units to ensure that they are "functionally adequate, operable, and free of health and safety hazards." HTC properties are not subject to NSPIRE's scoring protocol. However, noncompliance with any of the NSPIRE inspection standards is considered HTC noncompliance subject to reporting to IRS.

As described in NSPIRE standards, defect severity levels include the following characteristics:

- **Life-Threatening (LT).** The Life-Threatening category includes deficiencies that, if evident in the home or on the property, present a high risk of death to a resident. NSPIRE correction period is 24 hours.
- **Severe.** The Severe category includes deficiencies that, if evident in the home or on the property, present a high risk of permanent disability, or serious injury or illness, to a resident; or the physical security or safety of a resident or their property would be seriously compromised. NSPIRE correction period is 24 hours.
- **Moderate.** The Moderate health and safety category includes deficiencies that, if evident in the home or on the property, present a moderate risk of an adverse medical event requiring a healthcare visit; cause temporary harm; or if left untreated, cause or worsen a chronic

condition that may have long-lasting adverse health effects; or that the physical security or safety of a resident or their property could be compromised. NSPIRE correction period is 30 days.

- **Low.** Deficiencies critical to habitability but not presenting a substantive health or safety risk to resident. NSPIRE correction period is 60 days.

In addition, NSPIRE requires the following minimum Affirmative Habitability Requirements:

1. Hot and cold running water in both bathroom and kitchen, including adequate source of safe drinking water in the bathroom and kitchen
2. Bathroom or sanitary facility that is in proper operating condition and usable in privacy that contains a sink, a bathtub or shower, and flushable toilet
3. At least 1 battery-operated or hard-wired smoke detector
    a. Inside each sleeping room (e.g., bedroom); and,
    b. Outside each sleeping room; and,
    c. Within 21 Feet of All Bedroom Doors; and,
    d. On every level of a dwelling unit.
4. Living room and kitchen area with a sink, cooking appliance, refrigerator, food preparation area, and food storage area
5. For units with Housing Choice Vouchers or Project Based Vouchers, at least one bedroom or living/sleeping room for each two persons in the household
6. Must meet carbon monoxide detection standards established through Federal Register notice
7. Two working outlets or one working outlet and a permanent light within all habitable rooms
8. Outlets within 6’ of a water source must be GFCI protected
9. Must contain a permanently installed heating source. Units may not contain unvented space heaters that burn gas, oil, or kerosene.
10. Must have a guardrail when there is an elevated walking surface drop off of 30’ or more measured vertically.
11. Permanently mounted light fixture in the kitchen and each bath

Inspectable Area = Inside

1. At least one battery-operated or hard-wired smoke detector on each level
2. Must meet carbon monoxide detection standards established through Federal Register notice
3. Outlets within 6’ of a water source must be GFCI protected
4. Must have a guardrail when there is an elevated walking surface drop off of 30” or more measured vertically
5. Permanently mounted light fixtures in any kitchens and each bathroom
6. May not contain unvented space heaters that burn gas, oil, or kerosene

Inspectable Area = Outside

1. Outlets within 6’ of a water source must be GFCI protected
2. Must have a guardrail when there is an elevated walking surface drop off of 30” or more measured vertically

As of December 29, 2024, all smoke detectors which are solely battery-operated must have sealed, tamper-proof batteries.

The following are NSPIRE’s specifications as to the location of each smoke alarm on a wall or ceiling:

- If mounted on the ceiling, it must be more than 4 inches from the wall.
- It cannot be closer than 4 inches or more than 12 inches from the ceiling if mounted on the wall.
- Smoke alarms should not be installed within 36” of windows, exterior doors, or ducts where drafts might interfere with their operation.
- Smoke alarms should not be painted or have stickers or other decorations present.

As of June 11,2024, these two smoke detector deficiencies were changed to recommendations:

- Not installed within 10 feet of a cooking appliance
- Not installed within three feet of ceiling fans, air ducts, exterior doors, or windows

The compliance officer will identify any NSPIRE deficiencies during the inspection so owners may begin making repairs immediately.

Notwithstanding the above inspection requirements, an HTC project must continue to satisfy local health, safety and building codes.

REAC Inspections: As permitted by Treasury Regulations Section 1.42-5, Minnesota Housing may accept a physical inspection conducted by HUD’s Real Estate Assessment Center (REAC) conducted in the same year that Minnesota Housing’s inspection is due.

Rural Housing Service Inspections: Minnesota Housing and the U.S. Department of Agriculture, Rural Housing Service (USDA RHS) have a memorandum of understanding (MOU) effective November 1, 2000. The parties agreed to share information pertaining to the HTC Program, including, but not limited to, results of file and physical inspections conducted by RHS. Minnesota Housing will conduct the first inspection, but thereafter may align the inspection schedule with RHS’ schedule and rely on the inspection results as noted by RHS staff. If noncompliance is noted, Minnesota Housing will issue a notice of noncompliance to the owner and require evidence of correction in the same manner as all other HTC developments.

Minnesota Housing may conduct a review of *any* building after serving appropriate notice and to examine all records pertaining to rental of HTC units. Minnesota Housing may perform a review at least through the end of the extended use period of the buildings in the project.

4.05 Compliance Forms

Minnesota Housing offers various sample forms to verify and certify income. These sample forms can be found under the Occupancy Forms link on our website.

Minnesota Housing's sample forms are strongly recommended. Each form has a version date located in the lower right-hand corner. *Replace old forms with any that have been newly revised.* If using alternate or customized forms, they must, at a minimum, contain the information in the sample forms.

Minnesota Housing's form of TIC may only be generated from the Property Online Reporting Tool. Minnesota Housing will accept a TIC generated from property management software if it contains, at minimum, the same information as Minnesota Housing's TIC form.

In addition to the TIC and supporting documentation, the following completed forms must be in all tenant files:

- Minnesota Housing's Government Data Practices Act Disclosure Statement (Suballocator or other funder data practices forms will not be accepted)
- Annual Student Certification (MHFA HTC 35)
- HTC Lease Rider (not required for section 8 units using the HUD model lease)
- VAWA Lease Addendum and Minnesota Housing Attachment (not required for section 8 units using the HUD model lease)

In addition, the Head of Household and Household Member Demographic Information form is used to collect data for households approved for occupancy to satisfy the HERA requirement for monitoring agencies to submit tenant data to HUD. Collecting and reporting the data to Minnesota Housing is required; however, a tenant file will not be found out of compliance if the tenant refuses to supply the information or if a completed form is not on file.

Rural Housing Service

As part of the MOU between USDA RHS and Minnesota Housing, RHS will require signatures of all household members age 18 and over and information relating to student eligibility, as required by Section 42. In return, Minnesota Housing will accept use of Form RD 1944-8, Tenant Certification. The required forms referred to above must also be on file.

4.06 Corrections to Documents

When a change is needed on a document for the HTC Program, the person making the correction must draw a line through the incorrect information, write or type the correct wording or number, and have *all parties initial and date the change.* A document that has been altered with correction fluid or "white-out" will not be accepted by Minnesota Housing.

If changes are made to a TIC, owner must update the respective certification event in PORT.

4.07 Annual Monitoring Fees

Minnesota Housing charges annual monitoring fees to cover the costs of conducting compliance monitoring. The annual fee must be submitted when the owner's certification is due, beginning with the first year of the credit period. Refer to the MF Loan Programs and Fee Schedule.

Minnesota Housing may adjust fees in its sole discretion to cover increasing monitoring costs.

4.08 Minnesota Housing Records Retention

Minnesota Housing will retain records of noncompliance or failure to certify for six years beyond the filing date of the respective Form 8823. In all other cases, Minnesota Housing will retain the certifications and records described in Treasury Regulations Section 1.42-5(c) for three years from the end of the calendar year the agency receives the certifications and records.

4.09 Liability

Compliance with the requirements of Section 42 is the responsibility of the owner of the building. Minnesota Housing's obligation to monitor for compliance with the requirements of Section 42 does not make the agency liable for an owner's noncompliance (Treasury Regulations Section 1.42-5(g)).

Chapter 5 – Project Rental Requirements

5.01 Allowable Fees and Charges

Section 42 allows owners of HTC developments to claim HTCs based on units that are rent-restricted, occupied by eligible tenants, and suitable for occupancy. To qualify as rent-restricted, the gross rent for a unit must not exceed the applicable rent limit.

Gross rents for the HTC Program are the rents paid by tenants (excluding federal or state rental assistance such as Section 8) plus an allowance for utility costs (except telephone, cable, or internet) paid either directly by tenants or pursuant to an actual-consumption submetering arrangement and any other mandatory charges. Charges for non-optional facilities or services such as a washer and/or dryer hookup fee and built in/on storage sheds or lockers (paid month-to-month or in a single payment), utility costs paid by tenants to or through the owner, etc. must always be included in gross rent. The total gross rent cannot exceed the applicable MTSP rent limits for the project.

Permissible Fees

Treasury regulations permit owners to charge a fee for providing services other than housing. If the services are optional, the fee can be excluded from the gross rent computation. If the services are not optional, the fee must be included in the gross rent computation. A service is optional if payment for the service is not a required condition of occupancy.

The regulations also provide that an owner may *not* charge a separate fee for tenant facilities (e.g., parking, garage, storage, and other amenities) if the cost of such facilities was included in eligible basis. Minnesota Housing considers a "separate fee" to be any amount charged for access to or use of tenant facilities that were included in eligible basis that would cause the rent to exceed the allowable gross rent limit. For example, if the unit rent were $1000, utility allowance $50 with no other mandatory charges and the rent limit were $1050, the owner may not charge for garages that were included in basis because the rent is already at the rent limit. Refundable deposits for use of tenant facilities that were included in eligible basis (e.g., a refundable deposit for use of a community room) are permissible and are not included in the gross rent computation.

At their discretion, owners may charge fees that are customary in the local rental housing market, provided that such fees are reasonable and that the amounts of any fees are clearly disclosed in the tenant's lease. Examples of such customary fees may include refundable damage/security and pet deposits. Owners may collect pre-lease deposits as permitted by state law, provided that such deposits are applied to either security deposit or first month's rent up on move-in. It is permissible to charge first and last months' rent if the same is charged to all tenants.

Fees related to the core functions of operating HTC properties are not permissible. As an example, application fees may be charged to cover the actual out of pocket cost of checking a prospective tenant's income, credit history and landlord references. Out of pocket costs are amounts paid to a third party, not salaries of the owner or management company staff. Application fees that exceed out of pocket costs, or that otherwise pass onto the tenant the costs of staff time for processing applications, are impermissible.

Permissible fees may also include:

- Month-to-month lease
- Pet rent
- Renter's insurance
- Meal service
- Transaction fees or other charges associated with online rent payment systems

Any additional fee charged for a month-to-month lease must *always* be included in the gross rent calculation, even when tenants have the option to enter into either a month-to-month lease or a longer lease term. Pet rent, renter's insurance and meal services are considered rent when they are required as a condition of occupancy. Transaction fees or charges associated with Walk In Payment Systems (WIPS) or other online rent payment systems must be included in the gross rent calculation if the owner does not have another option for residents to pay rent that does not require a fee.

The following types of fees are also permissible provided that, unless otherwise stated below, the amount of the fee is limited to the average cost incurred by the owner or such lower amount as limited by law:

- Late rent fees
- Late utility payment fees
    - As required by Minn. Stat. 504B.216, subd. 9 any late payment fees for all utilities billed must not exceed $5 per month and must not be compounded.
- Repairs or extra cleaning costs for tenant-caused damage beyond normal wear and tear are limited to actual and reasonable cost
- Maintenance completed by owners but normally required to be completed by households (e.g., changing light bulbs, moving furniture) may be charged if such rates are stated in the lease/lease addendum
- Returned check/Insufficient funds (NSF) only on and after the second occurrence and only to the extent that the fee does not exceed the cost charged to the owner by the bank for processing the returned check
- Lockouts
- Key replacement/extra key
- Failure to return a key upon move-out
- Failure to put utilities in tenant's name when billed by a utility company (not through a submetering arrangement)

- Court filing, attorney, and sheriff fees are permissible only from tenants who wish to avoid or settle an eviction suit and only to the extent that such fees are permitted under state and local laws, appear reasonable, and do not exceed the actual costs incurred
- Extermination fees are permissible only if tenant is uncooperative
- Early lease termination fees may not exceed two months' rent and must release tenants from any further liability. Such fees are prohibited when a lease termination is due to a VAWA, Minn. Stat. 504B.206, or reasonable accommodation request.
- Payments for utilities under a Ratio Utility Billing System (also known as RUBS), are permissible but are always considered rent (not a utility allowance). RUBS is a formula that allocates a property's utility bill among its units based on the units' relative floor space, number of occupants, or some other quantitative measure, but not based on actual consumption. Because monthly utility bills fluctuate, Minnesota Housing recommends owners establish a RUBS payment cap in the lease to avoid rent noncompliance.
- Treasury Regulations also permit owners who provide certain utilities to tenants through actual consumption, submetering arrangements to charge an administrative fee. Refer to section 5.05 for more information on utilities and administrative fees.

Records demonstrating the owner's costs in relation to fees charged to tenants may be requested as part of a monitoring review.

Impermissible Fees

The following fees are not permissible and, if charged to a resident, will be treated as rent and must be refunded to the resident:

- Fees for the work involved in completing forms and documentation required to certify income
- A move-in fee that is not a refundable security deposit (this includes nonrefundable alternatives to security deposits such as security bonds or lease guarantees)
- An application fee that exceeds an owner's average expected out of pocket expense
- Decorating fees or fees for preparing a unit for occupancy; owners are responsible for physically maintaining units in a manner suitable for occupancy
- Mandatory professional carpet cleaning by departing residents
- Unit transfer fees unless the owner can clearly document that the fees cover owner's actual out of pocket costs and are not used for preparing a unit for occupancy
- Lease violation fines or other fees for unacceptable tenant or guest behavior
- Fees associated with utility submetering systems that are not part of the allowable administrative fee
- Fees for tenant services or amenities that were included in eligible basis

Fees that exceed the limits described in the Permissible Fees section, above, are not permissible and will be treated as rent.

An owner may not charge a damage/security deposit, additional rent or fees associated with a service or therapy animal associated with a person with disabilities. If charged to a resident, such amounts must be immediately refunded or Minnesota Housing may report the owner/agent to HUD's Fair Housing and Equal Opportunity Enforcement division.

Also refer to the 8823 Guide: Category 11g – Gross Rent(s) Exceed Tax Credit Limits.

Rent Increases Limited to Once Annually

Beginning on January 1, 2020, rent increases for occupied units are limited to once annually. Rents may not be increased until the anniversary of the initial lease or the last rent increase, whichever is later.

This limit applies to the rent charged for the unit and not the portion of tenant-paid rent for residents assisted with Section 8 or other rental assistance, which may increase or decrease based on changes in income; however, for units assisted with state or local project-based rental assistance, owners may increase contract rents in accordance with the respective project-based rental assistance contract. Owners may increase rents for units assisted with Housing Support when the Minnesota Department of Human Services (DHS) adjusts the room and board rate, but only if it does not affect the tenant payment. Assisted Living properties that utilize the DHS Room and Board Rate for the Housing Support program to determine client obligation of rent and services may increase rent during a resident's first lease period to align future rent adjustments with the July 1 annual update to the DHS Room and Board Rate[4]. This is limited to units occupied by households receiving the benefit of Housing Support from the Department of Human Services, from the Elderly Waiver or CADI Waiver programs, or households who are taking the required spend-down steps to qualify for such programs. This limit also applies regardless of the term of the lease or any language in the lease that would allow rents to increase more than once annually. Rents must always comply with limits imposed by the program(s) that financed the development and/or respective unit. This includes Minnesota Housing funding sources as well as funding sources outside of the agency.

- **Example 1:** The last rent increase for an occupied unit on a month-to-month lease occurred on October 1, 2019. The owner may not increase the rent for that household until October 1, 2020, and if the same household continues to occupy the unit, a subsequent rent increase may not occur until October 1, 2021.
- **Example 2:** An initial six-month lease was signed on July 1, 2020. If the same household continues to occupy the unit, the owner may not increase the rent for that unit until July 1, 2021; a subsequent rent increase for that household may not occur until July 1, 2022.

[4] An Assisted Living property for purposes of this section is property that is marketed or held out as an assisted living facility and provides assisted living services. Refer to Minn. Stat. 144G.08, subd. 10.

- **Example 3:** Mid-month move-in will be treated as a full month. An initial lease began May 17, 2020, when the tenant moved in and rent for the month of May was pro-rated. The owner may increase rent starting May 1, 2021.

If after occupying a unit an eligible resident cannot pay the rent or is otherwise in violation of the lease provisions, the owner has the same legal rights in dealing with the eligible resident as with any other resident. Also refer to Good Cause Termination language in section 5.03, below.

120-Day Notice for Rent Increases Exceeding 5%

The purpose of the HTC is to keep units affordable and provide stable, quality housing. Minnesota Housing encourages owners to increase rents no more than what is needed to keep pace with rising costs. To promote housing stability, incremental increases are easier for residents to absorb than sudden significant increases.

Beginning November 1, 2025, a rent increase greater than 5% is not effective unless and until owner provides 120-days' notice in writing to tenant. If owner fails to provide proper notice, owner must return or credit, at tenant's election, any amounts collected in connection with the ineffective rent increase. This requirement does not apply to residents benefitting from rental assistance or Housing Support unless such increase affects the tenant's portion of the rent.

Examples below assume current lease rent is $1000 with no rental assistance, that the increase complies with the once-annual requirement, that the increase is otherwise allowed under the terms of the lease, and that the increase does not cause the gross rent to exceed the applicable rent limit:

1. In compliance: On July 1, 2025, owner provides notice of a rent increase to $1051, effective November 1, 2025. While the increase is more than 5%, owner has provided more than the minimum 120-day notice.
2. In compliance: Owner provides its standard 60-day notice of a rent increase to $1030. Thirty dollars is 3% of $1000, so the 120-day notice is not required.
3. In compliance: Owner provides its standard 60-day notice of a rent increase to $1050. Fifty dollars is 5% of $1000 so the 120-day notice is not required.
4. Out of compliance: Owner provides its standard 60-day notice of a rent increase to $1051. The increase is more than 5%, but owner has not provided 120-day notice. To bring the unit into compliance, owner must decrease rent to $1050, provide the minimum 120-day notice to the resident, refund or credit the resident $1 for all months that were overcharged until the minimum 120-day notice period has been fulfilled. At that time, owner may begin charging the resident $1051 for rent.

5.02 Section 8 Rents

The portion of the rent paid by households receiving rental assistance under Section 8 or other comparable federal or state rental assistance programs can exceed the HTC rent ceiling as long as the owner receives a Section 8 or other government rental assistance payment (this includes assistance from Housing Support (formerly Group Residential Housing)) on behalf of the resident. If no subsidy is provided, the tenant-paid rent plus utility allowance plus non-optional charges cannot exceed the maximum allowable HTC rent for the unit.

When considering rent to income ratios for tenant screening, managers must compare income only to the tenant-paid portion of the rent, not including the subsidy payments.

With the passage of the Omnibus Budget Reconciliation Act of 1993, owners are prohibited from refusing to lease to a prospective tenant based solely on the fact that the applicant holds a Section 8 rental voucher or certificate.

5.03 Minimum Lease Requirements/Good Cause Termination

All tenants occupying HTC units are required to execute at least an initial six-month lease. Succeeding leases are not subject to a minimum lease period. Exceptions for housing for the homeless and single room occupancy (SRO) are listed below (tenants in SRO housing may share bathrooms, cooking facilities and/or dining areas).

Federal rules allow for month-to-month leases for the following types of SRO housing for homeless individuals:

- SRO units in projects receiving McKinney Act and Section 8 Moderate Rehabilitation assistance
- SRO units intended as permanent housing and not receiving McKinney Act assistance
- SRO units intended as transitional housing that are operated by a governmental or nonprofit entity and providing certain supportive services

The lease must reflect the correct date of move-in which is the date the tenant has the right to occupy the unit.

At a minimum, the lease must include:

- The legal name of parties to the agreement and all other occupants
- A description of the unit to be rented
- The date the lease becomes effective
- The term of the lease
- The amount of rent and all mandatory fees or charges
- Responsibilities of the parties regarding payment of utilities
- The use of the premises

- The rights and obligations of the parties, including the requirement of the household to annually recertify its student status and, where applicable, income
- The signatures of all household members 18 years of age or older and/or persons under the age of 18 who are the head of household, co-head or spouse

VAWA Lease Addendum and Minnesota Housing Attachment to VAWA Lease Addendum

To comply with the statutory provisions of the Violence Against Women Act (VAWA), owners must use the VAWA Lease Addendum form HUD-91067 or its successor form. Refer to section 5.14 of this guide for more information about VAWA. In addition, beginning July 1, 2025, all new leases and all amended/renewed leases effective on or after July 1, 2025, Minnesota Housing Attachment to VAWA Lease Addendum (not required for units with project-based section 8 using the HUD model lease).

Resident Notification Letter and Lease Rider

To help residents understand their rights, a Resident Notification Letter must be provided at each lease signing, and an HTC Lease Rider must be executed and attached to the lease (existing HTC qualified households were to be provided a Resident Notification Letter and execute an HTC Lease Rider by December 31, 2020). The required Resident Notification Letter and HTC Lease Rider can be found on Minnesota Housing's compliance webpage. The Resident Notification Letter and HTC Lease Rider are not required for units occupied by households assisted with Project-based Section 8 using the HUD Model Lease.

Good Cause Termination

During the compliance period, extended use period and for three years after expiration of the extended use period, households in qualified HTC units may not be evicted or have their tenancy terminated (including lease non-renewal or refusal to enter into a new lease on substantially the same terms) for other than good cause. Minnesota Housing considers good cause to be (a) serious or repeated violation(s) of the material terms and conditions of the lease. Any incidents described in the VAWA Lease Addendum form HUD-91067 or its successor form do not constitute good cause for eviction of a survivor if the survivor is or is part of an otherwise eligible household. The owner must state the good cause in any eviction, lease non-renewal or termination of tenancy notice. The tenant has the right to contest the eviction, lease non-renewal or termination of tenancy in court.

5.04 Household Size

While IRS regulations do not specifically address occupancy requirements; Minnesota Housing encourages maximum utilization of space. Therefore, Minnesota Housing recommends that written occupancy policies be established that reflect maximum utilization. At least one person per bedroom is recommended as a minimum and not *less than* two persons per bedroom is recommended for a maximum. In situations where there is more than one qualified applicant for a unit, Minnesota Housing recommends giving preference to the household that is most suitable to the unit size. Owners should comply with federal, state and local laws, regulations and financing requirements (e.g., if RHS, use RHS regulations).

5.05 Utility Allowance

The IRS requires that utility allowances be set according to Treasury Regulations Section 1.42-10 effective May 2, 1994, and amended July 29, 2008, as well as the Final Utility Allowance Treasury Regulations issued March 4, 2019. Please read these regulations carefully.

If a utility (other than telephone, cable television or Internet) is paid directly by the tenant, and not by or through the owner of the building, the gross rent includes a utility allowance (UA). If the costs of a particular utility are paid pursuant to an actual-consumption submetering arrangement within the meaning of Treas. Reg. 1.42-10(e)(1), then that cost is treated as paid directly by the tenant and not by or through the owner. If all utilities are paid by the owner, the UA is zero.

UAs are applied individually to each building in the development. Therefore, depending on the development, an owner could have buildings in the same development using different UAs.

Annual Review

A building owner must review at least once during each calendar year the basis on which UAs have been established and must update the applicable UA. The review must take into account any changes to the building such as any energy conservation measures that affect energy consumption and changes in utility rates. It is the owner's responsibility to contact the appropriate organization to request current utility allowance information. Minnesota Housing does not collect or maintain the various UAs. All costs incurred in obtaining a UA are the responsibility of the owner.

Failure to maintain or provide the UA and supporting documentation annually is considered noncompliance; without proof of the amount of the UA, there is no way to correctly compute the rent. In addition, an incorrect UA calculation may result in noncompliance for rents that exceed the HTC rent limits.

For all updated UAs, the new UA figures must be used to compute gross rents of the units due 90 days after the change. For example, if rent must be lowered because a local utility company estimate is obtained that shows a higher utility cost than the otherwise applicable PHA UA, the lower rent must be in effect for rent due at the end of the 90-day period.

For new buildings, owners are not required to review or implement new UAs until a building has achieved 90% occupancy for a period of 90 consecutive days or the end of the first credit year, whichever is earlier.

Regardless of the UA source, if a property has a submetering system, supporting documentation must include a copy of a bill from each main meter and a copy of a resident bill along with the formula used to convert main meter charges to individual tenant charges. Minnesota Housing will use this information to confirm the property has a qualified submetering system as required by Treasury Regulations 1.42-10. Refer to section 5.06, below for more information.

Utility Allowance Sources

Treasury Regulations Section 1.42-10 lists the different sources of UAs for HTC developments:

- **USDA RHS financed projects.** If building receives assistance from the Rural Housing Service (RHS-assisted building), the applicable UA for all rent-restricted units in the building is the UA determined under the method prescribed by the RHS, whether or not the building or its tenants also receive other state or federal assistance.
- **Buildings with Rural Housing Service assisted tenants.** If any tenant in a building receives RHS rental assistance payments (RHS tenant assistance), the applicable UA for all rent-restricted units in the building (including any units occupied by tenants receiving rental assistance payments from HUD is the applicable RHS utility allowance.
- **Buildings regulated by HUD.** If neither a building nor any tenant in the building receives RHS housing assistance, and the rents and UAs of the building are regulated by HUD (HUD-regulated buildings), the applicable utility allowance for all rent-restricted units in the building is the applicable HUD UA. Minnesota Housing considers HUD-regulated buildings to be those with project-based Section 8 contracts, only.
- **Other buildings.** If a building is neither an RHS-assisted nor a HUD-regulated building, and no tenant in the building receives RHS tenant assistance, the applicable UA for rent-restricted units in the building may be determined under any of the following methods:
    - A PHA UA from the local housing authority administering Section 8 vouchers for the area in which the property is located.
    - A utility company estimate. Any interested party (including a low-income tenant, a building owner, or an agency) may request the utility company estimation of utility consumption in the building's geographic area. The estimate is obtained when the interested party receives, in writing, information from a local utility company providing the estimated cost of that utility for a unit of similar size and construction for that geographic area. Costs incurred in obtaining the estimate are borne by the initiating party. The party that obtains the local utility company estimate must retain the original of the utility company estimate and must furnish a copy to the owner and the monitoring agency. The owner of the building must make copies available to all tenants in the building. In the case of deregulated utility services, the interested party is required to obtain an estimate only from one utility company even if multiple companies can provide the same utility service to a unit. However, the utility company must offer utility services to the building in order for that company’s rates to be used.

The estimate should include all component deregulated charges for providing the utility service.

- An Average of Actual Consumption using the methodology described in the HUD published Multifamily Notice H-2015-4. This Notice provides instructions to owners and management agents of Section 8 and other HUD assisted properties for completing the required utility analysis. This analysis is also used for the USDA RHS program and allowed for HTC projects per Treasury Regulations, Section 1.42-10(b)(3). Owners may use the methodology from the notice, including the required baseline utility analysis; the optional factor-based utility analysis; and, the utility analysis sample size.
- A HUD Utility Schedule Model (HUSM). This model can be found on HUD's website. Utility rates using the HUD utility model must be no older than the rates in place 60 days prior to the beginning of the 90-day period before utility allowances can be used in determining the gross rent.
- An Energy Consumption Model (ECM) using an energy and water and sewage consumption and analysis model. The model must at a minimum take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics of the building location, and available historical data. The utility consumption estimates must be calculated by a mechanical engineer properly licensed in the state of Minnesota or a Residential Energy Services Network (RESNET) certified Home Energy Rating System (HERS) rater. The engineer or HERS rater and building owner must not be related within the meaning of Internal Revenue Code Sections 267(b) or 707(b), to which the engineer or HERS rater and building owner must certify. The owner and engineer or HERS rater must also certify that the model complies with the minimum requirements described above. Use of an ECM is limited to a building's consumption data and local rates for the 12-month period ending no earlier than 60 days prior to the beginning of the 90-day period before utility allowances can be used in determining the gross rent. In the case of new buildings with less than 12 months of consumption data, 12 months of data can be used for units of similar size and construction in the geographic area.
- **Tenants receiving HUD rental assistance.** The applicable UA for any rent-restricted units occupied by tenants receiving HUD rental assistance payments (HUD tenant assistance) is the applicable Public Housing Authority (PHA) UA established for the Section 8 Existing Housing Program.

For projects eligible to use the ECM, HUSM, or Average of Actual Consumption a request must be submitted to Minnesota Housing at the beginning of the 90-day period before these UAs can be used in determining the gross rent. Owners may only change methodology once in a 12-month period. The request must include the following:

1. Review fee. Refer to MF Loan Programs and HTC Fee Schedule. Also refer to section 5.06 for additional information on submeters)

2. Completed and signed Utility Allowance Certification form
3. Completed Utility Allowance Information form stating the proposed utility allowance figures for each unit size
4. Copy of owner's notice to residents and description of how residents were notified (e.g., copy sent to each unit, posted in common areas and office). If the property is not yet occupied at the time the request is made, indicate when the property is expected to be occupied in the cover letter or email
5. Rate information from applicable utility companies using currently published rates no older than 60 days from notice to residents and Minnesota Housing. Highlight all applicable rates, riders, franchise fees, and other charges used to determine the utility allowance
6. Completed HUSM Excel file or report generated from HUD's online HUSM tool; or
7. ECM calculation methodology and workbook or report generated from the engineer's ECM modeling system demonstrating how the applicable rates, tariffs and taxes were applied within the modeling; or
8. Printout of applicable state and local tax rates from Department of Revenue's Sales Tax Calculator
9. For individually metered utilities where the resident pays the utility supplier directly, a copy of a recent resident utility bill showing all rates and charges from each source. Owners may need to require utility release authorization forms in order to obtain a copy of utility bills. For new construction where there is no bill, evidence of who the utility supplier(s) will be and, if electric is part of the utility allowance, evidence of whether electric lines are overhead or underground
10. For any submetered utilities either billed by the owner or the owner's third-party billing company:
    a. The formula used to convert main meter charges to individual tenant charges; and
    b. A copy of a bill from each main meter; and
    c. A copy of a resident bill or proposed resident bill.

If requesting the Average of Actual Consumption, submit items 1-4 above and the required items as stated in Multifamily Notice H-2015-4.

Minnesota Housing will review and base its decision for approval or non-approval of the methodology and allowance figures on the transparency, completeness, quality and accuracy of information provided. Approval of the UA does not constitute a guarantee that the UA is absolutely correct. If at any time it is determined that a UA has been understated, and, therefore, some or all of the units are not rent restricted under Section 42(g)(2), then Minnesota Housing must report the noncompliance to the IRS on Form 8823.

Once the initial UA has been approved, the owner must update the UA at least once during each calendar year, based on updated rate information, but submission to Minnesota Housing is not required. UA and source documentation will be reviewed as part of the inspection of administrative records.

The owner must also notify tenants of updated ECM, HUSM or Average of Actual Consumption UAs and make the data upon which the UA is calculated available for inspection by the tenants at the beginning of the 90-day period before the effective date. Records must be made available at the resident manager's office during reasonable business hours or, if there is no resident manager, at the dwelling unit of the tenant, at the convenience of both the apartment owner and tenant. This is required for an initial change to these three methods and for all annual updates.

Any correction to the UA figures that results in a decrease to the UA after the resident notice is issued requires a new notice and will re-start the 90-day period. If utility rates have changed since the original notice was issued the new rates must be used.

With the exception of HUD and RD-regulated properties, owners may combine any methodology for each utility service type (electric, water gas etc.). For example, if residents are responsible for electricity and water, an owner may use the appropriate PHA allowance to determine the water portion of the allowance and use the Average of Actual Consumption to determine the electric portion of the allowance. Be advised, however, that the effective date of the PHA allowance will likely be different than the Average of Actual Consumption resulting in adjustments to utility allowances and, potential reduction in rents multiple times during the year.

5.06 Submetering and Renewable Energy

IRS Notice 2009-44 clarified that effective July 29, 2008, under Treasury Regulations 1.42-10, utility costs paid by a tenant based on actual consumption in a submetered, rent-restricted unit are treated as paid directly by the tenant. Submetering measures tenants' actual utility consumption, and tenants pay for the utilities they use. A submetering system typically includes a main meter for the building, which is owned or controlled by the utility supplying the electricity, gas, or water, with overall utility consumption billed to the building owner. In a submetered system, building owners (or their agents) use unit-based submeters to measure utility consumption and prepare a bill for each residential unit based on consumption. The building owners (or their agents) retain records of resident utility consumption, and tenants receive documentation of utility costs as specified in the lease.

An actual-consumption, submetering arrangement for a utility in a residential unit must meet the definition as stated in Treasury Regulation 1.42-10 (e), including:

- The tenants in the unit are billed for and pay the owner (or its agent) for the unit's consumption of the utility.
- The billed amount reflects the unit's actual consumption of the utility. In the case of sewerage charges, however, if the unit's sewerage charges are combined on the bill with water charges and the sewerage charges are determined based on the actual water consumption of the unit, then the bill is treated as reflecting the actual sewerage consumption of the unit.
- The utility rates charged to tenants in each submetered, rent-restricted unit must be limited to the utility company rates incurred by the building owners (or their agents). If building owners

(or their agents) charge tenants a reasonable fee for the administrative costs of submetering, then the fee will not be considered gross rent under Section 42(g)(2). The fee must not exceed an aggregate amount per unit of the greater of (i) five dollars per month; (ii) an amount (if any) designated by publication in the Internal Revenue Bulletin (IRB); or (iii) the lesser of the amount (if any) specifically prescribed under state or local law or a maximum amount (if any) designated by publication in the IRB.; and

Treasury Regulations 1.42-10 provide that if an owner provides utilities through a renewable energy source, the rate charged to the tenant for the renewable energy cannot exceed the rate at which the local utility company would have charged for the utility if that entity had provided it to them. A utility is produced from a renewable source if (1) it is produced from energy property described in Section 48, (2) it is energy produced from property that is part of a facility described in Section 45(d)(1) through (4), (6), (9), or (11), or (3) is a utility described in guidance published for this purpose in the IRB.

5.07 Physical Requirements of Qualified Units, Suitable for Occupancy

Qualified units rented to, or reserved for, eligible tenants:

- Must have substantially the same equipment and amenities (excluding luxury amenities such as a fireplace) as other units in the project;
- Must be substantially the same size as other units in the project;
- Cannot be geographically segregated from other units in the project; and
- Must be suitable for occupancy under HUD's National Standards for Physical Inspection of Real Estate (NSPIRE) and local health, safety and building codes.

Units that are not suitable for occupancy, including previously qualified low-income units being rehabilitated in the first year of the credit period, are considered out of compliance. The noncompliance is corrected when the unit is again suitable for occupancy, and the unit's character will be determined based on the household that occupied the unit immediately preceding the rehabilitation.

NSPIRE does not supersede or preempt local health, safety and building codes. An HTC development must also satisfy the local standards.

5.08 Fair Housing Policy, Affirmative Marketing, and General Public Use

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

Minnesota Housing's fair housing policy incorporates the requirements of Title VI of the Civil Rights Act of 1968; the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, and the Minnesota Human Rights Act. Housing providers and other entities involved in real estate related transactions are expected to comply with the applicable statutes, regulations and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements. Housing providers and other entities involved in real estate related transactions must comply with all non-discrimination requirement 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.

The Fair Housing Act also mandates specific design and construction requirements for multifamily housing built for first occupancy after March 13, 1991, to provide accessible housing for individuals with disabilities. Anyone with questions regarding accessibility requirements should visit HUD's Fair Housing Accessibility First website.

HUD enforces the Fair Housing Act, and the Minnesota Department of Human Rights (MDHR) enforces state-specific protections. Minnesota Housing will refer complainants to HUD or MDHR for follow-up and/or investigation. Any finding of discrimination, adverse final decision by HUD, adverse final decision by a substantially equivalent state or local fair housing agency, or an adverse judgment from a federal court is a violation that Minnesota Housing must report to the IRS.

On April 4, 2016, HUD's Office of General Counsel issued guidance on criminal background screening, focusing attention on the ways in which even well-intentioned tenant selection policies can act as tools of exclusion. This guidance applies to all housing providers, including owners and managers of HTC properties. In response, Minnesota Housing prepared Tenant Selection Plan (TSP) guidelines that identify best practices for tenant selection plans. The TSP guidance is recommended for all HTC properties but is required for all HTC projects selected after March 31, 2021. The guidelines contain a summary of the HUD guidance on criminal background screening and reflects the agency's consideration of best practices, along with special factors affecting supportive housing programs. Note that various funding sources and jurisdictions may impose other tenant selection plan requirements. Owners and managers should consult with an attorney to ensure your tenant selection plan complies with program requirements, the Fair Housing Act, and the Minnesota Human Rights Act.

Owners must adhere to Equal Opportunity, Affirmative Marketing, and Fair Housing practices in all marketing efforts, eligibility determinations and other transactions. The Equal Housing Opportunity logo or statement should be used in all advertising of vacant units:

"We do business in accordance with the Federal Fair Housing Law. It is illegal to discriminate against any person because of race, color, religion, sex, handicap, familial status, or national origin."

Owners must develop and implement an Affirmative Fair Housing Marketing Plan (AFHMP) in accordance with HUD and Minnesota Housing requirements. Owners must regularly review and update the AFHMP and use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions. Affirmative marketing includes actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status (persons with children under 18 years of age, including pregnant women), or disability. A file must be maintained with all marketing efforts related to the property including newspaper ads, social service contacts, photos of signs posted, etc. Records will be reviewed during on-site monitoring to determine adequate documentation of compliance with federal requirements.

In accordance with the Violence Against Women Reauthorization Act of 2013 (VAWA), tenant selection criteria cannot deny admission on the basis that the applicant has been a victim of domestic violence, dating violence, sexual assault or stalking. Refer to section 5.14 of this guide for more information about VAWA.

Visit Minnesota Housing's Fair Housing webpage for more information, including an online Affirmative Marketing Toolkit to assist in creating the AFHMP.

For Use by the General Public

Under Treasury Regulations 1.42-9(b) IRS also requires HTC properties be otherwise available to the general public. A residential rental unit is for use by the general public if the unit is rented in a manner consistent with housing policy governing non-discrimination, as evidenced by rules or regulations of the Department of Housing and Urban Development (HUD) (24 CFR subtitle A and chapters I through XX).

If a residential unit is provided only for a member of a social organization or provided by an employer for its employees, the unit is not for use by the general public and is not eligible for credit under Section 42. Residential rental units either designated for a single occupational group, or through a preference for an occupational group, also violate the general public use requirements.

Additionally, any residential rental unit that is part of development that provides continual or frequent medical, psychiatric, or nursing services within the meaning of Treasury Regulation 1.42-11(b)(2) or that is a hospital, nursing home, intermediate-care facility, or a similar facility within the meaning of Treasury Regulation 1.42-9(b) is not for use by the general public and is not eligible for HTCs.

Note that the General Public Use Rule was clarified on July 30, 2008, to allow occupancy restrictions or preferences that favor tenants 1) with special needs, 2) who are members of a specified group under a federal or state program or policy that supports housing for such specified group, or 3) who are involved in artistic or literary activities.

5.09 Vacant Units

If a low-income unit in a property becomes vacant, reasonable attempts must be made to rent that unit or the next available unit of comparable or smaller size to a qualifying household before any units can be rented to non-qualified households. The owner or manager must be able to document reasonable attempts to rent the vacant units to eligible tenants.

Only units that have been previously occupied by an eligible household and are suitable for occupancy may be included as a qualifying low-income unit for compliance purposes. If a unit has never been occupied by an eligible household or has been vacated by a market rate household, that unit is not counted as a qualifying low-income unit.

The Vacant Unit Rule is the subject of IRS Revenue Ruling 2004-82, Answering 12 Questions About Low-Income Housing Credit Under IRC Section 42 (refer to questions #8, #9, and #10), published August 30,

2004. The IRS Revenue Ruling clarifies that an owner may not move a household from building to building to qualify more than one unit in a property (question #8); that “reasonable attempts” are customary methods of advertising apartment vacancies in the area of the property for identifying prospective tenants and may include, but are not limited to: displaying a banner and for-rent signs at the entrance to the property, placing classified advertisements in local newspapers, and contacting prospective low-income tenants on a waiting list for the property and on a Section 8 and public housing waiting list with the local public housing authority (question #9); and that a unit is not an available vacant unit if the unit is no longer available for rent due to contractual arrangements that are binding under local law, such as a reservation entered into between the owner and a prospective tenant (question #10).

5.10 Other Stipulations

An owner or a person related to the owner may reside in a building if it contains five or more units. If a building contains four or fewer units, an owner, or a person related to the owner, occupying a unit in the building would cause the building to be in noncompliance, unless the building is acquired and rehabilitated pursuant to a development plan sponsored by the state or local government or qualified nonprofit organization.

5.11 Student Eligibility

Under Section 42, most households where all members are full-time students are not eligible, and units occupied by these households may not be counted as HTC units. Internal Revenue Code Section 151(c)(4) defines a “student” as an individual, who during each of five calendar months during the calendar year in which the taxable year of the taxpayer begins, is a full-time student at an educational organization described in Internal Revenue Code Section 170(b)(1)(A)(ii). Treasury Regulation 1.51-3(b) further provides that the five calendar months need not be consecutive.

The determination of student status as full or part-time should be based on the criteria used by the educational institution the student is or was attending.

An educational organization, as defined by Internal Revenue Code Sec. 170(b)(1)(A)(ii) is one that normally maintains a regular faculty and curriculum, and normally has an enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on. The term “educational organization” includes elementary schools, junior and senior high schools, colleges, universities, and technical, trade and mechanical schools. It does not include on-the-job-training courses.

There are five exceptions to the limitation on households where all members are full-time students. Full-time student households that are income eligible and satisfy one or more of the following conditions are considered eligible:

- Students are married and entitled to file a joint tax return. A married couple that is entitled to file a joint tax return, but has not filed one, still satisfies the exception.
- The household consists of a single parent with child(ren) and the parent is not a dependent of someone else, and the child(ren) is/are not dependent(s) of someone other than a parent;
- At least one member of the household receives assistance under Title IV of the Social Security Act (formerly Aid to Families with Dependent Children (AFDC), now known as Temporary Assistance for Needy Families (TANF), or in Minnesota, the Minnesota Family Investment Program (MFIP)); or
- At least one member of the household participates in a program receiving assistance under the Job Training Partnership Act (JTPA) or other similar federal, state or local laws[5].
- At least one member of the household was previously in foster care[6].

To properly document student eligibility, all households must complete an Annual Student Certification (form HTC 35) as part of the initial certification and annually thereafter. Properties that are 100% tax credit qualified and not required to recertify income are *not* exempt from this annual requirement. Note this is a required form.

Verification also must be obtained, when applicable, to support the full or part-time student status (use Student Status and Financial Aid Verification form [refer to Chapter 6 of this guide for income information regarding student financial aid]) and the applicable exemptions(s) (e.g., tax return, marriage certificate, verification of participation in JTPA or similar program, verification of MFIP income, or verification from the state agency of previous participation in foster care).

[5] The JTPA program was repealed in 1998 and replaced with the Workforce Investment Act (WIA). In 2014, the WIA was replaced with the Workforce Innovation and Opportunity Act (WIOA). WIOA (and JTPA when it existed) funds programs such as adult literacy, English as a second language, General Education Diploma (GED) courses, vocational services for the blind, employment and training programs for Native Americans and migrant and seasonal farmworkers, job corps, veterans employment programs, summer youth employment and training, employment and training for dislocated workers and displaced homemakers, etc. Students in those programs are eligible for the JTPA exemption provided the school or community education department verifies that the applicant/tenant is a participant in a program similar to those funded under JTPA (now WIOA). Click here for a list of WIOA programs.

[6] "Foster care" means substitute care for children placed away from parents or guardians and for whom the state agency has placement and care responsibility. This includes, but is not limited to, placement in foster family homes, foster homes of relatives, group homes, emergency shelters, residential facilities, child care institutions, and pre-adoptive homes. A child is in foster care in accordance with this definition regardless of whether the foster care facility is licensed and payments are made by the state or local agency for the care of the child, whether adoption subsidy payments are being made prior to the finalization of an adoption, or whether there is a federal matching of any payments that are made.

Part-time students are not “students” for this section, and their eligibility is not subject to special restrictions; however, verification of part-time status is required for households comprised entirely of students that do not meet one of the exemptions.

5.12 Loss of Eligibility Upon Becoming a Full-time Student

If a previously qualified HTC household becomes a full-time student household, the household *must* meet at least one of the above exemptions and be able to prove such status for the unit to remain in compliance. Under current legal interpretations of federal HTC regulations and requirements, the “available unit rule” that applies to HTC units with households that are no longer income eligible does not apply to student households that qualify under one of the exceptions above and later ceases to qualify. Unlike changes in income, a unit occupied by a full-time student household that does not meet or no longer meets one of the above exceptions immediately ceases to count as an HTC unit.

5.13 Unit Transfers

The IRS considers each building in a property to be a separate project unless the owner elects to treat certain buildings as part of a multiple building project. Owners make the election for multiple building projects on Part II, line 8b of IRS Form 8609. Owners must also report their single or multiple-building election in the BIN pages of PORT. Refer to section 2.02 of the PORT User Guide. Until Minnesota Housing becomes aware of an owner’s election, Minnesota Housing will treat the property as if all buildings are separate projects.

According to the IRS, there is no such thing as a transfer between buildings that are *not part of the same multiple-building project.* If a household moves to another project within the same property, it must be reported as a move-out for the vacated unit. To treat the newly occupied unit as a qualified HTC unit, the household must be certified and meet initial eligibility requirements. The newly occupied unit must be reported as a new move-in.

Managers of properties containing buildings treated as separate projects must obtain copies of the owner-filed IRS Form 8609 and use caution when determining if a transfer or move-out/move-in applies.

Transfer Within Same Building

When a current household moves to a different unit within the same building, the newly occupied unit adopts the status of the vacated unit. Thus, if a current household, whose income exceeds the applicable income limitation moves from an over-income unit to a vacant unit in the same building, the newly occupied unit is treated as an over-income unit. The vacated unit assumes the status the newly occupied unit had immediately before it was occupied by the current resident.

Transfer to Different Building/Same Project

When a household whose income is no greater than 140% of the income limit moves to a low-income unit in a different building within the same project during any year of the 15-year compliance period, the vacated unit assumes the status the newly occupied unit had immediately before it was occupied by the current resident. If a household whose income exceeds 140% of the applicable income limit wishes to move to a different building in the same project, the newly occupied unit will be treated as a non-qualifying unit. Mixed income properties can rely on the most recent income certification. Properties that are exempt from income recertification requirements may allow transfers between buildings in the same project even though the household's current income is not known.

Example 1: Transfer to different building/same project. ABC Acres consists of building A and building B. Owner has elected to treat buildings A and B as part of a multiple-building project. If a household moves from building A to building B, it is a unit transfer.

Example 2: Move-out/move-in to different building/different project. XYZ Apts. consists of building 1 and building 2. Owner has not elected to treat buildings 1 and 2 as part of a multiple-building project. Even though the two buildings are both part of XYZ Apts., and are located next door to each other, if a household moves from building 1 to building 2, it is reported as a move-out for building 1 and a new move-in requiring a new initial certification for building 2.

Properties Electing the AIT Minimum Set-Aside

The above guidance regarding unit transfers also applies to properties electing the AIT, but the unit designations also swap status. For example, if a qualified household in a 40% designated unit transfers to a unit designated as a 70% unit, the newly vacated unit becomes a 70% designated unit and the unit the household moves into becomes a 40% designated unit. If a qualified household in a 50% designated unit transfers to a market-rate unit, the newly vacated unit becomes a market rate unit and the unit the household moves into becomes a 50% designated unit. See section 6.01 – Unit Redesignation for Projects Electing the Average Income Test Minimum Set-Aside.

Minnesota Housing provides the following form on its website, "Documentation of Unit Transfer," to assist in documenting when a unit transfer occurs, and the status of the units involved.

5.14 Violence Against Women Act

The Violence Against Women Reauthorization Act of 2022 (VAWA 2022) continues to include the HTC Program as a covered program. The amendments that VAWA 2022 makes to the Housing Rights Chapter of VAWA build on the 2013 and 2016 amendments to strengthen VAWA's housing protections for survivors of domestic violence, dating violence, sexual assault, and stalking (collectively referred to as "survivors"). Owners have a legal obligation to comply with the statutory requirements found in VAWA.

VAWA 2022 enhances housing protections for survivors applying for and assisted under covered housing programs by authorizing HUD to enforce the law by the same process – and with the same rights and remedies – as the Fair Housing Act. Such rights include filing a discrimination complaint with HUD to investigate the allegations.

An applicant for or tenant of housing assisted under a covered housing program may not be denied admission to, denied assistance under, terminated from participation in, or evicted from the housing on the basis that the applicant or tenant is or has been a victim of domestic violence, dating violence, sexual assault, or stalking, if the applicant or tenant otherwise qualifies for admission, assistance, participation or occupancy. They also have the right to request an emergency transfer for safety reasons related to violence. VAWA 2022 ensures the right to call 9-1-1 without fear of losing housing, and it prohibits retaliation by housing providers for exercising VAWA rights or assisting others in doing so. These protections apply regardless of sex, gender identity, or sexual orientation.

To comply with the core statutory provisions of the law, owners/agents must provide and distribute the following forms to applicants/tenants:

- HUD Form 5380 – Notice of Occupancy Rights under the Violence Against Women Act; and
- HUD Form 5382 – Certification of Domestic Violence, Dating Violence, Sexual Assault, or Stalking, and Alternate Documentation.

These documents are to be provided:

- With the notice that an application has been denied
- At the time the household is admitted
- With any notice of eviction
- With any notice of lease non-renewal or termination of tenancy

If existing residents were not already provided HUD Forms 5380 and 5382, owners must provide a copy of each during their next annual recertification, lease renewal, or by other means.

Owners must also develop and implement an Emergency Transfer Plan using HUD's model Forms 5381 and 5383. The emergency transfer plan allows for survivors to move to another safe and available unit if they fear for their safety. Owners should be mindful of unit transfer rules outlined in section 5.13 above when making their plan.

Owners must be familiar with the statutory requirements impacting their developments and consult with their legal counsel as needed. Also refer to HUD Notice H 2017-05 "Violence Against Women Act (VAWA) Reauthorization Act of 2013 – Additional Guidance for Multifamily Owners and Management Agents" for valuable definitions and examples of how to fully implement VAWA protections.

Find VAWA Forms 5380, 5381, 5382 and 5383 on HUDClips5. Find VAWA lease addendum 91067 on HUDClips9. Owners/agents should customize the forms for use they must maintain the base information and language. Beginning in 2025 leases must also include the Minnesota Housing Attachment to VAWA Lease Addendum (not required for units with project-based section 8 using the HUD model lease). Minnesota Housing Attachment to VAWA Lease Addendum (not required for units with project-based section 8 using the HUD model lease).

Owners may bifurcate leases to evict or terminate tenancy of the perpetrator and continue housing the survivor if the survivor is or is part of an otherwise eligible household.

Chapter 6 – Income Determinations

According to the Treasury Regulations 1.42-5 for the HTC Program, "Tenant income is calculated in a manner consistent with the determination of annual income under Section 8 of the United States Housing Act of 1937 ("Section 8"), not in accordance with the determination of gross income for federal income tax liability." The Housing Opportunities Through Modernization Act (HOTMA) was signed into law on July 29, 2016 (Public Law 114–201, 130 Stat. 782). The HOTMA statute consists of 14 sections of law that affect the Public Housing and Section 8 rental assistance programs. On September 17, 2019, HUD issued a proposed rule to update its regulations according to HOTMA's statutory mandate. The proposed rule may be found at 84 FR 48820 (September 17, 2019). Sections 102 and 104 of HOTMA make sweeping changes to the United States Housing Act of 1937 (1937 Act), particularly those affecting income calculations and reviews. For guidance on HOTMA implementation, refer to HUD Notices 2023-10 and 2024-9, and any successor guidance found on HUD's HOTMA webpage.

For guidance in the determination of tenant income, HUD Handbook 4350.3, Occupancy Requirements of Subsidized Multifamily Housing Programs (HUD Handbook) is used as a reference. HUD Handbook 4350.3 and HUD notices can be obtained by calling 1.800.767.7468 or by visiting HUD's website. Note that as of the publication of this compliance guide, the HUD Handbook has not been revised to reflect changes resulting from HOTMA.

For purposes of this Chapter 6, the terms, "family" and "household" use the definition in HUD Notice 2023-10. Some rental agents attempt to establish only that an applicant has sufficient income to support monthly rent payments; however, tax credit projects are both rent restricted and income restricted. Therefore, if a rental agent intends to include an applicant as an HTC eligible tenant, *income from all required sources must be verified and included in the income calculation*.

6.01 Income Certification/Recertification

It is the owner's responsibility to select and rent to qualified households. Minnesota Housing will not qualify or approve applicants for eligibility.

Applicants for rent-restricted units should be advised early in the application process of the maximum income limits that apply. Management should explain to all applicants that the anticipated income of all family members must be disclosed and verified and that full-time student households may be ineligible if they do not meet one of the Section 42 student exemptions.

Initial Eligibility Determination

Before approving a household for occupancy, owners must determine that the household will cause the unit to be a qualifying HTC unit (if a property is already occupied, refer to "Special Instructions for Newly Placed in Service Properties with Existing Residents," below). The qualification process has three phases:

1. **Application and disclosure of household composition, student status, income and assets:** A detailed application is critical to determining eligibility and is considered supporting documentation to the TIC. Minnesota Housing's Sworn Statement of Income and Assets form is designed to collect the necessary information. Owners may collect additional information for screening purposes according to their tenant selection plan. The Annual Student Certification should be completed during the application process.
2. **Verification:** The owner/agent must verify all sources of income and assets following HUD's order of acceptability. Owners may accept a Self-Certification of Assets in lieu of third-party verifications if combined net family assets do not exceed the applicable HUD-published amount of net assets for which the owner may accept self-certification. HUD adjusts this amount annually based on inflation so refer to this website for the current figure. Where applicable, owners must verify any student exemption claimed on the Annual Student Certification.
3. **Certification:** After all verifications are received and any applicable follow-up conducted, the owner must calculate income and income from assets based on information provided on the verification forms and complete the TIC.

Unit Designations for Projects Electing AIT

For new projects electing the AIT minimum set-aside, the initial income and rent designation of each unit must be made no later than when a unit is first occupied as a low-income unit. For AIT projects placed in service on or before December 31, 2022, occupied HTC units are considered designated on January 1, 2023, based on the owner's existing designation. For AIT projects placed in service after December 31, 2022, vacant units must be designated before the move-in of a low-income household. For all AIT properties, when leasing units, owners must complete a TIC that is consistent with each unit's respective income and rent limit designation. Minnesota Housing will consider the owner to have designated a unit based on the highest MTSP that is recorded on page 2 of the TIC.

Noncompliance due to Late Certification

An initial TIC that is not fully completed on or before the date a household moves into a unit causes the unit to be out of compliance. This includes supporting documentation in the form of the household's income and asset disclosure, all required verifications, signed and dated TIC and Annual Student Certification. The unit is out of compliance for "over income" and/or "ineligible full-time student," from the move-in date to the last signature on the TIC and/or student certification. However, if an applicant is unable to timely sign the TIC due to extenuating circumstances beyond their control, the owner must document the attempts to obtain signature, the reason for the delay and the plan for how and when the proper signature will be provided in the tenant file. If the tenant file contains such documentation a "true and correct as of" statement is unnecessary when the tenant does sign. Failure to follow-up with the tenant to obtain the signature when indicated in the documentation may result in noncompliance.

Special Instructions for Newly Placed in Service Properties with Existing Residents

Acquisition/Rehabilitation: For occupied units at the time of acquisition, an initial TIC may be completed up to 120 days after the date of acquisition using the income limits in effect on the day of acquisition. All verifications must be received, and the TIC must be fully completed, signed, and dated within that 120-day period for the effective date of the TIC to be the acquisition placed in service date (PIS Date). This is the only exception to the general rule that all verifications must be completed prior to the effective date of the TIC. This exception does not apply if any verifications are received later than 120 days or any part of the TIC is completed or signed after the 120-day period. In that case, the effective date will be the date the last adult member of the household signs the TIC form.

Rehabilitation-Only Properties: the initial certification may be completed any time on or after the rehabilitation PIS Date. The move-in date on the TIC may be the actual move-in date or the rehabilitation PIS Date. The effective date is the date on which the TIC is fully completed, signed and dated.

Properties with an Existing Allocation of HTCs that Receive an Additional Allocation: Households determined to be income-qualified for purposes of the HTC during the 15-year compliance period *may be* concurrently income-qualified households for purposes of the extended use period. As a result, if all Section 42 requirements are met, including qualified student status, verifying income and assets for annual recertification for mixed-income properties, rules regarding unit transfers, etc. any household determined to be qualified at the time of move-in for purpose of the extended use period is a qualified low-income household for any subsequent allocation of HTCs. If the new allocation is for rehabilitation only, vacant units will continue to be treated as low-income units subject to the vacant unit rule. If the new allocation is for acquisition and rehabilitation, vacant units lose their status as low-income units until they are occupied by qualified households that are properly certified.

Annual Recertification

Each year, owners must recertify HTC households to maintain continuing compliance. Annual recertification may or may not involve recertifying income:

- **All Projects:** The Annual Student Certification (MHFA HTC 35) and any applicable supporting documentation for exemptions is required annually, no later than the anniversary of the initial certification.
- **Mixed Income Projects:** Owners of mixed-income projects are required to recertify income annually to determine whether the Available Unit Rule has been triggered (see section on Available Unit Rule, below). Income recertification must be performed in accordance with the verification requirements for an initial certification. The recertification process should begin 120 days prior to the anniversary date of the previous certification.
- **100% HTC Projects:** Effective January 1, 2009, annual income recertifications are not required for 100% low-income projects. A project is 100% low-income when the allocation was based on

all units in the project (common space units are not part of the equation), and all units are occupied by qualified households. It is essential that each initial certification in a 100% low-income project be done very carefully and thoroughly. If a TIC has insufficient documentation of gross annual household income or it is determined for any reason that one or more households do not qualify, the owner must resume conducting annual income recertifications until 100% of the units are back in compliance.

Important Reminder: The IRS considers buildings to be separate projects unless the owner elects to treat certain buildings as a multiple-building project. Owners make the election for multiple building projects on Part II, line 8b of IRS Form 8609. Minnesota Housing will treat the property as if all buildings are separate projects until the owner notifies Minnesota Housing of a multiple building election. Managers of properties containing some 100% buildings and some mixed-income buildings must obtain copies of the filed IRS Forms 8609 and use caution when determining if 100% buildings are exempt from recertification. If the 100% buildings are part of a multiple-building project that includes mixed income buildings, the 100% buildings do not qualify for the exemption. If the 100% buildings are treated as a separate project or are part of a multiple-building project that contains only 100% HTC buildings, then they do qualify for the exemption.

Example 1: Recertification exemption does not apply: A property consists of building A (100% HTC) and building B (mixed income). Owner has elected to treat buildings A and B as part of a multiple-building project. Building A is not exempt from recertification because the project is not 100% HTC.

Example 2: Recertification exemption applies but only to certain buildings: A property consists of building A (100% HTC) and building B (mixed income). Owner has not elected to treat buildings A and B as part of a multiple-building project. Building A is exempt from recertification because it is a 100% project. Because building B is mixed income, annual income recertifications must be completed for building B.

Example 3: Recertification exemption applies but only to certain buildings: A property consists of building A (100% HTC), building B (mixed income), building C (100% HTC) and building D (mixed income). Owner has elected to treat buildings A and B as part of a multiple-building project. Owner has elected to treat buildings C and D as separate projects. Building A is not exempt from recertification because the project is not 100%. Building C is exempt from recertification because it is a separate 100% project. Because building D is mixed income, annual income recertifications must be completed for building D.

Example 4: Recertification exemption applies: A property consists of building A (100% HTC) and building B (100% HTC). Regardless of whether the owner elected to treat buildings A and B as separate projects or as part of a multiple-building project, both building A and building B are exempt from annual income recertification.

The recertification exemption applies only to the HTC Program. Units funded by certain other programs (e.g., Tax-exempt bonds, HOME, National Housing Trust Fund, Section 8, MARIF) have income recertification requirements that must be met separately.

All owners are advised to read IRS Revenue Procedure 2003-82, which became effective November 24, 2003. This revenue procedure provides safe harbors under which the IRS will treat a residential unit in a building as low income if the household income has been certified as eligible in the year before the first credit year but household income exceeds the income limit at the beginning of the first taxable year of the credit period. Revenue Procedure 2003-82 was issued as a result of questions from taxpayers regarding when individuals must satisfy the applicable income limit when they move into an existing building (or are existing residents) on or after the date a taxpayer acquires a building to be rehabilitated, but before the beginning of the first credit year. Because of those questions, some taxpayers required that the household income not exceed the applicable income limit at the beginning of the first credit year, even though the household income was below the income limit when the household moved into the unit (or was initially certified). This has resulted in some households being evicted, where permissible under local law, from HTC properties.

Note that the purpose of Revenue Procedure 2003-82 is to provide taxpayers protection from challenges by the IRS on this issue. Testing for application of the Available Unit Rule referred to in the Revenue Procedure consists of confirming with the household(s) that the sources and amounts of anticipated income included on the TIC are still current. If additional sources or amounts are identified, the TIC must be updated based on the household's documentation. It is not necessary to complete third party verifications. Minnesota Housing is not required to monitor for compliance with Revenue Procedure 2003-82.

Addressing Late Certification or Insufficient Documentation in Tenant Files

The IRS and Minnesota Housing expect that owners will conduct timely and proper certifications as discussed above. However, if an initial certification or annual recertification was not properly or timely documented, the noncompliance can be addressed as follows:

1. Owner can perform a new (re)certification using current income and asset sources, student status, and current income limits. Assuming the household is eligible, the unit would be out of compliance on the date of move in or when the recertification was due and back in compliance on the date the new TIC and student certification are signed by all parties; or
2. Owner can perform a retroactive (re)certification which completely and clearly documents the sources of income and assets (and/or student status) that were in place at the time the (re)certification should have been effective; and applies income and rent limits that were in effect on that date. All supporting documents, including the Sworn Statement of Income and Assets and verifications as well as any clarification records must contain information reflective of the intended effective date. Calculating gross annual household income based on income,

asset or other data that occurred after the intended effective date will render the certification late or unacceptable, not retroactive, regardless of any "true and correct as of" statement. When requesting income or asset verification directly from the source, make it very clear that the information requested must be information that was known and in effect for the intended effective date. It may help to contact third parties directly to explain what is needed from them before sending verification forms. Any documents signed by residents that are intended to apply retroactively must be signed and dated using the current date (no back-dating). The head of household must add their initials and the current date next to a "This certification is true and correct as of (inserting the intended effective date)" statement below the signatures on the TIC form (and HTC35 Annual Student Certification, if applicable). While retroactive (re)certifications are allowed, they must not be done routinely. Owners may be subject to serious risks if a household is determined to not be income eligible after they have been allowed to occupy a unit or if the owner has unknowingly violated the available unit rule.

If an owner sends timely notice that an annual recertification is due, but the household vacates the unit, the unit will not be considered out of compliance. Owners must document the file regarding attempts to timely obtain the recertification and the date the household moves out of the unit. This must also be disclosed on the Owner's Certification of Continuing Program Compliance. For further information on how Minnesota Housing will review and report noncompliance, refer to the 8823 Guide: Chapter 5, page 2, Category 11b – Topic: "Household Vacates Unit."

If an owner takes timely action to enforce annual recertification or student status requirements of its lease for a noncompliant household the unit will not be considered out of compliance. If the household does not vacate the unit (i.e., court does not grant the unlawful detainer), a recertification will be required within 120 days of the determination.

Unit Redesignation for Projects Electing the Average Income Test Minimum Set-Aside

Treasury Regulation 1.42-19, allows owners to change a unit's income and rent designation in the following circumstances:

- **Federally permitted changes.** If permission for the change is contained in IRS forms, instructions, or guidance published in the Internal Revenue Bulletin.
- **As the housing credit agency permits.** For circumstances other than those expressly allowed under Treasury Regulation 1.42-19(d), owners may establish a written policy and procedure regarding the circumstances under which it would redesignate an occupied unit to a different income and rent limit than currently designated. Redesignations in compliance with that policy and procedure are permitted. Owners may redesignate an occupied unit to a lower income and rent limit designation for any reason if the household is qualified for the lower income limit.
- **As appropriate to other laws.** A change in designation is permissible when the change is required or appropriate to enhance protections contained in the following, as amended:

  - The Americans with Disabilities Act of 1990 (ADA)
  - The Fair Housing Amendments Act of 1988 (FHA)
  - The Violence Against Women Act of 1994 (VAWA)
  - The Rehabilitation Act of 1973 (Section 504) Any other state, federal, or local law or program that protect tenants as identified by the IRS or Minnesota Housing.
- **As households transfer.** If a current income-qualified resident moves to a different unit in the same building or project. Refer to section 5.13 of this guide for additional information on unit transfers.
- **To address noncompliance with AIT minimum set-aside or project average.** When an event occurs that causes a previously qualifying group of units identified for either the minimum set-aside or the applicable fraction to no longer be described in Treas. Reg. 1.41-19(b)(2)(ii), redesignation may be allowed. This is limited to units that are vacant or are occupied by a household that would satisfy the new lower imputed income limitation. Note that rent may need to be lowered to avoid noncompliance with rent limits. Such correction may also include adding or removing units to the qualified group of units to achieve an average of imputed income limitations at or below 60% MTSP. If an issue is not discovered and corrected within the taxable year that the problem occurs, any retroactive correction to designations must be made within 180 days of discovery by the owner or Minnesota Housing. If discovered by the owner, the issue and owner's intended corrective action must be promptly reported to Minnesota Housing's assigned compliance officer to benefit from this discretionary correction period. On a case-by-case basis, if retroactive correction is made within 180 days of discovery, Minnesota Housing has the discretion to waive in writing any failure to comply with the requirements of Treas. Reg. 1.42-19T(c)(1)-(3).

When redesignating an occupied unit, a new initial certification must be completed if the household's income on the original initial certification would not qualify the household for the new designation. (For mixed-income properties, use the household income from the most recent annual recertification to make this determination). A new certification is not necessary for unit transfers within a building or within the same multiple-building project when unit designations swap status.

6.02 Available Unit Rule

Following initial certification, an eligible household whose income exceeds the maximum income level by more than 140% (an "over-income" household) will remain in compliance if the unit continues to be rent restricted and the next available unit or any available unit of comparable or smaller size in the same building is rented to an eligible household at the qualifying rent. The owner must continue to rent any available comparable unit to a qualified household until the percentage of low-income units in a building (excluding the over-income units) is equal to the percentage of low-income units on which the credit is based. At that point, failure to maintain the over-income units as low-income units has no immediate significance.

If an owner elects the AIT, a low-income unit will be considered over-income if the household's income exceeds:

- 140% of 60% MTSP if the unit's designated income limit is 60% or less; or
- 140% of the unit's designated income if the unit's designated income limit is 70% MTSP or 80% MTSP

Under the AIT, an over-income unit ceases to be a qualified low-income unit if any unit of a comparable or smaller size in the building is rented to a new household whose income exceeds the applicable imputed income limit. The applicable imputed income limitation depends upon whether the unit being occupied was a low-income unit before becoming vacant. If the unit being occupied was previously considered a low-income unit prior to becoming vacant, then the applicable imputed income limitation is the limitation designated prior to the unit becoming vacant. If the unit was not previously occupied by a low-income household (a market-rate unit), then the owner designates the income limit such that the project continues to meet the Average Income Test. In other words, if the comparable or smaller vacant unit is an HTC unit, rent the unit based on the existing income designation of the vacant unit. If the comparable or smaller vacant unit is market rate, rent the unit based on the income designation of the over-income unit. If multiple units with different income designations trigger the Available Unit Rule, owners are not required to rent available units in any specific order. See Treas. Reg. 1.42-15(c)(2)(ii).

If any comparable unit that is available or that subsequently becomes available is rented to a nonqualified household, all over-income units for which the available unit was a comparable unit within the same building lose their status as HTC units; thus, comparably sized or larger over-income units would lose their status as HTC units.

A comparable unit must be measured by the same method the taxpayer used to determine qualified basis for the credit year in which the comparable unit became available (i.e., floor space fraction or unit fraction). An owner may consider a residential unit with similar square footage and amenities to be a comparable unit. A unit that is no longer available for rent due to a reservation that is binding under local law is not an "available unit" for purposes of this rule.

6.03 Changes in Household Composition

For all properties, prior to a change in household composition within the first six months of occupancy, owners or managers must certify the household, including any new member, as if it were a new move-in. This requirement to certify does not apply in cases of natural changes such as birth, adoption, or death, or in cases covered under the Violence Against Women Reauthorization Act of 2013 (VAWA). If the family does not qualify, the owner should deny the change until at least six months of occupancy has been achieved. The purpose of this rule is avoid intended manipulation of move-in eligibility. Anticipated changes to household composition should be disclosed at the time of move-in and accounted for in the original TIC.

After six months of occupancy, the addition of a person to a low-income unit requires the income certification for the new member, including income and asset verification and Annual Student Certification, prior to occupancy. The new member's income is added to the income disclosed on the most recent TIC (this may be the initial TIC for 100% low-income properties not subject to annual income recertification). This new certification is an "Other Cert." The effective date of the "Other Cert" is the date the new member moves in. The household continues to be considered income-qualified; however, if the combined income exceeds 140% of the applicable income limit, owners must apply the available unit rule. Note that an "Other Cert" done in conjunction with adding a member does not "reset" the due date for the annual recertification. The annual recertification will be due on its regular anniversary date.

Minnesota Housing strongly recommends owners apply the same screening criteria as any new move-in (e.g., credit check, landlord reference) prior to allowing a new member to occupy a unit and to add them to the lease at the time they move in.

Decreases in family size after the first six months of occupancy do not trigger an immediate income certification. Subsequent annual income recertifications will be based on the income of the remaining members of the household. Minnesota Housing provides the following form on its website, "Documentation of Decrease in Household Composition," to assist in documenting when the change occurs and who is being removed from a unit.

A household may continue to add and remove members as long as at least one member of the original low-income household continues to live in the unit. Once all original members have moved out of the unit, the remaining occupants must be income-qualified unless the remaining occupants were part of an income-qualified household at the time they moved into the unit. For this reason, managers must document all decreases in household composition even where an annual income recertification is not required.

6.04 Tenant Income Certification Form

The TIC form is used to certify a project's eligible households. The TIC is a legal document that, when fully executed, certifies the tenant is qualified to live in an HTC unit and that the information is complete, true and correct and that no false or misleading information has been provided. The TIC must be signed and dated by all family members over age 18 (and by any members under age 18 who are treated as adults because they are the head of household, co-head or spouse). The owner representative must also sign and date the TIC to certify that the household is qualified for the low-income unit, and the rent complies with the rent limit. For these reasons the effective date cannot be earlier than the last signature date on the TIC form.

Supporting documentation (application/sworn income and asset statement, income verifications, asset verifications, student certification, clarification records etc.) is considered part of the TIC and must be included in each tenant file. An Income and Asset Calculation Worksheet form can be used to assist in showing the individual calculations of income and asset income. This is *highly recommended* and will greatly assist an inspector during a file review.

6.05 Government Data Practices Act Disclosure Statement Form

Owners will create, collect, receive, store, use, maintain, and/or disseminate tenant data subject to applicable data privacy laws and regulations, including the Minnesota Government Data Practices Act (MGDPA). As the monitoring agency, Minnesota Housing must review such tenant data.

To comply with MGDPA and other applicable law, Minnesota Housing requires that owners collect a signed and dated Government Data Practices Act Disclosure Statement form for all HTC families. Note that the Government Data Practices Act Disclosure Statement form is *not* a release authorization for verification of income and assets and must not be used as such. The property name and each adult family member's name must be printed clearly at the top in the boxes provided. An unsigned and/or undated form is not valid and will be noted at the time of file inspection.

- The form may be signed one time and is valid for as long as the family lives at the property. If a family moves from one unit to another, the original signed and dated form should be moved to the file for the new unit. A copy should be kept in the file for the old unit.
- A valid form *must* include all relevant attachments. Some properties or units within a property may require two or more attachments for multiple programs. Each attachment contains Part A, which is data that must be disclosed as a condition of occupancy for the program(s) listed on the attachment, and Part B, which is data that is requested but is not a condition of occupancy.
- The head of household, spouse, co-head, and all family members over the age of 18 must sign and date the form.
- If an adult is added later or a minor reaches age 18, they can add their name, signature and date to the existing form or complete a new form.
- A copy must be made available to the applicant/tenant. It is acceptable to provide an unsigned copy.
- For new applicants, provide the form with the initial application packet.

6.06 Annual Income

The HTC Program uses HUD's definition of "annual income" as contained in the U.S. Housing Act of 1937 as amended. HUD's definition of annual income is very specific and is not simply the amount contained on tax returns.

Annual income corresponds to gross income, with no adjustments (deductions) for child-care, medical expenses, dependents, etc. Adjusted income is used in some federal housing programs, such as Section 8 and Rural Development Section 515, to determine the level of benefit provided to a household. However, it is not used in the HTC Program.

For certifications and recertifications effective before July 1, 2025 (or such later date as HUD may require full HOTMA implementation), refer to HUD Handbook 4350.3 for a complete listing and discussion of earned/unearned income and asset income.

For certifications and recertifications effective on or after July 1, 2025, or such later date determined by HUD when the Housing Opportunities Through Modernization Act (HOTMA) must be fully implemented, refer to the guidance below and HUD Notice 2023-10. Attachment F to Notice 2023-10 defines annual income to include all amounts received from all sources by each member of the family who is 18 years of age or older, the head of household, or spouse of the head of household, in addition to unearned income received by or on behalf of each dependent who is under 18 years of age. Annual income does not include amounts specifically excluded in paragraph (b) of 24 CFR § 5.609.

Factors that Affect Household Size for Income Limits

When determining family size for establishing income eligibility, the owner must include all persons living in the unit except the following:

- **Foster adult:** defined as a member of the household who is 18 years or older and meets the definition of foster adult under state law.
- **Foster child:** defined as a member of the household who meets the definition of foster child under state law.
- **live-in aide/attendant (live-in aide):** A live-in aide is a person who resides with one or more elderly persons, near-elderly persons, or persons with disabilities, and who:
    - Is determined to be essential to the care and well-being of the person(s);
    - Is not obligated for the support of the person(s); and
    - Would not be living in the unit except to provide the necessary supportive services.

Change 4 to HUD Handbook 4350.3, published in 2013, required that foster adults and foster children be counted as household members for both income and occupancy purposes. With the implementation of HOTMA, foster adults and foster children are no longer considered in family size for income purposes but must be considered for unit size purposes.

A live-in aide qualifies for occupancy as a non-family member only as long as the individual needing supportive services requires the live-in aide's services and remains a tenant. The live-in aide will not qualify for continued occupancy as a remaining family member. Owners must obtain verification from the person's physician, psychiatrist or other medical practitioner or health care provider that the live-in aide is needed to provide the necessary supportive services essential to the care and well-being of the person and should not add the attendant to the lease. The owner may not require applicants or tenants to provide access to confidential medical records or to submit to a physical examination. While a relative may be a live-in aide they must meet the above requirements or they must be treated as a family member and their income must be included.

When determining family size for income limits, the owner must include the following individuals who are not living in the unit:

- Children temporarily absent due to placement in a foster home
- Children in joint custody arrangements who are present in the household 50% or more of the time (if disputed, determine which parent claimed the children as dependents for purposes of filing a federal income tax return)
- Children who are away at school but who live with the family during school recesses
- Unborn children of pregnant women. When a pregnant woman is an applicant, the unborn child is included in the size of the household and may be included for purposes of determining the maximum allowable income. The rental application should ask the following question: “Will there be any changes in household composition within the next 12-month period?” If an applicant answers that a child is expected, the manager should explain to the tenant that to count the child as an additional household member and use the corresponding income limit, a self-certification of pregnancy must be provided
- Children who are in the process of being adopted
- Temporarily absent family members who are still considered family members. For example, the owner may consider a family member who is working in another state on assignment to be temporarily absent. Persons on active military duty are considered temporarily absent (except if the person is not the head, co-head or spouse or has no dependents living in the unit). If the person on active military duty is the head, co-head, or spouse, or if the spouse or dependents of the person on active military duty resides in the unit, that person’s income must be counted in full
- Family members in the hospital or at a rehabilitation facility for periods of limited or fixed duration. These persons are temporarily absent as defined above; and
- Persons permanently confined to a hospital or nursing home. The family decides if such persons are included when determining family size for income limits. If such persons are included, they must be listed on the TIC as “other adult family member.” If the family chooses to include the permanently confined person as a member of the household, the owner must include income received by these persons in calculating family income.

Deployment of Military Personnel to Active Duty

Owners are encouraged to accommodate the unique circumstances of households where a member is called to active duty in the Armed Forces. Specific actions that an owner can take and remain in compliance include, but are not limited to:

- Allow a guardian to move into the low-income unit on a temporary basis to provide care for any dependents the military person leaves in the unit. The guardian’s income is not included in the household’s income.

- Allow a tenant living in a low-income unit to provide care for any dependents of persons called to active duty in the Armed Forces on a temporary basis as long as the head and/or co-head of the household continues to serve in active duty. Income of the dependent (e.g., Supplemental Security Income (SSI) benefits, military benefits) is not included in the household's income.
- Allow leases to remain in effect for a reasonable period without recertification (if required) depending on the length of deployment beyond that required by the Soldiers' and Sailors' Civil Relief Act of 1940, 50 U.S.C. §§501-591, even though the adult members of the military family are temporarily absent from the unit.

Annual Income

Annual income has two components: Earned/unearned income and asset income.

Earned/Unearned Income + Income from Assets = Annual Income

If a particular type of income is not specifically mentioned as being excluded, then it is included in annual income, The following are examples of income that are included:

- The gross amount (before any payroll deductions) of wages and salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services of all adults in the household (including persons under the age of 18 who are the head, spouse or co-head).
- Net income, salaries and other amounts distributed from a business. This includes salaries received from a family-owned business.
- The gross amount (before any deductions for Medicare, etc.) of periodic Social Security payments. Include payments received by adults on behalf of individuals under the age of 18, or by individuals under the age of 18 for their own support,
- The full amount of periodic amounts received from annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts (e.g., Black Lung Sick Benefits, Veterans Disability, Dependent Indemnity Compensation (widow of killed in action serviceman). The withdrawal of cash or assets from an investment received as periodic payments is counted as income.
- Delayed periodic payments received because of delays in processing unemployment, welfare or other benefits.
- Payments in lieu of earnings, such as unemployment and disability compensation, and severance pay.
- Recurring Monetary or Non-monetary Contributions or Gifts Regularly Received from Persons not Living in the Unit. These sources may include rent, utility and other payments paid on behalf of the household, and other cash or noncash contributions provided on a regular basis.
- All regular pay, special pay, and allowances of a member of the Armed Forces. Note that until January 1, 2012, Basic Pay Allowance for housing is disregarded for properties located in a county that contains a qualified military installation to which the number of members assigned

to units based out of the military installation as of June 1, 2008, has increased by 20% or more from December 31, 2005. This applies to the county that contains the military installation and also to adjacent counties. A qualified military installation is a military installation or facility with 1,000 or more members as of June 1, 2008.

- Welfare Assistance.
- Alimony and Child Support. Alimony or child support paid by a member of the household is not deducted from income, even if it is garnished from wages.

Student Financial Assistance

Prior to HOTMA, all forms of student financial assistance (grants, scholarships, educational entitlements, work study programs, Bureau of Indian Affairs student assistance programs and financial aid packages) were excluded from annual income except for students receiving Section 8 assistance. For students receiving Section 8 assistance, all financial assistance a student received, 1) under the Higher Education Act of 1965, 2) from private sources, or 3) from an institution of higher education that is in excess of amounts received for tuition and any other required fees and charges (refer to HUD Notice H2015-12) was included in annual income except if the student was over the age of 23 with dependent children or living with parents receiving Section 8 assistance.

The primary difference between the Section 8 and HOTMA student assistance approaches are how the Higher Education Act of 1965 (HEA) assistance and money from private sources (such as parents and grandparents) are counted. Under HOTMA, HEA assistance is not counted as income, and money from private sources is gift income, not student financial assistance.

Income from Student Financial Assistance

The treatment of student financial assistance depends on the program, student/household characteristics, and the type of financial assistance received by the student. The student financial assistance rules apply to both full-time and part-time students.

The two types of student financial assistance applicable to HUD and HTC programs are described below:

1. **Amounts Received Under Section 479B of the Higher Education Act (HEA) of 1965, as amended.** Section 479B of the HEA provides that certain types of student financial assistance are to be excluded in determining eligibility for benefits made available through federal, state, or local programs financed with federal funds. The types of financial assistance listed below are considered 479B student financial assistance programs; however, this list is not exhaustive, and 479B will be updated as of July 1, 2024.
    - Federal Pell Grants
    - Teach Grants
    - Federal Work Study Programs

   - Federal Perkins Loans
   - Student financial assistance received under the Bureau of Indian Education
   - Higher Education Tribal Grant
   - Tribally Controlled Colleges or Universities Grant Program
   - Employment training program under section 134 of the Workforce Innovation and Opportunity Act (WIOA)
2. **Other Student Financial Assistance** includes grants or scholarships received from the following sources:
   - The Federal government
   - A state (including U.S. territories), Tribe, or local government
   - A private foundation registered as a nonprofit under 26 U.S.C. 501(c)(3)
   - A business entity (such as a corporation, general partnership, limited liability company, limited partnership, joint venture, business trust, public benefit corporation, or nonprofit entity)
   - An institution of higher education

Other student financial assistance does not include:

- Financial support provided to the student in the form of a fee for services performed (e.g., a work study or teaching fellowship that is not excluded under section 479B of the Higher Education Act HEA)
- Gifts, including gifts from family or friends.

Other student financial assistance may be paid directly to the student or to the educational institution on the student's behalf. The owner must verify that other student financial assistance is for the student's actual covered costs.

The following sections describe the treatment of the two above-described types of student financial assistance by program type.

Non–Section 8 Recipients

All assistance received under 479B of the HEA by students participating in non–Section 8 programs is excluded from income. Other student financial assistance received by the student that, either by itself or in combination with HEA assistance, exceeds the actual covered costs is not excluded from income.

Actual covered costs include: tuition, books, supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, and fees required and charged to a student by an institution of higher education (as defined under section 102 of the Higher Education Act of 1965 (20 U.S.C. 1087uu)). For a student who is not the head of household, co-head, or spouse, actual covered costs also include the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit.

The formula for calculating the amount of other student financial assistance that is excluded from income always begins with deducting the assistance received under 479B of the HEA from the total actual covered costs, because the 479B assistance is intended to pay the student's actual covered costs. This formula is illustrated below (this and other examples are in HUD Notice 2023-10, Attachment G).

Non-Section 8 Recipients Example 1: Full-Time Student

Juan is a full-time student, and he received the following grants and scholarships to cover his first year of college: Federal Pell Grant: $25,000; University Scholarship: $15,000; Rotary Club Scholarship: $3,000.

- Total assistance received under 479B of HEA: $25,000 (Federal Pell Grant)
- Total other student financial assistance received: $18,000
- Juan's actual covered costs: $28,000

Step 1: Determine amount of actual covered costs exceeding section 479B assistance.

$28,000 (actual covered costs)
- $25,000 (total assistance received under 479B of HEA)
= $3,000

Step 2: Determine amount of student financial assistance to include in income.

$18,000 (other student financial assistance received)
- $ 3,000 (actual covered costs exceeding section 479B assistance)
= $15,000 (if negative, then use $0)

Amount of student financial assistance included in Juan's income: $15,000

Section 8 Recipients

Section 210(b) of the Consolidated Appropriations Act, 2023, requires that, "for purposes of determining the eligibility of a person to receive assistance under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f), any financial assistance (in excess of amounts received for tuition and any other required fees and charges) that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), from private sources, or from an institution of higher education (as defined under section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except for a person over the age of 23 with dependent children." HUD interprets that "a person over the age of 23" is 24 years old.

While the Consolidated Appropriations Act language is limited to federal fiscal year 2023, this does not rule out the possibility that similar language will be included in future years' appropriations bills. For any funds from a year where HUD's appropriations include this Section 8 student financial assistance limitation, if the student is the head of household, co-head, or spouse and is under the age of 23 or without dependent children, then both the assistance received under 479B of the HEA and other student financial assistance received by the student will be counted as income to the extent that it exceeds the total of tuition and any other required fees and charges. In contrast, the student financial assistance received by a Section 8 student who is the head of household, spouse, or co-head of household and is over the age of 23 with dependent children will be treated in a manner identical to the student financial aid received by students who participate in the Public Housing and non–Section 8 programs administered by HUD.

During years in which an appropriations act does not contain this Section 8 student financial assistance limitation (or any other such limitation), the determination of student financial assistance as included/excluded income for all Section 8 students defaults to the methodology described above for the non–Section 8 programs.

There are two steps required as part of the calculation for Section 8 students, the first of which is to determine the student's relationship to the household, age, and whether they have dependent children; based on the result of the first step, the second step is to calculate whether any excess student financial assistance should be included in the family's income. If the student is the head of household, co- head, or spouse and is 23 or younger or does not have dependent children, then 479B assistance will be part of the total equation. If the student is age 24 or over with dependent children, then the calculation will be identical for non–Section 8 students, as described above.

The following examples are from Attachment G of HUD Notice 2023-10.

Section 8 Recipients Example 1: Single Occupant

Roberto is a 22-year-old full-time student without dependent children. Since Roberto is a Section 8 participant head of household who is not over 23 with dependent children, the owner follows the Appropriations Act policy to determine if Roberto receives student financial assistance in excess of tuition from both HEA and other sources. Roberto received the following amounts to cover his first year of college: Federal Pell Grant: $12,000; University Scholarship: $22,000; City Scholarship: $3,000.

- Total assistance received under 479B of HEA: $12,000 (Federal Pell Grant)
- Total other student financial assistance received: $25,000
- Total student financial assistance from all sources: $37,000
- Total tuition + required fees and charges: $27,000

Subtract the total cost of tuition + required fees and charges from the total amount of student financial assistance.

	$37,000
-	$27,000
=	$10,000

The total amount of student financial assistance from all sources received by Roberto exceeds the total amount of tuition and required fees and charges.

Excess student financial assistance: $10,000

Amount of student financial assistance included in Roberto's income: $10,000

Section 8 Recipients Example 2: Age 24 or Over With Dependent Children

Cedric is a 28-year-old head of household and a full-time student with a 5-year-old daughter and a 9-year-old son who are his dependents. The owner will follow the rules under 24 C.F.R. 5.609(b)(9) (the same as for non–Section 8 programs). Cedric received the following amounts to cover his first year of college: Teach Grant: $8,000; Federal Pell Grant: $3,000; College Scholarship: $6,000.

- Total assistance received under 479B of HEA: $11,000 (Teach Grant plus Federal Pell Grant)
- Total other student financial assistance received: $6,000
- Total tuition + required fees and charges: $26,000

Step 1: Determine amount of tuition plus required fees exceeding 479B assistance.

$26,000 (total tuition + required fees and charges)
- $11,000 (total assistance received under 479B of HEA)
= $15,000

Step 2: Determine amount of student financial assistance to include in income.

$ 6,000 (other student financial assistance received)
- $15,000 (amount of tuition + required fees and charges exceeding 479B assistance)
= –$ 9,000 (if negative, then use $0)

The amount of other student financial assistance received by Cedric does not exceed the total amount of tuition and required fees and charges.

Excess student financial assistance: $0

Amount of student financial assistance included in Cedric's income: $0

Section 8 Recipients Example 3: Age 24 or Over Without Dependent Children

Angel is a 38-year-old full time student, head of household, without dependent children. Since Angel does not have dependent children, the Appropriations Act policy does not apply, and the owner must include assistance received under 479B of the HEA as part of the excess student financial aid calculation. Angel received the following amounts to cover her first year of college: Perkins Loan: $8,000.

- Total assistance received under 479B of HEA: $8,000 (Perkins Loan)
- Total tuition + other fees and charges: $6,200

Determine whether the amount of student financial assistance, including 479B assistance, exceeds the total of tuition + required fees and charges.

$8,000
- $6,200
= $1,800

Excess student financial assistance: $1,800

Excess student financial assistance: $1,800

Amount of student financial assistance included in Angel's income: $1,800

Student loans are not considered student assistance and are never counted as income. Total student actual covered costs include all the costs a student must pay to attend school, such as tuition and other fees, room and board, course books, etc. These are the same as actual covered costs in the non-Section 8-assisted HOTMA student assistance rule.

Use the Affidavit of Student Financial Assistance to obtain information from the applicant or resident as to their source(s) of financial assistance.

6.07 Exclusions from Annual Income

For certifications and recertifications effective before July 1, 2025 (or such later date as HUD may require full HOTMA implementation), refer to HUD Handbook 4350.3 for a complete listing and discussion of income exclusions.

Refer to HUD Notice 2023-10 Attachment G for changes in exclusions resulting from HOTMA for certifications effective on or after July 1, 2025 (or such later date as HUD may require full HOTMA implementation).

Nonrecurring Income

Income that will not be repeated beyond the coming year (i.e., the 12 months following the effective date of the certification), based on information provided by the family, is considered nonrecurring income and is excluded from annual income. However, income received as an independent contractor, day laborer, or seasonal worker is not excluded from income under §5.609(b)(24), even if the source, date, or amount of the income varies.

Income that has a discrete end date and will not be repeated beyond the coming year during the family's upcoming annual reexamination period will be excluded from a family's annual income as nonrecurring income. This does not include unemployment income and other types of periodic payments that are received at regular intervals (such as weekly, monthly, or yearly) for a period of greater than one year that can be extended. For example, an increasing number of cities and states are piloting guaranteed income programs that have discrete beginning and end dates. This income can be excluded as nonrecurring in the final year of the pilot program. For example, for an annual recertification effective July 1, 2025, guaranteed income that will be repeated in the coming year but will end before the next reexamination on July 1, 2026, will be fully excluded from annual income. Income amounts excluded under this category may include, but are not limited to, nonrecurring payments made to the family or to a third party on behalf of the family to assist with utilities, eviction prevention, security deposits to secure housing, payments for participation in research studies depending on the duration, and general one-time payments received by or on behalf of the family.

The following list of exclusions is codified at 24 CFR § 5.609(b)(24) as nonrecurring income. Note that the list is not exhaustive:

- Payments from the U.S. Census Bureau for employment lasting no longer than 180 days and not culminating in permanent employment;

- Direct federal or state economic stimulus payments;
- Amounts directly received by the family as a result of state refundable tax credits or
- state tax refunds at the time they are received;
- Amounts directly received by the family as a result of federal refundable tax credits or federal tax refunds at the time they are received;
- Gifts for holidays, birthdays, or other significant life events or milestones (e.g.,
- wedding, baby shower, or anniversary gifts);
- In-kind donations (e.g., food, clothing, or toiletries received from a food bank or
- similar organization); and
- Lump-sum additions to net family assets (e.g., lottery winnings, contest winnings, etc.).

Excluded Recurring Income

Below is a list of income that is not counted as part of household income (refer to 24 CFR 5.609(b) for the full list and to Attachment G in HUD Notice 2023-10 for additional detail):

- Earned income of children under age 18.
- Payments received for the care of foster children or foster adults, or State or Tribal kinship or guardianship care payments.
- Insurance payments and settlements for personal or property losses, including but not limited to payments through health insurance, motor vehicle insurance, and workers' compensation. Any workers' compensation is always excluded from annual income, regardless of the frequency or length of the payments.
- Amounts received by the family that are specifically for, or in reimbursement of, the cost of health and medical care expenses for any family member.
- Any amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to a family member arising out of law, that resulted in a member of the family becoming disabled.
- Income of a live-in aide, foster child, or foster adult.
- Income and distributions from any Coverdell education savings account under section 530 of the Internal Revenue Code of 1986 or any qualified tuition program under section 529 of such Code; and income earned by government contributions to, and distributions from, "baby bond" accounts created, authorized, or funded by Federal, State, or local government.
- The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
- Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS).
- Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (such as special equipment, clothing,

transportation, child-care, etc.) and which are made solely to allow participation in a specific program.

- Amounts received under a resident service stipend not to exceed $200 per month. A resident service stipend is a modest amount received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development.
- Incremental earnings and benefits resulting to any family member from participation in training programs funded by HUD or in qualifying Federal, State, Tribal, or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives and are excluded only for the period during which the family member participates in the employment training program unless those amounts are excluded under paragraph (b)(9)(i) of this section.
- Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
- Earned income of dependent full-time students in excess of the annually adjusted amount of the deduction for a dependent.
- Adoption assistance payments for a child in excess of the annually adjusted amount of the deduction for a dependent.
- Deferred periodic amounts from Supplemental Security Income and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts, or any deferred Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts.
- Payments related to aid and attendance under 38 U.S.C. 1521 to veterans in need of regular aid and attendance. This income exclusion applies only to veterans in need of regular aid and attendance and not to other beneficiaries of the payments, such as a surviving spouse.
- Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit.
- Payments made by or authorized by a State Medicaid agency (including through a managed care entity) or other State or Federal agency to a family to enable a family member who has a disability to reside in the family's assisted unit. Authorized payments may include payments to a member of the assisted family through the State Medicaid agency (including through a managed care entity) or other State or Federal agency for caregiving services the family member provides to enable a family member who has a disability to reside in the family's assisted unit. Both the person providing the care and the person who has the disability must be family members (not foster adult, foster child or live-in aides) and must live in the same household. The exclusion does not apply to income earned by the family for other caregiving services provided to individuals outside of the assisted household.
- Loan proceeds (the net amount disbursed by a lender to or on behalf of a borrower, under the terms of a loan agreement) received by the family or a third party (such as proceeds received

by the family from a private loan to enable attendance at an educational institution or to finance the purchase of a car).

- Payments received by Tribal members as a result of claims relating to the mismanagement of assets held in trust by the United States, to the extent such payments are also excluded from gross income under the Internal Revenue Code or other Federal law. Generally, payments received by tribal members in excess of the first $2,000 of per capita shares are included in a family's annual income for purposes of determining eligibility. However, payments made under the Cobell Settlement, and certain per-capita payments under the recent Tribal Trust Settlements, must be excluded from annual income in programs that adopt the definitions of annual income in 24 CFR 5.609. Note that payment received by a tribal member from the tribe for distribution of Indian gaming profits is not a per-capita payment within the meaning of the Per Capita Distribution Act and does not qualify for income exclusion. If a family member who is a tribal member receives the IRS Form 1099–MISC, Miscellaneous Income, from the tribe for reporting Indian gaming profits, then this payment must be counted toward the family's annual income.
- Amounts that HUD is required by Federal statute to exclude from consideration as income for purposes of determining eligibility or benefits. HUD will publish a notice in the Federal Register to identify the benefits that qualify for this exclusion. Updates will be published when necessary. Examples include:
  - The value of the allotment provided to an eligible household under the Food Stamp Act of 1977.
  - Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (including employment through AmeriCorps, Volunteers in Service to America [VISTA], Retired 125 | LIHTC and HOME Compliance Manual Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, and senior companions).
  - Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program.
  - The first $2,000 of per capita shares received from judgment funds awarded by the National Indian Gaming Commission or the U. S. Claims Court, the interests of individual Indians in trust or restricted lands, and the first $2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands. This exclusion does not include proceeds of gaming operations regulated by the Commission.
  - Payments received from programs funded under Title V of the Older Americans Act of 1985 (such as Green Thumb, Senior Aides, and Older American Community Service Employment Program).
  - Any amount received under the Richard B. Russell School Lunch Act and the Child Nutrition Act of 1966, including reduced-price lunches and food under the Special Supplemental Food Program for Women, Infants, and Children (WIC).

- Replacement housing “gap” payments made in accordance with 49 CFR part 24 that offset increased out-of-pocket costs of displaced persons that move from one federally subsidized housing unit to another Federally subsidized housing unit. Such replacement housing “gap” payments are not excluded from annual income if the increased cost of rent and utilities is subsequently reduced or eliminated, and the displaced person retains or continues to receive the replacement housing “gap” payments.
- Nonrecurring income, which is income that will not be repeated in the coming year based on information provided by the family. Income received as an independent contractor, day laborer, or seasonal worker is not excluded from income under this paragraph, even if the source, date, or amount of the income varies. See the “Nonrecurring Income” section above for more information.
- Civil rights settlements or judgments, including settlements or judgments for back pay.
- Income earned on amounts placed in a family's Family Self Sufficiency Account.

The amount of rental subsidy paid to the owner on behalf of a household by a Public Housing Authority or other government administrator is also not included in income. Private or philanthropic rental assistance is considered regular contributions by persons not living in the unit and must be included in income.

Excluded Income Per IRS

Under Revenue Procedure 2024-38, all Department of Veterans Affairs (VA) service-connected disability benefits are excluded from annual income but only for applicants or tenants approved for or receiving a tenant-based or project-based VASH voucher. This revenue procedure applies to income determinations effective on or after October 24, 2024. The HUD-VASH program is administered by local public housing agencies (PHAs) that have partnered with local VA medical facilities or other entities designated by the VA to provide case management and clinical services to assist veterans experiencing homelessness.

Earned Income Disregard

The Earned Income Disregard (EID) will not apply to any family who is not eligible for *and already participating in* the disallowance as of December 31, 2023.

The EID allowed eligible families to have a portion of their earned income excluded from annual income for a maximum period of 24 consecutive months. Although HOTMA eliminates the EID from HUD regulations, families who were receiving the EID benefit as of December 31, 2023, may continue to receive the full benefit until the remaining timeframe for an individual family’s EID expires. Because the EID lasts up to 24 consecutive months, no family will still be receiving the EID benefit after December 31, 2025.

6.08 Annualized Income

Income determination is based on the annual gross income a household anticipates it will receive for the 12-month certification period. Disclosure and verification of all sources of current and anticipated income for all household members age 18 and older, persons under the age of 18 who are treated as adults because they are the head of household, co-head or spouse, and unearned income of minor children must be obtained in order to establish that the income limits are not exceeded.

Convert all verified incomes to annual amounts.

To annualize full-time employment, multiply:

- Hourly wages by 2,080 hours
- Weekly wages by 52
- Bi-weekly wages by 26
- Semi-monthly wages by 24
- Monthly wages by 12

To annualize income from other than full-time employment, multiply:

- Hourly wages by the number of hours the individual is expected to work per week by 52. If verification shows a range of hours, use the average number of hours (e.g., verification shows 30-35 hours per week, use 32.5 hours).
- Average weekly amounts by the number of weeks the individual is expected to work.
- Other periodic amounts (e.g., monthly, bi-weekly) by the number of periods the individual expects to work.

Some HTC professionals use non-conforming methodologies for calculating wages including using the highest of a range of hours provided by the employer or basing income determinations on the higher calculation of income provided by the employer and a calculation of annual income based on year-to-date information. As noted above, Minnesota Housing uses the average of a range of hours given and anticipated wage information supplied by the employer, consistent with Section 8. More conservative methodologies are not prohibited; however, using more conservative methodologies may exclude households that qualify based on Section 8 methodologies. In any event, any approach developed by an owner/agent must be consistently applied to all applicants and tenants to avoid the risk of a fair housing violation.

Seasonal Income

If an applicant is in a seasonal line of work, for example a job dependent on weather conditions such as roofing, and normally collects unemployment during the "off" months, both incomes are used for the appropriate number of months. For example, if an individual makes $1,800 a month during a nine-month roofing season and collects unemployment in the amount of $800 a month for the remaining three months, income is calculated as follows:

$1,800 x 9 = $16,200

$800 x 3 = $2,400

$16,200 + $2,400 = $18,600 = Total Annualized Income

Zero Income Members

If an adult member of an applicant family has no regular verifiable income or income from assets from any source and claims zero income, a Certification of Zero Income must be completed. Note that the current HUD Handbook requires non-monetary contributions (excluding groceries) to be counted as income. Under HOTMA, non-monetary in-kind donations from a food bank or similar organization cannot be assigned a monetary value (including food, clothing or toiletries).

6.09 Income from Assets

Assets are items of value, other than necessary personal items, and are considered along with verified income to determine HTC eligibility.

For certifications and recertifications effective before July 1, 2025 (or such later date as HUD may require full HOTMA implementation), refer to HUD Handbook 4350.3 for a complete listing and discussion of income from assets.

For certifications effective on or after July 1, 2025 (or such later date as HUD may require full HOTMA implementation), refer to HUD Notice 2023-10 Attachment F for changes resulting from HOTMA.

Under HOTMA, assets have three categories:

- Necessary Personal Property
- Non-Necessary Personal Property
- Real Property

Assets include the net cash value of all real property and the net cash value of all non-necessary items of personal property.

Necessary Personal Property

Necessary Personal Property (NPP) are items that are essential to the family for maintenance, use, and occupancy of the residence, or necessary for employment, education, or health and wellness. NPP also includes items that assist persons with disabilities, including items for disability-related needs and items required for reasonable accommodation. NPP does not include luxury items.

Owners must determine whether an item is considered necessary or non-necessary to determine whether it should be included as an asset.

This is a highly fact-specific determination. Therefore, owners must collect enough facts to make this determination. If an item is considered necessary personal property, it is not included as an asset.

Examples of NPP (list is not exhaustive):

- Car(s)/vehicle(s) that a family relies on for transportation for personal or business use (e.g., bike, motorcycle, skateboard, scooter)
- Furniture, carpets, linens, kitchenware
- Common appliances
- Common electronics (e.g., radio, television, DVD player, gaming system)
- Clothing
- Personal effects that are not luxury items (e.g., toys, books)
- Wedding and engagement rings
- Jewelry used in religious/cultural celebrations and ceremonies
- Religious and cultural items
- Medical equipment and supplies
- Healthcare-related supplies
- Musical instruments used by the family
- Personal computers, phones, tablets, and related equipment
- Professional tools of trade (e.g., professional books)
- Educational materials and equipment, including equipment to accommodate persons with disabilities
- Equipment used for exercising (e.g., treadmill, stationary bike, kayak, paddleboard, ski equipment

Non-Necessary Personal Property

If personal property is not deemed necessary, as HUD guidance provides, then it is considered Non-Necessary Personal Property (NNPP) and may need to be included as an asset.

Under HOTMA, the combined value of NNPP up to the amount that HUD allows to be self-certified is excluded from net family assets, but any income earned by these assets is included in gross annual household income. Refer to HUD's website for the current amount of assets HUD allows to be self-certified (updated annually, adjusted for inflation).

If the total value of NNPP exceeds the amount HUD allows to be self-certified, owners must verify all asset amounts and any income earned. If an asset does not earn income, owners must use HUD's passbook savings rate to calculate an imputed income. Refer to HUD's website for the current passbook savings rate (updated annually, adjusted for inflation).

Examples of NNPP (list is not exhaustive):

- Bank accounts or other financial investments (e.g., checking account, savings account, stocks/bonds, money market or mutual funds, certificates of deposit)
- A mortgage or deed of trust held by an applicant or resident (e.g., contract for deed or deed of trust). Payments on this type of asset are often received as one combined payment of principal and interest with the interest portion counted as income from the asset
- Cash value of life insurance policies available to the individual before death (e.g., the surrender value of a whole life policy or a universal life policy).
- Recreational car/vehicle not needed for day-to-day transportation (e.g., campers, motorhomes, travel trailers, all-terrain vehicles (ATVs))
- Recreational boat/watercraft
- Expensive jewelry without religious or cultural value, or which does not hold family significance
- Collectibles (e.g., coins/stamps)
- Equipment/machinery that is not used to generate income for a business
- Items such as gems/precious metals, antique cars, artwork, etc.
- Assets disposed of for less than fair market value within 2 years of the effective date of the certification (Assets lost to foreclosure, bankruptcy, divorce or separation settlements are not counted as disposed of assets. Assets put into an irrevocable trust for another member of the same household are also not counted as disposed. Neither are assets that are simply used to buy goods or services that are not counted as assets.)

Bank accounts include amounts in cash apps and digital wallets that hold balances. Examples include Venmo, PayPal, GoFundMe, Cash App, Google Pay, Google Wallet, etc., and cards used to receive government and other cash benefits. Retailers such as Wal-Mart, Target and Starbucks may also have cash-holding apps.

Apps that merely facilitate transferring funds from one account to another and do not actually hold any money, are not assets (e.g., Zelle).

Stocks, bonds, treasury bills, certificates of deposit, money market accounts, mutual funds. Interest or dividends earned are counted as income from assets even when the earnings are reinvested. The value of stocks and other assets vary from one day to another. The value of the asset may go up or down the day before or after income is calculated and multiple times during the year thereafter. The owner may assess the value of these assets at any time after the authorization for the release of information has been received.

Real Property

The value of real property is always counted as an asset.

Equity in rental property or other capital investment. Include the current fair market value less (a) any unpaid balance on any loans secured by the property; and (b) reasonable costs that would be incurred in selling the asset (i.e., penalties, broker fees, etc.). If the person's main business is real estate, then count any income as business income. Do not count it as an asset and as business income.

Only the interest portion of the monthly payment received by the tenant is included as income. For interest income from the sale of real property, if said property was sold on an installment sales contract, request:

- A letter from an accountant, attorney, real estate broker, the buyer, or a financial institution stating interest due for the next 12 months. (A copy of the check(s) paid by the buyer to the tenant is NOT sufficient since appropriate breakdowns of interest and principal are not included.); or
- Amortization schedule showing interest for the 12 months following the date the purchaser intends taking occupancy.

For rental income from property owned by the tenant, request:

- IRS Form 1040 with Schedule E (Rental Income).
- Lease between the tenant and the tenant’s renter.
- Lessee's written statement identifying monthly payments due the tenant and tenant's affidavit as to net income realized.

6.10 Household Assets Do Not Include

- NPP including clothing, furniture, cars, etc.
- Retirement accounts under IRS-recognized retirement plans (e.g., IRA, employer retirement plans, and retirement plans for self-employed individuals). Note that regular distributions or withdrawals from such accounts are treated as income.
- Real property without legal authority to sell
- Legal settlements from civil actions or settlement based on a claim of malpractice, negligence or other breach of duty owed to a family member, for an incident resulting in a disability
- Interests in Indian land trusts
- Coverdell or 529 education savings accounts, ABLE accounts, “baby bond” accounts
- Term life insurance policies
- Equity in a manufactured home where the family receives assistance under 24 CFR Part 982 (Housing Choice Voucher)
- Equity in property under the Homeownership Option for which a family receives assistance under 24 CFR part 982.
- Family Self-Sufficiency Accounts

- Federal tax refunds or refundable tax credits from the 12 months prior to the certification effective date (e.g., Earned Income Tax Credits). Note that HUD instructs owners to subtract the value of any tax return that a household has received in the last 12 months from total net assets. This may mean self-certification of assets is allowed if subtracting the refunds or refundable credits puts the total value of net assets below the amount HUD allows to be self-certified.
- Trust funds that are not revocable by, or under the control of, any family member as long as they continue to be held as such. When a trust is in the control of a household it is an asset to the household, and income is counted as the trust generates it. Distributions/withdrawals from the trust in the household's control are not counted as income. When a trust is NOT in the control of a household it is NOT an asset to the household. Distributions received from the trust are income except for the following two exclusions: 1. Distributions from the principle or corpus of the trust. 2. Distributions that are made to pay for the health and medical expenses of a minor child.
- Assets that are part of an active business (not including rental of properties that are held as investment and not a main occupation)
- Assets that are not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household, and that other person is responsible for income taxes incurred on income generated by the assets.
- Assets not accessible to the applicant and provide no income to the applicant (e.g., a battered spouse owns a house with her husband. Because of the domestic situation, s/he receives no income from the asset and cannot convert the asset to cash).

6.11 Assets Owned Jointly

For assets jointly owned by one or more individuals outside of the family, owners must include the total value of the asset in the calculation of net assets, unless the asset is otherwise excluded, or unless the applicant can demonstrate that the asset is inaccessible to them, or that they cannot dispose of any portion of the asset without the consent of another owner who refuses to comply. If the applicant demonstrates that they can only access a portion of an asset, then only that portion's value shall be included in the calculation of net assets. Likewise, any income from a jointly owned asset must be included in annual income, unless that income is specifically excluded, or unless the applicant demonstrates that they do not have access to the income from that asset, or that they only have access to a portion of the income from that asset.

If an individual is a beneficiary who is entitled to access the account's funds only upon the death of the account's owner, and may not otherwise withdraw funds from an account, then the account is not an asset, and the individual should provide proper documentation demonstrating that they are only a beneficiary on the account.

6.12 Instructions for Valuing Assets

In computing assets, owners must use the cash value of the asset; that is, the amount the family or household would receive if the asset were converted to cash. Cash value is the market value of the asset minus reasonable costs that were or would be incurred in selling or converting the asset to cash. Expenses which may be deducted include:

- Penalties for withdrawing funds before maturity;
- Broker/legal fees assessed to sell or convert the asset to cash; and
- Settlement costs for real estate transactions.

For non-liquid assets, enough information should be collected to determine the current cash value: the net amount the family would receive if the asset were converted to cash.

Owners must count assets disposed of for less than fair market value during the two years preceding certification or recertification. The amount counted as an asset is the difference between the cash value and the amount received, if the difference is more than $1,000. If a tenant has sold his/her home (either a private residence or rental) or disposed of other assets within the past two years for less than fair market value, request:

- Copies of closing documents (HUD-1, settlement statement) showing the selling price, the distribution of the sales proceeds and the net amount to the tenant.
- Divestiture of Assets Verification identifying the disposed-of asset, the cash value and amount actually received.

Actual income from assets is always included in a family's annual income, regardless of the total value of net family assets, unless that income is specifically excluded by 24 CFR § 5.609(b).

Income or returns from assets are generally considered to be interest, dividend payments, and other actual income earned on the asset, and not the increase in market value of the asset. The increase in market value is relevant to the cash value of the asset for the purpose of determining total net family assets and imputing income.

When total net assets exceed the amount HUD allows to be self-certified (when HOTMA implementation guidance was released, this amount was $50,000), income from assets is no longer determined based on the greater of actual or imputed income from the assets. Instead, imputed asset income must be calculated for specific assets when three conditions are met:

1. The value of net family assets exceeds the amount HUD allows to be self-certified;
2. The specific asset is included in net family assets; and
3. Actual asset income cannot be calculated for the specific asset.

Imputed asset income is calculated by multiplying the net cash value of the asset, after deducting reasonable costs that would be incurred in disposing of the asset, by the current HUD-published passbook rate.

To properly calculate income from assets:

1. Review the list of assets provided by the applicant or resident.
2. Categorize assets as NPP, NNPP, and real property.
3. Exclude any NPP.
4. Determine the total value of NNPP.
    a. If the total value of all NNPP is less than the amount HUD allows to be self-certified, assign a $0 value to each asset, but calculate income, if any.
    b. If the total value of all NNPP exceeds the amount HUD allows to be self-certified, fully verify the assets, assign the net value of the asset and calculate actual or imputed income to each asset.
5. Add NNPP to any real property. If the total value exceeds the amount HUD allows to be self-certified, impute income for any assets that cannot otherwise have income determined.
6. Subtract any federal tax return or refundable tax credit the household received in the past 12 months (if an applicant anticipates a $500 federal tax refund but only receives $250, then only $250 will be excluded from net assets because that is the amount actually received. If the subtraction results in a negative number, then net family assets are considered $0.

Refer to the examples in Attachment F to HUD Notice 2023-10.

Owners should not conflate an asset with an actual return of $0, with an asset for which an actual return cannot be computed, such as could be the case for some non-financial assets. If the asset is a financial asset and there is no income generated (for example, a bank account with a 0% interest rate or a stock that does not issue dividends), then the asset generates zero actual asset income, and imputed income is not calculated. When a stock issues dividends in some years but not others (e.g., due to market performance), the dividend is counted as the actual return when it is issued, and when no dividend is issued, the actual return is $0. When the stock never issues dividends, the actual return is consistently $0.

6.13 General Income Verification Requirements

The Sworn Income and Asset Statement (or owner’s application containing, at a minimum, the information on the Sworn Income and Asset Statement) must be used as the basis for determining the necessary verifications.

Refer to Table J2 in HUD Notice 2023-10 for Verification Hierarchy and order of acceptability. Note that HUD’s EIV system *cannot* be used for the HTC program.

Owners must follow up on any incomplete, inconsistent, or missing information with the verification source and document such follow-up in the resident file. A Phone Verification/Clarification Record form is recommended for this purpose. Verifications and follow-up records are considered supporting documentation to the TIC.

Reminder: Owners are not allowed to use information obtained through Enterprise Income Verification (EIV) for non-HUD programs, including the HTC Program. If a property has both HUD and HTC, EIV cannot be used to verify income for Section 42, nor can it be in the HTC portion of a tenant's file.

Acceptable Verification Descriptions and Guidance

Upfront Income Verification (UIV) (Level 6/5)

The verification of income before or during a family reexamination, through an independent source that systematically and uniformly maintains income information in computerized form for a number of individuals. HUD encourages owners to use tools such as The Work Number (an automated verification system) and state government databases to verify tenant-reported income.

Written, Third-Party Verification (Level 4)

An original or authentic document generated by a third-party source dated within 120 days of the date received by the owner. For fixed-income sources, a statement dated within the appropriate benefit year is acceptable documentation.

Such documentation may be in the possession of the tenant (or applicant) and is commonly referred to as tenant-provided documents. Owners may obtain any tenant-provided documents and follow up directly with the third-party source to obtain necessary verification of information, when necessary.

Examples of acceptable tenant-provided documentation (generated by a third-party source) include but are not limited to the following: pay stubs, payroll summary report, employer notice/letter of hire/termination, SSA benefit verification letter, bank statements, child support payment stubs, welfare benefit letters and/or printouts, and unemployment monetary benefit notices.

Owners are required to obtain a minimum of two current and consecutive pay stubs for determining annual income from wages. If a family disagrees with the income calculation, owners may request additional paystubs for a more accurate calculation. For new income sources or when two pay stubs are not available, use the verification hierarchy level 3, then level 2 if necessary, then level 1 if attempts to obtain level 3 and level 2 verifications are not successful (see definitions and documentation requirements, below).

Income tax returns with corresponding official tax forms and schedules attached and including third-party receipt of transmission for income tax return filed (i.e., tax preparer's transmittal receipt, summary of transmittal from online source, etc.) are an acceptable form of written, third-party verification.

When verification of assets is required, owners are required to obtain a minimum of one statement that reflects the current balance of banking/financial accounts.

Written, Third-Party Verification Form (Level 3)

This type of verification uses forms specifically developed to collect information from a third-party source. Owners send the form directly to the third-party source by mail, fax, or email. The form is completed by the third party by hand (in writing or typeset) and returned to the owner.

Minnesota Housing provides sample verifications and other forms to assist owners with this method. The release of information (at the top of the form) must be completed and signed by the person who is the subject of the verification prior to sending the form to an employer or other source.

Oral Third-Party Verification (Level 2)

Independent verification of information by contacting the individual income/expense source(s), as identified through the UIV technique, or identified by the family, via telephone or in-person visit. Owner must document in the tenant file the date and time of the telephone call (or visit to the third party) and the name of the person contacted and their telephone number, along with the confirmed information.

This verification method is commonly used when the independent source does not respond to the owner's faxed, mailed, or e-mailed request for information in a reasonable time frame (e.g., 10 business days).

Non-Third-Party Verification: Self-Certification (Level 1)

The tenant submits a signed statement of reported income and/or expenses to the owner. This verification method should be used as a last resort when obtaining information via all other required verification techniques is not successful and the tenant file must contain documentation of why third-party verification was not available.

The self-certification is not required to be notarized; however, the following language should be included on any self-certification to ensure the certifier understands the consequences of knowingly providing false information:

"I/We, the undersigned, certify under penalty of perjury that the information provided here is true and correct, to the best of my knowledge and recollection. WARNING: Anyone who knowingly submits a false claim or knowingly makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years,

fines, and civil and administrative penalties. (18 U.S.C. 287, 1001, 1010, 1012; 31 U.S.C. 3279, 3802)"

Self-Certification of Assets

Minnesota Housing allows self-certification of assets when the net value does not exceed the amount HUD allows to be self-certified (when HOTMA implementation guidance was released, this amount was $50,000).

Minnesota Housing's monitoring procedure and IRS Revenue Procedure 94-65 do not permit an owner to rely on a low-income tenant's signed, sworn statement of annual income from assets if a reasonable person in the owner's position would conclude that the tenant's income is higher than the tenant's represented annual income. In this case, the owner must obtain other documentation of the low-income tenant's annual income from assets to satisfy the documentation requirement of third-party asset verification.

Optional Streamlined Income Determination for Fixed-Income Source

During the annual income recertification, owners may use a streamlined income determination to adjust a family's income according to the percentage of a family's unadjusted income that is from fixed income (refer to list of fixed income sources below) as follows:

- When 90% or more of a family's unadjusted income consists of fixed income, owners must apply a cost-of-living adjustment (COLA) to the family's fixed income sources, provided that the family certifies both that 90% or more of their unadjusted income is fixed income and that their sources of fixed income have not changed from the previous year. Owners may accept a self-certification by the tenant to adjust income for non-fixed sources.
- When less than 90% of a family's unadjusted income consists of fixed income, owners must apply a COLA to each of the family's sources of fixed income. Owners must verify all non-fixed income sources using regular verification methods.

The following are fixed income sources eligible for the streamlined approach:

- Social Security, Supplemental Security Income, Supplemental Disability Insurance;
- Federal, state, local or private pension plans;
- Annuities or other retirement benefit programs, insurance policies, disability or death benefits, or other similar types of periodic receipts; or
- Any other source of income subject to adjustment by a verifiable COLA or current rate of interest (e.g., Veteran's Administration (VA) Disability, TANF, federal pensions).

The current COLA or rate of interest specific to the fixed source of income must be used to adjust the income amount. Verification of the COLA or rate of interest must be obtained from a public source or through tenant-provided, third party generated documentation and a copy must be placed in the tenant file. If no such verification is available, this streamlined process cannot be used and regular, third-party verification will be required.

This streamlined process can only be used for two years following regularly verified income and only for the sources described above. Every third year, third party verification must be obtained. Assets are not subject to streamlining and must be verified each year.

6.14 Determination of Income Using Other Means Tested Public Assistance

Owners may determine a family's annual income, including income from assets, using income determinations from the following types of means-tested federal public assistance programs (Safe Harbor):

- The Temporary Assistance for Needy Families block grant (42 U.S.C. 601, et seq.).
- Medicaid (42 U.S.C. 1396 et seq.).
- The Supplemental Nutrition Assistance Program (42 U.S.C. 2011 et seq.).
- The Earned Income Tax Credit (26 U.S.C. 32).
- The Special Supplemental Nutrition Program for Woman, Infants, and Children (42 U.S.C. 1786).
- Supplemental Security Income (42 U.S.C. 1381 et seq.).
- Other programs administered by the Secretary.
- Other means-tested forms of federal public assistance for which HUD has established a memorandum of understanding.
- Other federal benefit determinations made by other means-tested federal programs that the Secretary determines to have comparable reliability and announces through a Federal Register notice.

If owner elects to use the annual income determination from one of the above-listed forms of means-tested federal public assistance, they must obtain the income information by means of a third-party verification. The third-party verification must state the family size, must be for the entire family (i.e., the family members listed in the documentation must match the family's composition in the assisted unit, except for household members), and must state the amount of the family's annual income. The annual income need not be broken down by family member or income type. Annual income includes income earned from assets, therefore when using Safe Harbor to verify a family's income, owners will neither further inquire about a family's net family assets, nor about the income earned from those assets. The Safe Harbor verification may be in the form of an award letter from the relevant federal program and must show that the family's income determination was made in the previous 12 months. HUD clarifies that the verification will be considered acceptable if the documentation meets the criteria that the income determination was made within the 12 months prior to the receipt of the verification by the owner. The Safe Harbor documentation will be considered acceptable if any of the following dates fall into the 12-month period prior to the receipt of the documentation by the owner:

- Income determination effective date;
- Program administrator’s signature date;
- Family’s signature date;
- Report effective date; or
- Other report-specific dates that verify the income determination date.

The only information owners are permitted to use to determine income under this Safe Harbor is the total income determination made by the federal means-test program administrator. Other federal programs may provide additional information about income inclusions and exclusions in their award letters; however, these determinations and any other information must not be considered for purposes of the HOTMA Safe Harbor provision. Owners are not permitted to mix and match Safe Harbor income determinations and other income verifications.

If an owner does not accept Safe Harbor documentation, is unable to obtain Safe Harbor documentation, or if the family disputes the other program’s income determination, the owner must calculate the family’s annual income using regular verification methods.

If the owner uses a Safe Harbor to determine the family’s income, this might mean that a certain source of income was not considered in the family’s income, because the other program did not consider the source to be income. For example, if a family begins receiving a new source of income on 2/1/2026 and the owner completed a TIC effective 3/1/2026 using a Safe Harbor income determination, the new source of income would not be included. This aligns with the Section 8 program’s Safe Harbor determination which would require the new source of income to be reported and included at the next income reexamination.

Minnesota Housing will also consider the gross income determination for project-based and tenant-based Section 8 and USDA Rural Development to be Safe Harbor income determinations for HTC. A fully completed, signed and dated tenant income certification for those programs will satisfy all third-party verification requirements.

6.15 Effective Term of Verification

Verifications are valid for 120 days from the date of receipt by the owner, not the effective date of the TIC. If verifications are more than 120 days old from the date of receipt by the owner, the owner must obtain new verifications. For fixed-income sources, a statement dated within the appropriate benefit year is acceptable documentation.

6.16 Date Stamp

All income, asset and eligibility verifications should be date-stamped as they are received. If verifications are not date stamped, Minnesota Housing may use the date the document was signed by the verification source or generated from the web to determine its age.

6.17 Electronic Signatures

Minnesota Housing will not fail a tenant file solely because it contains documents signed by electronic means as long as the owner has followed the guidance in HUD Notice H 20-10. Applicants and tenants must still be given the option to use wet signatures on paper, if requested.

As part of the inspection of administrative records, compliance staff may review the owner's e-signature policy and procedures, if applicable, to determine whether the requirements of HUD Notice H 20-10 are being satisfied for the use of electronic signatures.

Chapter 7 – Sale, Transfer or Disposition of the Project and Reporting Casualty Losses

During the 15-year compliance period, Minnesota Housing must notify the IRS of any sale, foreclosure, abandonment, casualty loss or destruction by filing IRS Form 8823. The IRS has suggested in Treasury Regulation 1.42-5 that, if a building is sold or otherwise transferred by the owner, the transferee should obtain from the transferor all information related to the first year of the tax credit period so the transferee can substantiate HTCs claimed. Under Section 42(j)(6), revised July 30, 2008, there is no recapture on dispositions as long as 1) it is reasonably expected the building will continue to be operated as a qualified low-income building; and 2) the taxpayer elects to be subject to the new longer statute of limitations. Owners are not required to post a Credit Disposition Bond or pledge Treasury Securities to avoid recapture.

All unexpended funds remaining in development reserve accounts must remain for development use during the term of the compliance period and extended use period

7.01 Reporting the Sale, Transfer or Disposition of a Project

Throughout the term of the LURA, including the 3-year tenant protection period, owners must notify Minnesota Housing in advance of any sale, transfer of ownership interest, foreclosure or abandonment. Failure to notify Minnesota Housing from the time of selection or preliminary determination letter throughout the term of the extended use period will be considered noncompliance and may have an adverse effect on all individuals/entities from the development team on each side of the transfer that submits applications in future rounds.

Under some HTC Qualified Allocation Plans (QAPs), a sale or transfer of ownership interest from the date of reservation to five years after the PIS date may have an adverse effect on individuals/entities that wish to submit applications for tax credits in future years. Under more recent QAPs, Minnesota Housing's approval is required and unapproved changes from the time of selection or preliminary determination letter throughout the term of the extended use period may have an adverse effect on individuals/entities from the development and management team on each side of the transfer that submits applications in future rounds. Refer to the applicable QAP for specific language regarding penalties.

To begin the notification process, the owner must submit a Request for Action. Minnesota Housing will advise the owner of documentation that must be submitted for review, and, if applicable, Minnesota Housing approval. Documents for property sales may include, but are not limited to:

- Copies of purchase agreements and assignments or amendments
- Minnesota Secretary of State Certificate of Good Standing
- Organizational documents of the purchaser

- A copy of the warranty deed

Any prospective purchaser, member or partner must certify that they have the training and/or experience to successfully operate a tax credit property. Drafts may be submitted for review prior to closing, but final documentation must be submitted within 10 days after the closing date. Minnesota Housing will update its records to recognize an ownership or ownership interest change after Minnesota Housing staff has reviewed all requested documentation. All compliance requirements and any consequences for failing to comply are the responsibility of the owner of record that Minnesota Housing has listed on file.

7.02 Reporting Casualty Losses

Owners must notify Minnesota Housing within 30 days of any casualty loss and/or destruction of any part of the property that affects habitability. Minnesota Housing must file form 8823 to notify the IRS of such casualty losses. Under Section 42(j)(4)(E), taxpayers are provided relief from the credit recapture provisions in the event of a casualty loss if the loss is restored within "a reasonable period established by the Secretary," which has been interpreted by the IRS to be up to two years following the end of the tax year in which the casualty loss occurred. Refer to CCA 200134006; also refer to Section 165 of the Internal Revenue Code. This standard applies throughout the extended use period.

Submit a Report of Casualty Loss form following any casualty loss that includes units out of service for more than one rental period or loss of usability of common areas or other areas of the project.

Chapter 8 – Correction and Consequences of Noncompliance

Minnesota Housing uses the IRS Guide for Completing Form 8823, Low Income Housing Credit Agencies Report of Noncompliance or Building Disposition (8823 Guide), containing instructions for monitoring agencies to determine noncompliance, what constitutes correction, and how and when noncompliance and property dispositions are to be reported.

Owners and property managers are encouraged to read the 8823 Guide and refer to it when questions arise as to how to correct noncompliance.

8.01 Notice to Owner

Minnesota Housing is required to provide prompt written notice to the owner of an HTC project if Minnesota Housing does not receive the Owner's Certification of Continuing Program Compliance in Extended Use Period and other forms. Minnesota Housing is also required to provide prompt written notice to the owner of an HTC project if it does not receive or is not permitted to inspect the TICs, supporting documentation and rent records; or if it discovers by inspection, review, or in some other manner that the project is not in compliance with the provisions of Section 42 or its LURA. All compliance violations will be recorded in PORT with a status of UC (uncorrected), CL (clarified), or CR (corrected).

8.02 Correction Period

Minnesota Housing will establish a correction period in the Notice of Noncompliance, which will be a period of up to 90 days from the date of the notice to the owner described in paragraph (e)(2) of Treasury Regulation 1.42-5. Minnesota Housing is permitted to extend the correction period for up to six total months, but only after determining there is good cause for granting the extension. Requests for an extension must be in writing, must be received by Minnesota Housing no later than the last day of the correction period identified on the Notice of Noncompliance, and must include an explanation of the efforts to correct the noncompliance, the reason the extension is needed, and a timeline for correcting the noncompliance.

Minnesota Housing will review the owner's response and supporting documentation, if any, to determine whether the noncompliance has been clarified or corrected and will update the status of the violation in PORT accordingly.

8.03 Notice to the Internal Revenue Service (IRS)

Minnesota Housing is required to file Form 8823, "Low Income Housing Credit Agencies Report of Non-Compliance or Building Disposition," with the IRS no later than 45 days after the end of the correction period (including permitted extensions).

Minnesota Housing must check the appropriate box on Form 8823 indicating the nature of the noncompliance or failure to certify and indicate whether the owner has corrected the noncompliance or failure to certify. If the noncompliance or failure to certify is corrected, Minnesota Housing will provide a date on which the noncompliance was corrected. If Minnesota Housing cannot determine that an owner's actions have corrected all noncompliance, no correction date will be provided; however, an attachment to Form 8823 will be provided that identifies any noncompliance that has been corrected. Any change in either the applicable fraction or eligible basis under paragraph (c)(1)(ii) and (vii) of Treasury Regulation 1.42-5, respectively, that results in a decrease in the qualified basis of the project under Section 42 (c)(1)(A) is noncompliance that must be reported to the IRS. Minnesota Housing will send the owner a copy of Form 8823.

If uncorrected noncompliance is reported to the IRS, a corrective Form 8823 cannot be filed until all instances of noncompliance are corrected for that building.

If Minnesota Housing reports on Form 8823 that a building is entirely out of compliance and will not be in compliance at any time in the future, it is not necessary to file Form 8823 in subsequent years to report that building's noncompliance.

8.04 Recapture of Credit

Generally, during the compliance period, a project is out of compliance and recapture applies if:

- There is a decrease in the qualified basis of the building from one year to the next; or
- The building no longer meets the minimum set-aside requirements of Section 42(g)(1), the gross rent requirements of Section 42(g)(2), or the other requirements for the units which are set aside.

Vacant units that were previously occupied by HTC tenants can continue to be counted for minimum eligibility if the owner has made reasonable attempts to rent the unit to an eligible tenant and the unit is suitable for occupancy. Refer to IRS Revenue Ruling 2004-82, Q9 for guidance on what constitutes reasonable attempts.

If the project is out of compliance, a penalty will apply to all units in the project (IRS Form 8611). Penalties may include:

- Recapture of the accelerated portion of the tax credits for prior years;
- Disallowance of the credit for the entire year in which the noncompliance occurs; and
- Assessment of interest for the recapture year and previous years.

If the noncompliance is due to a reduction in qualified basis and the minimum eligibility requirements of 20% or 40% are still met, recapture and disallowance of credit will apply only to units not in compliance.

If there is a minimal reduction in the floor space fraction or number of qualified units, no recapture will occur, provided the building remains a qualifying HTC building.

Recapture will not occur if, within a reasonable time after the noncompliance was discovered, the situation is corrected.

In the event of a casualty loss, recapture will not occur if the property is restored or replaced within a reasonable period of time.

The above information has been provided for informational purposes to give a general understanding of recapture procedures. The IRS bears the responsibility for determining whether a building owner has claimed the correct amount of credit each year and whether a building owner is subject to recapture. Minnesota Housing is not responsible for determining whether a specific event of noncompliance is a recapture event.

Chapter 9 – Compliance and Monitoring After Year 15

9.01 Background

After the 15-year compliance period has expired, there may be no tax impact in the event of noncompliance; therefore, filing IRS Form 8823 to report noncompliance is no longer an effective consequence. By establishing policy that reflects the terms of the LURA rather than all Section 42 requirements, by creating reasonable and less frequent inspection criteria, and by redefining some of the reporting and eligibility criteria as identified below, it is hoped that it will be administratively easier and less costly for owners and managers to operate HTC properties and maintain compliance at a time when the tax benefit is no longer available. Therefore, after year 15, compliance can be achieved much more easily, but the spirit of the program is not compromised, and the housing will continue to serve the people for whom the program was intended.

Treasury Regulations 1.42-5 requires allocating agencies to perform certain compliance monitoring during the compliance period; however, the regulations do not require allocating agencies to monitor according to these regulations in the extended use period. IRS officials and other experts have indicated that allocating agencies may not report noncompliance to the IRS after the compliance period is over. The tax benefit to the owner is exhausted, and the IRS can no longer recapture or disallow credits. Therefore, Minnesota Housing has established policies for monitoring HTC properties during the extended use period and imposing certain consequences for noncompliance during the extended use period.

In addition, based on the requirements of the extended use period specified in Section 42 and in the LURA referenced below, Minnesota Housing has the authority to establish different criteria for eligible/ineligible student households, available unit rule, unit transfers, and the process for performing annual recertifications during the extended use period, as long as income and rent restrictions, general use requirements (fair housing), Section 8 acceptance, minimum set-asides, the applicable fraction, and initial and annual recertifications are required. Note, however, that should an owner wish to apply for a new allocation of HTC, households determined to be income-qualified for purposes of Section 42 during the 15-year compliance period may be concurrently income-qualified households for purposes of the extended use period *if all Section 42 requirements are met in the extended use period.* This includes certifying student status and not renting to ineligible, full-time student households, verifying income and assets for annual recertification for mixed-income properties, following rules regarding unit transfers between buildings that are not part of the same project as defined by Section 42, etc. Management agents should consult with their owners before implementing any changes noted in this chapter.

9.02 Compliance Period

Under Section 42(j)(1), the compliance period means, with respect to any building, the period of 15 taxable years, beginning with the first taxable year of the credit period.

The first year of the compliance period is the first year in which the owner claimed HTCs. The first year must be either the year the building(s) are placed in service, or at the owner's election, the year following placed in service. All requirements of Section 42, including the Treasury Regulation 1.42-5 monitoring requirements, are in effect during the 15-year compliance period.

9.03 Extended Use Period

Section 42(h)(6) establishes that buildings are eligible for HTCs only if there is a minimum long-term commitment to low-income housing. Specifically, to receive an HTC allocation in 1990 and later, the owner must record an extended low-income housing commitment. The document that evidences this commitment is called the Declaration of Land Use Restrictive Covenants for Low Income Housing Tax Credits and is referred to throughout this guide as the LURA. The LURA is recorded with the respective county recorder and/or registrar of titles and "runs with the land," regardless of subsequent changes in ownership.

For purposes of this section, the term "extended use period" means the period:

- Beginning on the last day in the compliance period on which such building is part of a qualified low-income housing project, and
- Ending on the later of:
  - The date specified by Minnesota Housing in the LURA, or
  - The date that is 15 years after the close of the compliance period.

Section 42(h)(6)(E) provides exceptions to the extended use period in the case of a legitimate foreclosure or deed in lieu, or, for projects that have not waived this right, if Minnesota Housing is unable to present a qualified contract pursuant to Section 42(h)(6)(F). This guide does not contain guidance for the provisions of Section 42(h)(6)(F) regarding the qualified contract referenced in Section 42(h)(6)(E)(i)(II).

Under Section 42(h)(6)(E)(ii), the termination of an extended use period due to foreclosure or deed in lieu, or for failure to present a qualified contract shall not be construed to permit before the close of the three-year period following such termination:

- The eviction, lease non-renewal, or termination of tenancy of an existing tenant of any low-income unit other than for good cause, or
- Any increase in the gross rent with respect to such unit not otherwise permitted by the applicable rent limits.

Under Minnesota Housing's LURA, the owner agrees to comply with the following for the term of the agreement:

- It will maintain the applicable fraction by leasing units to individuals or families whose income is at or below 50% or 60% of MTSP (or other MTSPs per the AIT), as irrevocably elected by the owner at the time of allocation (including adjustments for family size) and as determined in accordance with Section 42;
- It will maintain the Section 42 rent and income restrictions;
- All units subject to the credit shall be leased and rented or made available to members of the general public who qualify as low-income tenants (or otherwise qualify for occupancy of the low-income units) under the applicable election specified in Section 42(g) (Section 42(g) pertains to the minimum set-aside election;
- The owner agrees to comply fully with the requirements of the Fair Housing Act as it may, from time to time, be amended;
- The owner will not refuse to lease a unit to the holder of a Section 8 voucher or other form of tenant-based rental assistance because of the status of the prospective tenant as such holder and will not evict or otherwise terminate tenancy (including lease non-renewal) for other than good cause;
- Each low-income unit will remain suitable for occupancy;
- The determination of whether a tenant meets the low-income requirement shall be made by the owner at least annually on the basis of the current income of such low-income tenant; and
- Other restrictions as required under the specific year's QAP and related points the owner received to obtain an HTC allocation. These restrictions are property-specific within the respective LURAs, and to the extent they are not otherwise time-limited, the additional restrictions remain in force and effect during the extended use period.

Note that the LURAs have changed from year-to-year according to the respective QAPs; however, the basic language pertaining to the extended use period required by Section 42 has not materially changed.

9.04 Tenant Eligibility Criteria During the Extended Use Period

During the extended use period, Minnesota Housing requires tenant eligibility and certification of income, as follows:

- **TIC.** At initial occupancy, an initial income certification is required (calculated in a manner consistent with the determination of annual income under Section 8 of the United States Housing Act of 1937 (Section 8), not in accordance with the determination of gross income for federal income tax liability). Annual recertification is as follows:
    - **Mixed-income** HTC properties must recertify income annually, but owners are not required to verify income and income from assets (unless there is other financing or a

rental subsidy program that requires verification). Households must complete a Sworn Statement of Income and Assets or similar form. From information provided by the tenant household, owners must calculate gross annual income, complete and sign the TIC form and report the recertification in Minnesota Housing's Property Online Reporting Tool (PORT).

- 1**00% HTC** properties have no recertification requirements; however, on the anniversary date of move-in or the last certification effective date, owners must report the unit and household in PORT and complete all information except current income and student status.
- Any household that experiences a change in composition within the first six months of occupancy (not including birth or death) must meet initial eligibility requirements and a new initial TIC must be performed.

- **Student Status.** Since student status is not one of the defined requirements of the LURA, the student rules under Section 42 are no longer applicable.
- **Unit Transfers.** Unit transfers from building to building are allowed without triggering noncompliance regardless of the multiple-building election or whether a household's income is over the applicable limit at the time of transfer.
- **Available Unit Rule.** The available unit rule is revised to provide that if a household's income goes over 140% of the applicable income limit, a currently vacant unit or the next unit in the same building must be rented to a qualifying household (the "comparable or smaller" requirement no longer applies). This is essentially a one-for-one unit replacement.
- **Applicable Fraction.** Only the unit fraction will be examined to determine a building's applicable fraction.
- **Rent Limits.** Rent limits as elected by the owner at the time of allocation continue to be in force during the extended use period. Owners of properties that were awarded selection points for additional rent restrictions should refer to the respective QAP or LURA to determine whether those additional rent restrictions are time-limited or if they are in effect for the full term of the extended use period.
- **Utility Allowances.** Utility allowances must continue to be updated annually. Revised utility allowances must be implemented within 90 days of their published effective date.

Minnesota Housing will continue to update the HTC Program income and rent limits that HUD publishes annually.

9.05 Monitoring Compliance During the Extended Use Period

The following is the monitoring procedure Minnesota Housing will follow during the extended use period:

1. **Annual Owner Certification and Occupancy Reporting.** By February 15 of each year or the next business day, Minnesota Housing requires all owners to submit an annual certification of

compliance along with reporting occupancy information in PORT. Instructions are provided with the December reminder notice and the PORT User Guide.

2. **Inspections.** At least every five years, Minnesota Housing will perform a physical inspection of the property and review tenant files and other pertinent documentation. The first review in the extended use period will be no more than five years from the last inspection conducted during the compliance period. Ten percent of the low-income units up to 15 units in any development (a minimum of four units), will be chosen at random for inspection. If the first four units pass inspection, the compliance officer may elect to discontinue inspecting the remaining units. Different units may be chosen for the file review as those receiving a physical inspection. Minnesota Housing compliance staff will continue to work with other inspection entities including other government agencies, Minnesota Housing staff etc., to share inspection information. Minnesota Housing may accept National Standards for Physical Inspection of Real Estate (NSPIRE) inspections conducted by local housing and redevelopment authorities for project-based section 8 voucher contracts when they are done in the same year as the agency's review. If inspected by Minnesota Housing compliance staff, the inspection will be pursuant to NSPIRE. In its sole discretion, Minnesota Housing may conduct a review of any building and 100% of the units and to examine all records pertaining to rental of HTC units at least through the end of the extended use period of the buildings in the project.
3. **Annual Monitoring Fees.** Monitoring fees are due annually until the last year of the LURA. Refer to the MF Loan Programs and Fee Schedule. Fees are due at the same time as the owner's annual certification.
4. Minnesota Housing may adjust the fee in its sole discretion due to increasing costs to monitor. **Properties with HUD or Rural Development (RD) oversight.** No HTC inspections or fees will be required for properties with project-based Section 8, RD or other HUD programs since these properties are already subject to inspections and consequences under those programs are in place. Owners must submit the Owner's Certification of Continued Monitoring of Federal Program, indicating whether the property is subject to monitoring for such federal programs and identifying the date of the most recent inspection review. This certification is due on February 15 or the next business day. If a property is no longer subject to monitoring for HUD and/or RD programs, then the property must be placed back on the HTC monitoring schedule. If the development is placed back on the HTC monitoring schedule, Minnesota Housing will resume all compliance monitoring activities, including charging a fee for monitoring. The timing of the next review will be based on the last inspection conducted by RD, HUD or its contract administrator.
5. **Transfer of Ownership or Ownership Interest.** Refer to Chapter 7.
6. **Three-year Tenant Protection Period following Expiration or Termination of Extended Use Period.** Refer to section 9.08.

The LURA allows for an amendment by written agreement between Minnesota Housing and the owner. A temporary suspension of restrictions or amendment to the LURA may be requested in the event a property suffers from a decline in market conditions that is not expected to improve, and subsequent vacancies compromise the economic viability of the property. The owner must demonstrate that reasonable efforts have been made to meet all compliance requirements. A change in applicable fraction, rent limits or other terms may be negotiated with Minnesota Housing in order to preserve as many low-income units as possible but still protect the economic viability of a property. The owner must submit a Request for Action to begin the process.

9.06 Consequences of Noncompliance During the Extended Use Period

The following are the procedures for and consequence(s) of noncompliance:

- Properties whose compliance period has expired and are subject to the requirements of the extended use period will be included in the Tax Credit Properties Monitored by Minnesota Housing list or in the Properties Not in Good Standing in the Extended Use Period and/or Participant Suspension list on Minnesota Housing's website.
- If an owner fails to comply with the monitoring requirements and/or terms of the LURA, Minnesota Housing will issue a Notice of Noncompliance and recommendations for correction similar to what is issued during the compliance period. All owners will be given a period of time not to exceed 90 days with which to clarify or correct noncompliance and report to Minnesota Housing that all corrections have been made. An extension of an additional 90 days may be granted, with good cause. If a property has one or more compliance violations, but the owner is making a good faith effort to correct the violations within a reasonable time, then the property may be considered in good standing at the sole discretion of Minnesota Housing. If the violation(s) cannot be corrected within the 90-day correction period (or within the 90-day extension, if granted) Minnesota Housing may request that the owner and/or management agent formulate a plan and reasonable timeline to bring the violation(s) back into compliance and advise Minnesota Housing in writing of such a plan. Owners will have demonstrated good faith efforts by carrying out the plan within the referenced timeline and the property will remain in good standing.
- If an owner repeatedly delays or ignores requests for monitoring reviews; fails to submit annual certifications, reports and compliance monitoring fees; does not correct violations in a timely manner or according to the agreed-upon plan, where applicable; or otherwise chooses to ignore the compliance and monitoring requirements (serious and/or flagrant noncompliance) the following are consequences:
    - At its sole discretion, Minnesota Housing may determine that the property and the owner are Not in Good Standing. If a management company is affiliated with, related to, or has common ownership with the owner (as determined at the sole discretion of Minnesota Housing), the management company will also be considered Not in Good Standing. Minnesota Housing's website will reflect the change in status; and

- A Report of Development Not in Good Standing (HTC 31) will be issued to the owner and filed with the Minnesota Housing development team. No further Minnesota Housing funds or tax credits will be awarded to the owner, its partners (and/or proposed developments to be managed by the management company, if affiliated with or related to the owner as described above) until the property is back in good standing.; and
- The property may be ineligible for a lower property tax rate under the Low Income Rental Classification (LIRC); and
- Minnesota Housing and eligible past, current, or prospective tenants have the right to enforce specific performance of the LURA through the court system.

Once good faith efforts are demonstrated to Minnesota Housing's satisfaction, Minnesota Housing will reinstate the property, owner and management company to good standing status and update the website to reflect the change in status.

Owners and management agents must keep careful track of when a development, and in some cases certain buildings within a development, transitions from the compliance period into the extended use period. Premature implementation of the extended use period compliance and monitoring guidelines may result in noncompliance with Section 42 for which Minnesota Housing would be required to file IRS Form 8823.

9.07 Eventual Tenant Ownership

Owners who are considering converting HTC rental units to homeownership should review the Eventual Tenant Ownership (ETO) Guide. For ETO questions or additional information, contact the HTC team at htc.mhfa@state.mn.us.

9.08 Three-Year Tenant Protection Period Following Expiration or Termination of Extended Use Period

For three years after the extended use period naturally expires or is terminated pursuant to Section 42(h)(6)(E)(ii), owners may not evict or terminate tenancy (including lease non-renewal or refusal to enter into a new lease on substantially the same terms) for other than good cause and may not increase rents above the allowable Section 42 rent limit.

During this three-year period owners must:

1. Submit an annual owner certification in PORT's AOC Submission Site, certifying that no low-income residents were evicted or tenancy terminated for other than good cause and that rents do not exceed the allowable Section 42 rent limit.
2. Report a recertification event in PORT for all low-income households that occupied a unit at the expiration or termination of the extended use period (Protected Households), including the respective rent and utility allowance.

3. Report the move-out date for Protected Households, where applicable.

Occupancy data on Protected Households and the owner certification are due on February 15 or the next business day for the preceding calendar year. No monitoring fees will be due. Minnesota Housing is not required to perform inspections.

Owners may request a release of the LURA, by submitting a Request for Action after the three-year tenant protection period expires or earlier if no protected households remain in the property.

Chapter 10 – Tax Credit Assistance Program and Section 1602 (Tax Credit Exchange) Program

10.01 Background

The American Recovery and Reinvestment Act of 2009 established two programs providing allocating agencies with tools to help certain HTC-financed rental housing projects close financing gaps created by reduced credit pricing and lack of syndicator equity: the Tax Credit Assistance Program (TCAP), administered by HUD, and a program authorizing allocating agencies to exchange HTCs for cash (the Section 1602 Program), administered by the U.S. Department of Treasury (Treasury). TCAP funds may only be awarded to projects where there is an allocation of HTCs. Section 1602 funds may be awarded to projects with or without HTCs.

10.02 Compliance and Asset Management

Properties funded with TCAP and/or Section 1602 Program funds must comply with Minnesota Housing loan documents and with Section 42 for the full term of the compliance and extended use periods, as evidenced by a LURA. Additionally, during the compliance and extended use period, both programs are subject to asset management oversight by Minnesota Housing.

10.03 Monitoring and Reporting

Minnesota Housing will monitor compliance with TCAP and the Section 1602 Program in the same manner as the HTC Program as described in this guide; however, Section 1602 will require reporting violations to Treasury in a form and manner required by Treasury, and not to the IRS on Form 8823. Asset management includes, but is not limited to, lease-up compliance monitoring, operational and financial reporting, and other monitoring pursuant to a Regulatory Agreement with Minnesota Housing.

Questions regarding asset management activities should be directed to Eric Thiewes at eric.thiewes@state.mn.us.

MINNESOTA HOUSING

RESIDENT NOTIFICATION LETTER

As a resident of ______________________________ (name of property), a property funded under the Low Income Housing Tax Credit Program (HTC Program), you have certain rights as stated in your lease, which includes the attached Lease Rider. Your landlord must follow federal and state rules for the HTC Program. In the event of any conflict between the Lease Rider and other terms of your lease, the Lease Rider controls.

Good cause protection: One of the important protections provided by federal law is that you cannot be evicted from your home or have your tenancy terminated without good reason or “good cause.” Your landlord may not evict you or terminate your tenancy (including refusing to renew your lease or to enter into a new lease on substantially the same terms) without good cause. Good cause is (a) serious or repeated violation(s) of the material terms and conditions of your lease. The landlord must state, in writing, the good cause in any eviction, lease non-renewal or termination of tenancy notice. If you did not do what your landlord claims in the notice, or if you think it was not serious enough for your lease to be terminated or not renewed, you can ask the landlord if there is an appeal process. If there is no appeal process, you may request that the termination be retracted and discuss your reasons why. If you receive a notice of eviction, you have a right to contest the eviction in court by explaining to the judge why you disagree with the reasons for terminating your lease. Visit www.lawhelpmn.org to see if you qualify for free or low-cost legal assistance.

Rent increases: Your landlord may not increase the amount of tenant-paid rent stated on your lease more than once annually and the landlord must provide you with a 120-days’ notice if your rent will increase by more than 5%.

Lease Rider: The attached Lease Rider should already be signed by your landlord. You and all members of your household age 18 or older must also sign the Lease Rider in order to make it part of your lease.

The Lease Rider needs to be signed each time you sign a new lease. If at any time additional adult household members enter the unit or a child who lives in that unit turns 18, they should add their signature to the existing Lease Rider with the current date.

Violence Against Women Act: Your landlord also has a legal obligation to comply with the statutory requirements found in Section 601 of the Violence Against Women Reauthorization Act of 2013 (VAWA).

Under VAWA, you may not be denied admission, denied assistance, terminated from participation, or evicted on the basis that you are or have been a victim of domestic violence, dating violence, sexual assault or stalking, if you otherwise qualify for admission, assistance, participation or occupancy.

You should have received the following when you were approved for occupancy or at some time during your occupancy:

- HUD Form 5380 – Notice of Occupancy Rights under the Violence Against Women Act; and
- HUD Form 5382 – Certification of Domestic Violence, Dating Violence, Sexual Assault, or Stalking, and Alternate Documentation.

The landlord must also include these documents with any notice of eviction, lease non-renewal or termination of tenancy. You should have also signed a VAWA Lease Addendum and Minnesota Housing Attachment.

If you have any questions concerning this matter, please contact your resident manager, ______________________, or your landlord at ________________________________ (phone and email).

Sincerely,

____

Property Representative Name (print and sign) Date

MINNESOTA HOUSING

LOW INCOME HOUSING TAX CREDIT LEASE RIDER

(attach to resident lease)

Property Name: ______________________________

Building/Unit #: ______________________________

Head of Household Name: ______________________________

The Lease dated _____________ is hereby amended by adding the following provisions:

1. Owner/Landlord may not evict or terminate the tenancy (including refusing to renew this Lease or refusing to enter into a new lease on substantially the same terms) except for good cause. Good cause means (a) serious or repeated violation(s) of the material terms and conditions of the Lease. Any eviction, lease non-renewal or termination of tenancy notice must be in writing and must state the specific violation(s). The notice must comply with all requirements of local, state, and federal law, including the requirements of the federal low-income housing tax credit program and other applicable programs.
2. Owner/Landlord may not increase the lease rent more than once in a twelve month period, regardless of the term of the Lease.
3. A rent increase greater than 5% is not effective unless and until Owner/Landlord provides 120-days' notice in writing to tenant. If Owner/Landlord fails to provide proper notice, Owner/Landlord must return or credit, at tenant's election, any amounts collected in connection with the ineffective rent increase.

To the extent that any terms contained in the Lease or any other agreement between the owner and the tenant contradict the terms of this Lease Rider, the provisions of this Lease Rider shall control.

By signing below, I indicate my consent to this Lease Rider:

____

Property Representative Name (print) (signature) Date

By signing below, I indicate my consent to this Lease Rider. I/we have been given a copy of this Lease Rider:

____

Resident Name (print) (signature) Date

____

Resident Name (print) (signature) Date

____

Resident Name (print) (signature) Date

Note: Fee amounts are established under the commissioner's administrative authority and published on the website in the Multifamily Loan Programs and HTC Fee Schedule. The below fees are being incorporated into the Multifamily Loan Programs and HTC Fee Schedule and are included here for informational purposes.

HTC Annual Monitoring Fee Schedule

Annual Fee Due with Owner Certification Starting with First Credit Year ("per unit" includes unrestricted and non-revenue (common space) units)

Properties not covered by the Memorandum of Understanding with USDA Rural Development (RD MOU) during the 15-year compliance period	$30 per unit
Properties covered by the RD MOU during the 15-year compliance period	$20 per unit
Properties in year 16 and later covered by the RD MOU or subject to monitoring by HUD	No fee
All other properties in year 16 and later	$20 per unit
All properties in 3-year tenant protection period	No fee

HTC Other Monitoring Fees

Re-inspection	$125 will be charged if a compliance officer is unable to complete an inspection due to property representative's failure to notify residents or failure to appear for the inspection. The re-inspection fee will be added to the following year's annual monitoring fee.
Utility Allowance Review	$100 for review of HUD Utility Schedule Model, Energy Consumption Model, or Average of Actual Consumption.
Utility Allowance Review, Submetering	$250 for review of HUD Utility Schedule Model, Energy Consumption Model, or Average of Actual Consumption with submetering arrangement.

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MINNESOTA HOUSING

Multifamily HOME Investment Partnerships and National Housing Trust Fund Program

Compliance Guide

Last Updated: May 2025

Contents

Values Statement

All Minnesotans live and thrive in a stable, safe, and accessible home they can afford in a community of their choice. To achieve the concept of One Minnesota where everyone thrives, we will reorient how we work and expand who has a voice at the table and who participates in and benefits from the housing economy.

We will:

- Center the people and places most impacted by housing instability at the heart of our decision making,
- Listen and share the power we have,
- Honor, respect and strengthen communities, and
- Be inclusive, equitable, just and antiracist in our actions.

Introduction

Minnesota Housing has administered the HOME Investment Partnerships (HOME) Program, which includes HOME Targeted, HOME Rental Rehabilitation, and HOME Affordable Rental Preservation, since 1992 and the National Housing Trust Fund (NHTF) Program since 2016. Properties that have been developed using these funds are subject to specific rules designed to ensure that they remain affordable throughout the required period of affordability (also referred to herein as the effective period or compliance period). This guide is designed to assist owners and their agents to plan and maintain compliance with the regulatory requirements associated with the utilization of these funds in multifamily properties.

It is the responsibility of the Minnesota Housing Finance Agency (Minnesota Housing) to monitor the continuing compliance of units that have received HOME funds in accordance with HUD regulations contained in Code of Federal Regulations, title 24, part 92, and for units that have received NHTF funds in accordance with NHTF regulations contained in 24 C.F.R. 93. It is also Minnesota Housing’s responsibility to ensure that property owners retain the housing units as affordable throughout the period of affordability. The following procedures apply to all rental properties that have received funds under the HOME or NHTF program. Any violation of the requirements could result in acceleration of the repayment of funds.

Unless a provision is noted as “HOME Only” or “NHTF Only,” all provisions of this guide apply to both programs. Noncompliance by the owner may result in serious financial consequences.

Successful operation of a HOME or NHTF funded property is management intensive; the owner is responsible for ensuring that the property is properly administered. Thorough understanding of program requirements and compliance monitoring procedures requires training of owners and managers. Owners should know and understand the requirements of the financing and the compliance requirements, as failure to comply may have very serious consequences. Minnesota Housing recommends owners, management agents and site managers receive compliance training before certifying or leasing any assisted units. At a minimum, training should cover key compliance terms, determination of rents, tenant eligibility, file documentation, procedures for maintaining the required unit mix, reporting and records retention requirements, property condition standards, ongoing lead-based paint maintenance, and site visits. Continuing education each year, or at a minimum every other year, is strongly recommended to keep up with regulatory and procedural changes. Minnesota Housing does not provide direct training; however, training resources from national or local trainers are posted on Minnesota Housing’s website.

Minnesota Housing’s obligation to monitor for compliance does not make Minnesota Housing liable for an owner's noncompliance.

This compliance guide has not been reviewed or approved by the Department of Housing and Urban Development (HUD) and should not be cited or relied upon for interpretation of federal regulations. This guide can be accessed on Minnesota Housing's website.

For HOME, this guide should be used in conjunction with, and as a supplement to, 24 C.F.R. 92. If Minnesota Housing or HUD determines that any provision of this guide conflicts with 24 C.F.R. 92, 24 C.F.R. 92 will govern.

For NHTF, this guide should be used in conjunction with, and as a supplement to, 24 C.F.R. 93. If Minnesota Housing or HUD determines that any provision of this guide conflicts with 24 C.F.R. 93, 24 C.F.R. 93 will govern.

This guide may be superseded without notice by changes in income determinations under 24 C.F.R. 5 of the Section 8 program and technical revisions in the HOME or NHTF Programs.

For more information, visit HUD's HOME website or HUD's NHTF website.

This guide provides information related only to HOME and NHTF requirements. Properties may be subject to additional requirements due to other funding streams. Owners are responsible for complying with all applicable requirements.

Chapter 1 – Compliance Overview

The following is a summary of the requirements of the HOME and NHTF programs. It is not intended to be detailed or comprehensive.

1.01 Period of Affordability

HOME Only

HOME-assisted units are rent and income controlled for varying lengths of time depending upon the average amount of HOME funds invested per HOME-assisted unit. Rent limits and income targeting requirements must be maintained during the period of affordability, which begins at project completion (also sometimes referred to as the affordability period, effective period or compliance period). Owners will be required to keep the property in compliance with HOME restrictions for the number of years specified in the Affordability Period Certificate which is executed at the time of project completion.

Owners should also refer to the Declaration of Covenants, Conditions and Restrictions (Declaration) to determine the specific terms and conditions that govern their property.

NHTF Only

All NHTF-assisted units are subject to a 30-year affordability period, which begins at project completion. Rent and income requirements must be maintained during the entire period of affordability.

1.02 Income and Rent Requirements

HOME Only

Properties with five or more HOME-assisted units:

- Initial occupancy at project completion:
    - At least 90% of all HOME-assisted units must be initially occupied by families with annual gross incomes at or below 60% of the area median income with rents at or below the High HOME rent limits.
    - At least 20% of the HOME-assisted rental units must be initially occupied by families with annual gross incomes at or below 50% of the area median income with rents at or below the Low HOME rent limits unless a greater percentage is specified in the Declaration.

  - The remainder of the HOME-assisted rental units must be initially occupied by families with annual gross incomes at or below 80% of the area median income with rents at or below the High HOME rent limits.
- Subsequent to initial occupancy:
  - The minimum percent of the HOME-assisted units designated in the Declaration must continue to be occupied by families with annual gross incomes at or below 50% of area median income with rents at or below the Low HOME rent limit. The remaining HOME-assisted units must be occupied by families with annual gross incomes at or below 80% of the area median income with rents at or below the High HOME rent limit.

A project must have at ten or more HOME-assisted units to qualify for any High Home units.

Properties with fewer than five HOME-assisted units:

- Initial occupancy at project completion:
  - All HOME-assisted units must be initially occupied by families with annual gross incomes at or below 60% of the area median income with rents at or below the High HOME rent limit.
- Subsequent to initial occupancy:
  - All HOME-assisted units must continue to be occupied by families with gross annual incomes at or below 80% of area median income, with rents at or below the High HOME rent limit.

On and after April 20, 2025, the rent limits do not apply to any rental assistance or subsidy payment provided under a Federal, State, or local rental assistance or subsidy program and Low HOME units paired with Housing Tax Credits (HTC) comply with Low HOME rent limits if rent does not exceed the applicable HTC rent limit.

NHTF Only

All NHTF-assisted units must be affordable to extremely low-income (ELI) renter households. ELI renter households mean low-income families whose annual incomes do not exceed 30% of the area median family income or the federal poverty line (whichever is greater), with adjustments for smaller and larger families, as determined by HUD.

For tenants who are ELI, their rent plus an allowance for tenant-paid utilities must not exceed the greater of 30% of the federal poverty line or 30% of the income of a family whose annual income equals 30% of AMI for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit.

1.03 Student Eligibility Requirements – HOME Only

Properties where HOME funds were committed on or after August 23, 2013, have additional eligibility requirements for students. The HOME program has adopted the Section 8 Housing Choice Voucher Program restrictions on student participation found at 24 C.F.R. 5.612, which exclude any individual that is enrolled in a higher education institution and is not an Independent Student, as defined in the Higher Education Act or has parents who, individually or jointly are not eligible on the basis of income.

In properties that are subject to the HOME student eligibility requirements, each applicant for or household member in a HOME-assisted unit who is age 18-23 (or under 18 and treated as Head, Co-head, or Spouse) must complete, sign and date an Annual Student Certification at move-in and then annually during the HOME Affordability period.

1.04 Updating Income and Rent Limits

Income and rent limits are updated and published by HUD on an annual basis. Minnesota Housing notifies owners and managers by email and posts the new rent limits on its website when they are released. In the event rent limits decrease for an area, or utility allowances increase, an owner may be required to reduce the rent charged but will not be required to lower rents below those in effect at the time of project commitment.

1.05 Allowable Fees and Charges

Owners may not charge fees that are not customarily charged in affordable rental housing (for example, laundry room, access fees); however, fees considered reasonable and customary may be charged, such as application fees and parking fees.

Permissible Fees

Owners may provide services other than housing. If the services are optional, the fee can be excluded from the gross rent computation. If the services are not optional, the fee must be included in the gross rent computation. A service is optional if payment for the service is not a required condition of occupancy. Note that owners may not require residents to participate in or receive supportive or other services as a condition of occupancy.

Reasonable and customary fees related to core functions of operating affordable housing properties, such as refundable damage/security and pet deposits are permissible. This includes refundable deposits for use of tenant facilities; for example, a refundable deposit for use of a community room is permissible and is not included in the gross rent computation.

Application fees may be charged to cover the actual out of pocket cost of checking a prospective tenant's income, credit history and landlord references. Out of pocket costs are amounts paid to a third party, not salaries of the owner or management company staff.

Permissible fees also include:

- Month-to-month lease
- Pet rent
- Renter's insurance
- Meal service
- Transaction fees or other charges associated with online rent payment systems

Any additional fee charged for a month-to-month lease must always be included in the gross rent calculation, even when a month-to-month lease is an option to a longer lease term. Pet rent, renter's insurance and meal services are considered rent when they are required as a condition of occupancy. Transaction fees or charges associated with Walk-In Payment Systems (WIPS) or other online rent payment systems must be included in the gross rent calculation if the owner does not have another option for residents to pay rent that does not require a fee.

The following fees are also permissible (unless otherwise stated below, fees are limited to the average cost incurred by the owner or as limited by state or local law):

- Late rent fees
- Fees for repairs or extra cleaning costs for tenant-caused damage beyond normal wear and tear; limited to actual and reasonable cost
- Fees for maintenance completed by owners but normally required to be completed by households (for example, changing light bulbs, moving furniture); are permissible, but only if such rates are stated in the lease or a lease addendum
- Returned check/Insufficient funds (NSF) fees; permissible only on and after the second occurrence and only to the extent that the fee does not exceed the cost charged to the owner by the bank for processing the returned check
- Lockout fees
- Key replacement/extra key fees
- Fees for failure to return a key upon move-out
- Court filing, attorney, and sheriff fees; permissible only from tenants who wish to avoid or settle an eviction suit but only to the extent that such fees are permitted under state and local laws, appear reasonable, and do not exceed the actual costs incurred
- Extermination fees; permissible only if tenant is uncooperative
- Early lease termination fees; may not exceed two months' rent and release tenants from any further liability

  - Such fees are prohibited when a lease termination is due to a Violence Against Women Reauthorization Act of 2013 (VAWA) protection or reasonable accommodation request
- Payments for utilities under a Ratio Utility Billing System (also known as RUBS); permissible but are always considered rent (not a utility allowance)
  - RUBS is a formula that allocates a property's utility bill among its units based on the units' relative floor space, number of occupants, or some other quantitative measure, but not based on actual consumption; because monthly utility bills fluctuate, Minnesota Housing recommends owners establish a RUBS payment cap in the lease to avoid rent noncompliance
- Administrative fee; permissible only when owners provide certain utilities to tenants through actual consumption, submetering arrangements and must not exceed an aggregate amount per unit of the greater of (i) five dollars per month; (ii) an amount (if any) designated by publication in the Internal Revenue Bulletin (IRB); or (iii) the lesser of the amount (if any) specifically prescribed under state or local law or a maximum amount (if any) designated by publication in the IRB

It is permissible to charge first and last months' rent if the same is charged to all tenants.

Records demonstrating the costs associated with fees charged to tenants may be requested as part of a monitoring review.

Impermissible Fees

The following fees are not permissible and, if charged to a resident, will be treated as rent:

- Fees for the work involved in completing forms and documentation required to certify income
- A move-in fee that is not a refundable security deposit (this includes nonrefundable alternatives to security deposits such as security bonds or lease guarantees)
- An application fee that exceeds an owner's average expected out of pocket expense
- Decorating fees or fees for preparing a unit for occupancy; owners are responsible for physically maintaining units in a manner suitable for occupancy
- Mandatory professional carpet cleaning by departing residents
- Unit transfer fees unless the owner can clearly document that the fees cover owner's actual out of pocket costs and are not used for preparing a unit for occupancy
- Lease violation fines or other fees for unacceptable tenant or guest behavior
- Fees associated with utility submetering systems that are not part of the allowable administrative fee

Fees that exceed the limits described in the Permissible Fees section, above, are not permissible and will be treated as rent.

An owner may not charge a damage/security deposit, additional rent or fees associated with a service or therapy animal associated with a person with disabilities. If charged to a resident, such amounts must be immediately refunded or Minnesota Housing may report the owner/agent to HUD's Fair Housing and Equal Opportunity Enforcement division.

1.06 Fixed or Floating Units

Assisted units may be fixed or floating and are designated on a property-by-property basis. Fixed or floating units are designed at the time of project commitment in the written agreement, and the actual units must be identified no later than the time of project completion. The Declaration of Covenants, Conditions and Restrictions identifies fixed or floating unit designations.

- **Fixed Units:** Designated units are identified by unit number and never change. Units in properties where all units are assisted are automatically considered fixed. Fixed units remain the same throughout the period of affordability.
- **Floating Units:** Designated units may change over time as long as the total number of comparable units in the property remains constant. If a property's Declaration does not specify comparable floating units, then the units that were initially HOME or NHTF-qualified upon project completion will be used to determine comparable floating units.

Refer to Chapter 2 (Maintaining the Unit Mix) of this document for more information.

1.07 Rent Increases

The purpose of the HOME and NHTF programs is to keep units affordable. Minnesota Housing encourages owners to increase rents no more than what is needed to keep pace with rising costs and recognize that to promote housing stability, incremental increases are easier for residents to absorb than sudden significant increases.

As long as rents remain below the maximum allowed in each program, an owner may increase the lease rent no earlier than one year from the date the project was completed and no more frequently than annually thereafter, based on the date of the last rent increase. Projects with project-based rental assistance may increase rents in accordance with the rental assistance contract.

Beginning November 1, 2025, all rent increases require a minimum notice of 60-days. However, a rent increase greater than 5% is not effective unless and until owner provides 120-days' notice in writing to tenant. If owner fails to provide proper notice, owner must return or credit, at tenant's election, any amounts collected in connection with the ineffective rent increase. This requirement does not apply to residents benefitting from rental assistance or Housing Support unless such increase affects the tenant's portion of the rent.

Examples below assume current lease rent is $1000 with no rental assistance, that the increase complies with the once-annual requirement, that the increase is otherwise allowed under the terms of the lease, and that the increase does not cause the gross rent to exceed the applicable rent limit:

1. In compliance: On July 1, 2025, owner provides notice of a rent increase to $1051, effective November 1, 2025. While the increase is more than 5%, owner has provided more than the minimum 120-day notice.
2. In compliance: Owner provides a 60-day notice of a rent increase to $1030. Thirty dollars is 3% of $1000, so the 120-day notice is not required.
3. In compliance: Owner provides a 60-day notice of a rent increase to $1050. Fifty dollars is 5% of $1000 so the 120-day notice is not required.
4. Out of compliance: Owner provides a 60-day notice of a rent increase to $1051. The increase is more than 5%, but owner has not provided 120-day notice. To bring the unit into compliance, owner must decrease rent to $1050, provide the minimum 120-day notice to the resident, refund or credit the resident $1 for all months that were overcharged until the minimum 120-day notice period has been fulfilled. At that time, owner may begin charging the resident $1051 for rent.

1.08 Utility Allowances

HOME and NHTF statutes and regulations establish rent limits for assisted rental units. These are gross limits that include contract rent plus a utility allowance (UA) for tenant-paid utilities. Owners are required to establish maximum monthly allowances for utilities and services (excluding telephone) and to update the UA annually. If all utilities are paid by the owner, the utility allowance is zero.

- **NHTF Only:** For NHTF-assisted units, owners may use the UA for the Section 8 Housing Choice Voucher (HCV) program from the local housing and redevelopment authority or public housing agency (PHA) that administers HCVs in the area in which the property is located.
- **HOME Only:** Owners were NOT permitted to use the PHA’s UA for HOME-assisted units if HOME funds were committed between August 23, 2013, and April 20, 2025. However, on or after April 20, 2025, owners may use the local PHA’s UA.

The following methodologies will meet the regulatory requirements for a project-specific UA and may be used for both HOME and NHTF:

1. **Average of Actual Consumption.** In 2015, HUD published Multifamily Notice H-2015-4 to provide instructions to owners of Section 8 and other HUD-assisted properties for completing the required utility analysis. This analysis is also used for the USDA Rural Housing Service program and allowed for Low-income Housing Tax Credit (HTC) projects per IRS regulations at 26 C.F.R. 1.42-10(b)(3). Owners may use the methodology from the notice, including the required baseline utility analysis, the optional factor-based utility analysis, and the utility analysis sample size.

2. **Utility Company Estimate** (26 C.F.R. 1.42-10(b)(4)(B)). Owners may establish a UA based on estimates obtained from a local utility company for each of the utilities used in the project. The estimate must be obtained in writing and must be based on the estimated cost of that utility for a unit of similar size and construction for the geographic area in which the building containing the unit is located.
3. **Energy Consumption Model (ECM)** (26 C.F.R. 1.42-10(b)(4)(E)). Owners may establish a UA based on an energy and water and sewage consumption and analysis model. The model must at a minimum take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics of the building location and available historical data. The utility consumption estimates must be calculated by a mechanical engineer properly licensed in the State of Minnesota or a Residential Energy Services Network (RESNET) certified Home Energy Rating System (HERS) rater. The engineer and building owner must not be related within the meaning of IRC section 267(b) or 707(b), to which the engineer and building owner must certify. The owner and engineer must also certify that the model complies with the minimum requirements described above. Use of the energy consumption model is limited to a building's consumption data and local rates for the 12-month period ending no earlier than 60 days prior to the effective date of the UA. In the case of new buildings with less than 12 months of consumption data, 12 months of data can be used for units of similar size and construction in the geographic area.
4. **HUD Utility Schedule Model (HUSM)**. This model can be found on HUD's website. Utility rates using the HUD utility model must be no older than the rates in place 60 days prior to the beginning of the 90-day period before utility allowances can be used in determining the gross rent.

The initial UA approval will occur prior to loan closing. Once the method and allowances have been approved by Minnesota Housing, the owner must update the allowances annually using the approved method and current rate information. Regardless of the method or source of UA, a Utility Allowance Information form stating the proposed utility allowance figures for each unit size must be completed and maintained with the source documentation (see list below).

It is the owner's responsibility to contact the appropriate organization to request current UA information. Minnesota Housing does not collect or maintain the various UAs. All costs incurred in obtaining a UA are the responsibility of the owner.

Failure to maintain or provide the UA and supporting documentation annually is considered noncompliance; without proof of the amount of the UA, there is no way to correctly compute the rent. In addition, an incorrect UA calculation may result in noncompliance for rents that exceed the HOME or NHTF rent limits.

Depending on the unit types, an owner or manager could have buildings in the same development using different UAs (for example, townhouses and apartments may have different UA amounts).

Updated UAs must be used to compute rents that are due 90 days after the effective date of the new UAs. For new buildings, owners are not required to review or implement new UAs until a building has achieved 90% occupancy for a period of 90 consecutive days or the end of the first year of the period of affordability, whichever is earlier.

If using the Average of Actual Consumption, source documentation must include item 1below and the required items as stated in Multifamily Notice H-2015-4.

If using ECM or HUSM, source documentation must include:

1. Completed and signed Utility Allowance Certification Form
2. Copy of owner's notice to residents and description of how residents were notified (for example, copy sent to each unit, posted in common areas and office); if the property is not yet occupied at the time the request is made, indicate when the property is expected to be occupied in the cover letter or email
3. Rate information from applicable utility companies using currently published rates no older than 60 days from notice to residents and Minnesota Housing; highlight all applicable rates, riders, franchise fees, and other charges used to determine the utility allowance
4. One of the following:
    a. Completed HUSM Excel file or report generated from HUD's online HUSM tool
    b. ECM calculation methodology and workbook or report generated from the engineer's ECM system demonstrating how the applicable rates, tariffs, and taxes were applied within the modeling
5. Printout of applicable state and local tax rates from the Department of Revenue's Sales Tax Calculator
6. For individually metered utilities, a copy of a recent resident utility bill showing all rates and charges from each source; owners may need to require utility release authorization forms to obtain a copy of utility bills
7. For individually metered utilities for new construction where there is no recent resident utility bill, evidence of who the utility supplier(s) will be and, if electric is part of the utility allowance, evidence of whether electric lines are overhead or underground
8. For any sub-metered utilities, each of the following:
    a. The formula used to convert master meter charges to individual tenant charges
    b. A copy of a recent bill from each master meter
    c. A copy of a recent resident bill

The utility rates charged to tenants in a sub-metered, rent-restricted unit must be limited to the utility company rates incurred by the building owners (or their agents). And, if building owners (or their agents) charge tenants a reasonable fee for the administrative costs of submetering, then the fee will not be considered gross rent. The fee must not exceed an aggregate amount per unit of the greater of (i) five dollars per month; (ii) an amount (if any) designated by publication in the Internal Revenue

Bulletin (IRB); or (iii) the lesser of the amount (if any) specifically prescribed under state or local law or a maximum amount (if any) designated by publication in the IRB.

Any correction to the UA figures that results in a decrease to the UA after the resident notice is issued requires a new notice and will re-start the 90-day period. If utility rates have changed since the original notice was issued the new rates must be used.

Minnesota Housing will review and base its decision for approval or non-approval of the methodology and allowance figures on the completeness, quality and accuracy of information provided. Approval of the UA does not constitute a guarantee that the UA is correct. If at any time it is determined that a UA has been understated, and, therefore, some or all of the units are not rent restricted, owner will be required to make corrections.

The owner must also notify tenants of updated ECM, HUSM or Average of Actual Consumption utility allowances and make the data upon which the utility allowance is calculated available for inspection by the tenants at the beginning of the 90-day period before the effective date. Records must be made available at the resident manager’s office during reasonable business hours or, if there is no resident manager, at the dwelling unit of the tenant, at the convenience of both the apartment owner and tenant. This is required for initial use of any of the three methods and for all annual updates. Any correction to the UA figures after the resident notice is issued requires a new notice and will re-start the 90-day period. Owners should check to see whether utility rates changed since the original notice was issued and incorporate new rates, if applicable.

Once the initial UA has been approved, the owner must update the allowance at least once during each calendar year, based on updated rate information, but submission to Minnesota Housing is not required. Utility allowance and source documentation will be reviewed as part of the inspection of administrative records.

1.09 Records Retention

Owners must retain project records for a minimum of five years beyond the property's required effective period. Tenant records, including income verifications, development rents, and unit inspections must be retained for the most recent five-year period, until five years after the effective period terminates.

Owners must maintain applicant and tenant information in a way to ensure confidentiality.

Owners must dispose of records in a manner that will prevent any unauthorized access to personal information (for example, shred).

1.10 Leases

Each lease must be in writing and include the legal name(s) of the parties to the agreement and all other occupants, a description of the unit to be rented, the term of the lease, the rental amount, the use of the premises, and the rights and obligations of the parties. The lease shall also inform the tenant that fraudulent statements are grounds for eviction and that the tenant could become subject to penalties available under federal law. The lease must be for a period of not less than one year, unless a shorter period is mutually agreed upon between owner and tenant. See section 3.02 (Minimum Lease Requirements) for additional details.

1.11 Income Certification

The owner must verify and certify tenant income eligibility at move-in and recertify at least annually thereafter. Every sixth year of the period of affordability, income and income from assets must be verified again. Tenants must certify to their anticipated income, family size and composition. Third party income verifications or other forms of supporting documentation must be obtained by the owner and kept on file. Tenant files will be reviewed as part of the inspection process.

For properties with existing tenants receiving funds for rehabilitation, owners may begin certifying tenant eligibility on or after the date of the written agreement. These initial certifications will precede the start of the period of affordability, but as long as the owner complies with requirements for annual recertification and applies the appropriate rules for increases in income at recertification to maintain the unit mix, the units will continue to be eligible at the start of the period of affordability.

Properties where HOME funds were committed on or after August 23, 2013, must also certify student eligibility at move-in and annually.

1.12 Increases in Income

HOME Only

The owner must ensure that any household whose recertified income increases above the HOME income eligibility guidelines pays not less than 30% of its *adjusted* monthly income for rent, or the owner may charge market rent. Refer to Chapter 2 (Maintaining the Unit Mix) of this document for more information on how to respond to increases in income for both fixed and floating units. The unit must be marketed to eligible tenants when vacated. Those properties with HTC need not adjust rent to 30% of the household's income if doing so would put the property out of compliance with the HTC program. Under this scenario, the household may only be charged rent equal to or less than the maximum allowable HTC rent.

NHTF Only

NHTF-assisted units continue to qualify as affordable housing despite temporary noncompliance caused by increases in the incomes of existing tenants if actions satisfactory to HUD are being taken. Refer to Chapter 2 (Maintaining the Unit Mix) of this document for more information on how to respond to increases in income for both fixed and floating units.

1.13 Property Standards

The owner must keep all units in compliance with pertinent state and local building codes to ensure the units are decent, safe and sanitary at all times. In addition, the standards used for HOME and NHTF physical inspections are the National Standards for the Physical Inspection of Real Estate (NSPIRE) which focuses on inside the building, outside the building and within the units to ensure that they are, "functionally adequate, operable, and free of health and safety hazards." Properties are not subject to NSPIRE's scoring protocol. However, noncompliance with any of the NSPIRE inspection standards is considered noncompliance for HOME and NHTF.

As described in NSPIRE standards, defect severity levels include the following characteristics:

- **Life-Threatening (LT).** The Life-Threatening category includes deficiencies that, if evident in the home or on the property, present a high risk of death to a resident. NSPIRE correction period is 24 hours.
- **Severe.** The Severe category includes deficiencies that, if evident in the home or on the property, present a high risk of permanent disability, or serious injury or illness, to a resident; or the physical security or safety of a resident or their property would be seriously compromised. NSPIRE correction period is 24 hours.
- **Moderate.** The Moderate health and safety category includes deficiencies that, if evident in the home or on the property, present a moderate risk of an adverse medical event requiring a healthcare visit; cause temporary harm; or if left untreated, cause or worsen a chronic condition that may have long-lasting adverse health effects; or that the physical security or safety of a resident or their property could be compromised. NSPIRE correction period is 30 days.
- **Low.** Deficiencies critical to habitability but not presenting a substantive health or safety risk to resident. NSPIRE correction period is 60 days.

In addition, NSPIRE requires the following minimum Affirmative Habitability requirements:

1. Hot and cold running water in both bathroom and kitchen, including adequate source of safe drinking water in the bathroom and kitchen
2. Bathroom or sanitary facility that is in proper operating condition and usable in privacy that contains a sink, a bathtub or shower, and flushable toilet
3. At least 1 battery-operated or hard-wired smoke detector

   a. On each level of the unit
   b. Inside each bedroom
   c. Within 21’ of any door to a bedroom measured along a path of travel
   d. Where a smoke detector installed outside a bedroom is separated from an adjacent area by a door, must also be installed on the living area side of the door
4. Living room and kitchen area with a sink, cooking appliance, refrigerator, food preparation area, and food storage area
5. For units with Housing Choice Vouchers or Project Based Vouchers, at least one bedroom or living/sleeping room for each two persons in the household
6. Must meet carbon monoxide detection standards established through Federal Register notice
7. Two working outlets or one working outlet and a permanent light within all habitable rooms
8. Outlets within 6’ of a water source must be GFCI protected
9. Must contain a permanently installed heating source; units may not contain unvented space heaters that burn gas, oil, or kerosene
10. Must have a guardrail when there is an elevated walking surface drop off of 30’ or more measured vertically
11. Permanently mounted light fixture in the kitchen and each bath

NSPIRE minimum Affirmative Habitability requirements for inside inspectable area:

1. At least one battery-operated or hard-wired smoke detector on each level
2. Must meet carbon monoxide detection standards established through Federal Register notice
3. Outlets within 6’ of a water source must be GFCI protected
4. Must have a guardrail when there is an elevated walking surface drop off of 30” or more measured vertically
5. Permanently mounted light fixtures in any kitchens and each bathroom
6. May not contain unvented space heaters that burn gas, oil, or kerosene

NSPIRE minimum Affirmative Habitability requirements for outside inspectable area:

1. Outlets within 6’ of a water source must be GFCI protected
2. Must have a guardrail when there is an elevated walking surface drop off of 30” or more measured vertically

Housing built before 1978 may contain lead-based paint. Lead from paint, paint chips and dust can pose health hazards if not managed properly. Lead exposure is especially harmful to young children and pregnant women. Before renting pre-1978 housing, owners must disclose the presence of known lead-based paint and/or lead-based paint hazards in the dwelling. Tenants must receive the federally approved Protect Your Family from Lead in Your Home pamphlet on lead poisoning prevention. This disclosure must be documented on HOME/NHTF Form 22 Lease Addendum. The HOME/NHTF Form 22 Lease Addendum is waived for units that receive project-based Section 8 assistance when the HUD Model Lease form is used.

1.14 Fair Housing Policy and Affirmative Marketing

Refer to the Legal Addendum, Section 1.09 for Minnesota Housing's Fair Housing Policy and requirements of the Fair Housing Act and Minnesota Human Rights Act.

Owners of rental properties that contain five or more HOME- or NHTF-assisted units, regardless of the specific activity the HOME or NHTF funds financed (for example, acquisition, rehabilitation, and/or new construction) must develop and implement an Affirmative Fair Housing Marketing Plan in accordance with HUD and Minnesota Housing requirements. Owners must regularly review and update the plan and use affirmative fair housing marketing practices in soliciting renters, determining eligibility, and concluding all transactions. Affirmative marketing includes actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status (persons with children under 18 years of age, including pregnant women), or disability. A file must be maintained with all marketing efforts related to the property including newspaper ads, social service contacts, photos of signs posted, etc. Records will be reviewed for adequate documentation of compliance with federal requirements as part of the inspection.

Access Minnesota Housing's Fair Housing webpage for more information, including an online Affirmative Marketing Toolkit to assist in creating the AFHMP. Download the Equal Housing Opportunity logo.

1.15 Community Housing Development Organizations – HOME Only

All HOME program requirements are the same for Community Housing Development Organization (CHDO) projects as for other HOME programs. In addition, CHDOs must ensure that they continue to meet all pertinent guidelines specific to CHDOs, including the ownership requirements in 24 C.F.R. 92.300. Properties that are owned, developed or sponsored by CHDOs, must have a tenant participation plan to ensure that tenants are involved in the management and decision-making with respect to the property. CHDO properties must also have fair lease and grievance procedures.

Tenant participation in management decisions can be achieved in a number of ways. Two common options are:

- Involvement of a tenant association to act as a formal body to provide input for project management; or
- Tenant election of a representative to act as a liaison with management.

1.16 Community Housing Development Organization Fair Lease and Grievance Procedure – HOME Only

CHDOs must adhere to an approved fair lease and grievance procedure and provide a plan for, and follow a program of, tenant participation in management decisions. Fair lease and grievance procedures should be objective. They should clearly state each of the following items:

- To whom a tenant should direct a complaint
- Who will investigate and/or respond to the complaint
- By when the tenant should expect to receive a response

1.17 Violence Against Women Act

On November 16, 2016, HUD issued its final rule implementing housing protections authorized in the Violence Against Women Reauthorization Act of 2013 (VAWA). Unique monitoring and implementation dates apply to HOME and NHTF.

All HOME and NHTF projects, must comply with the core statutory provisions of the law and *must* distribute each of the following forms to tenants:

- HUD Form 5380 – Notice of Occupancy Rights under the Violence Against Women Act
- HUD Form 5382 – Certification of Domestic Violence, Dating Violence, Sexual Assault, or Stalking, and Alternate Documentation

These documents are to be provided:

- With the notice that an application has been denied;
- At the time the household is admitted;
- With any notice of eviction; and
- With any notice of termination of tenancy.

Existing residents were required to receive a copy of HUD form 5380 and form 5382 by December 15, 2017, during recertification, lease renewals or by other means.

Compliance with VAWA regulatory requirements under the final rule is required for HOME projects with funding commitments on or after December 16, 2016, and for all NHTF projects.

Minnesota Housing has created an external Emergency Transfer Plan, and owners must provide an internal Emergency Transfer Plan model (refer to HUD forms 5381 and 5383). The owner must follow Minnesota Housing's external Emergency Transfer Plan and adopt an internal Emergency Transfer Plan. The emergency transfer plan allows for survivors to move to another safe and available unit if they fear for their life and safety.

Owners must be familiar with the statutory and regulatory requirements that affect their developments and should consult with legal counsel as needed. Also refer to HUD Notice H 2017-05: Violence Against Women Act (VAWA) Reauthorization Act of 2013 – Additional Guidance for Multifamily Owners and Management Agents for valuable definitions and examples of how to fully implement VAWA protections.

Find VAWA forms 5380, 5381, 5382 and 5383 on HUDClips. Owner may customize the forms for use at their properties, but the modified forms must maintain the base information and language.

Chapter 2 – Maintaining the Unit Mix

Throughout this guide the terms High HOME Rent unit and High HOME unit; and Low HOME Rent unit and Low HOME unit are used interchangeably.

2.01 Fixed Units

HOME Only

Properties with **fixed HOME-assisted units** have specific units that are designated as HOME-assisted for the duration of the period of affordability. Owners must maintain these specific units as the HOME-assisted units. In a property with fixed HOME units, the designation of units as High HOME Rent units and Low HOME Rent units may need to change.

Maintaining the required number of HOME-assisted units, as well as High HOME Rent units and Low HOME Rent units, for properties with five or more HOME-assisted units is called complying with the **unit mix requirements**.

During the annual income recertification, owners may find that a household's income has increased. A household is considered **over-income** in the HOME Program when any of the following conditions are met:

- The household occupies a High or Low HOME Rent unit, and the household's income increases over the current HOME low-income limit (80% income limit) for that family size
- The household occupies a Low HOME Rent unit, and the household's income increases above the current very low-income limit but does not increase above the low-income limit; that is, the household income is above 50 and below 80% of area median income
- In HOME-assisted units that are also HTC units, the household's income increases to 140% or more of the qualifying tax credit income for that unit

When a household is over-income, the unit that the household occupies is considered **temporarily out of compliance** with HOME's occupancy and unit mix requirements. Temporary noncompliance due to an increase in an existing household's income is permissible as long as the owner takes specific steps to restore the correct occupancy and unit mix in the property as soon as possible. When the household's income exceeds the low-income limit, its rent must also be adjusted.

When an owner conducts the annual income recertification and finds that a household is over-income, the steps that it takes to restore compliance depend on whether the over-income household occupies a High HOME unit or a Low HOME unit. If the household occupies a Low HOME unit, the steps also depend on whether or not the tenant is low-income.

Over-Income Household Occupies a High HOME Rent Unit

If the over-income household occupies a High HOME Rent unit, the property is temporarily out of compliance until the unit is vacated and can be rented to another low-income household. The owner must raise the rent as soon as the lease permits, in accordance with the terms of the lease. The rent must be adjusted such that the household pays the lesser of:

- The rent amount payable under state or local law
- 30% of the tenant's monthly adjusted family income

If the unit is an HTC unit, the rent must be at or below the amount allowed by the tax credit program.

The owner cannot terminate the lease based on the household's increased income.

Over Very Low-Income Limit Household Occupies a Low HOME Rent Unit

If the household occupies a Low HOME Rent unit and its income increases over the very low-income limit, *but not over the low-income limit,* the property is temporarily out of compliance until either: (1) a High HOME unit can be re-designated as a Low HOME unit, or (2) the unit is vacated and can be rented to another very low-income tenant household.

The unit occupied by the over-income household retains its designation as Low HOME until another unit can be re-designated as Low HOME.

When a High HOME unit in the property vacates, regardless of bedroom size, the unit must be re-designated as a Low HOME unit and rented to a very low-income household, at no more than the Low HOME Rent. Once a new Low HOME unit has been designated, the Low HOME unit that is occupied by the over-income household must be re-designated as a High HOME unit. At this time, the owner can increase the tenant's rent up to the High HOME Rent limit, subject to terms of the lease.

Over Low-Income Limit Household Occupies a Low HOME Rent Unit

If the household occupies a Low HOME Rent unit and its income increases above the low-income limit, the property is temporarily out of compliance and will continue to be out of compliance until the over-income tenant moves out and another income-eligible tenant household moves in.

The owner must adjust the over-income household's rent as soon as the lease permits. The over-income tenant must pay the lesser of:

- The rent amount payable under state or local law
- 30% of the tenant's monthly adjusted family income

If the unit is an HTC unit, the rent must be at or below the amount allowed by the tax credit program.

The owner cannot terminate the lease based on the household's increased income.

When a High HOME unit becomes available, regardless of bedroom size, it must be re-designated as a Low HOME unit. This unit must be rented to a very low-income tenant, at no more than the Low HOME Rent limit. Then, the unit that is occupied by the over-income tenant must be re-designated as a High HOME unit. Even though the unit is re-designated a High HOME unit, the tenant is over the low-income limit, so the property continues to be temporarily out of compliance.

More than One Over-Income Household in the Property

If there is more than one over-income household in the property and both a Low HOME unit and High HOME unit are needed to restore unit mix compliance, the owner should restore compliance with the Low HOME unit first.

NHTF Only

Properties with **fixed NHTF-assisted units** have specific units that are designated as NHTF-assisted for the duration of the effective period. Owners must maintain these specific units as the NHTF-assisted units. When an owner conducts the annual income recertification and finds that a household is over-income, the unit will continue to qualify until the household vacates, at which time the unit must be rented to a NHTF-qualified household.

2.02 Floating Units

HOME Only

Properties with **floating HOME-assisted units** do not have specific units that are designated for the duration of the effective period. Instead, the total number of HOME-assisted and non-assisted units that are designated at the time of project commitment must stay the same throughout the effective period. The specific units that carry the HOME-assisted designations may change, or float, among comparable assisted and non-assisted units during this time. In a property with floating HOME units, unit mix is maintained by changing the unit designations when the next comparable unit becomes available. For example, if a property has an over-income tenant in a HOME-assisted unit, when the next non-assisted comparable unit becomes available, it is designated as HOME-assisted and rented to an income-eligible tenant. The unit occupied by the over-income tenant is re-designated as a non-assisted unit.

Maintaining the required number of comparable HOME-assisted units, as well as High HOME Rent units and Low HOME Rent units, for properties with five or more HOME-assisted units, is called complying with the **unit mix requirements**.

When recertifying a tenant’s income, an owner may find that the tenant’s income has increased. A tenant is considered **over-income** when any of the following conditions are met:

- The tenant occupies a HOME-assisted unit, and the household's income increases over the current HOME low-income limit for that family size
- The tenant occupies a Low HOME Rent unit, and the household's income increases above the current very low-income limit but is still below the low-income limit
- In HOME-assisted units that are also HTC units, the household's income increases to 140% or more of the qualifying tax credit income for that unit

When a tenant is over-income, the unit that the tenant occupies is considered **temporarily out of compliance** with HOME's occupancy and unit mix requirements. Temporary noncompliance due to an increase in an existing tenant's income is permissible as long as the owner takes specific steps to restore the required unit mix in the property. The rents of the over-income tenants can be adjusted.

When re-designating units in a property with floating HOME-assisted units, owners can choose to substitute a unit that is comparable to or larger than the original HOME-assisted unit, but generally cannot substitute one that is smaller. A smaller unit can be substituted only when doing so preserves the original unit mix. A larger unit is one that might be considered more preferable because of larger size, additional bedrooms or amenities. The goal is to maintain the same number and type of HOME-assisted units as were originally designated; therefore, if an owner substitutes a larger unit it can later substitute an available unit that is smaller, when applicable, in order to restore the original unit mix.

Over-Income Household Occupies a Floating High HOME Unit

If an over-income household occupies a floating High HOME unit, the owner must adjust the rent of the over-income household so that it pays 30% of its monthly adjusted income as rent. The rent adjustment must be made as soon as the lease permits and in accordance with the terms of the lease. Note that, unlike the rule for properties with fixed HOME-assisted units, in a property with floating HOME units, a household is not required to pay more than the market rent for a comparable, unassisted unit in the neighborhood.

The next vacant, comparable, non-assisted unit must be designated as a High HOME unit. A comparable unit is one that is equal or greater in terms of size, number of bedrooms, and amenities. The owner may not replace the unit with one that is smaller, unless doing so preserves the original unit mix. The newly designated High HOME unit must be rented to a household whose income does not exceed the low-income limit, at a rent that does not exceed the High HOME Rent limit.

Once a comparable non-assisted unit is designated the new High HOME Rent unit, the unit with the over-income household is re-designated as a non-assisted unit. At this point, the owner may adjust the household's rent without regard to the HOME rent requirements (although requirements from other funding sources may still apply). Rent increases are subject to the terms of the lease.

Over Very Low-Income Limit Household Occupies a Floating Low HOME Unit

If a household occupies a floating Low HOME unit and its income is above the very low-income limit, *but not over the is low-income limit,* the unit occupied by the over-income household keeps its designation as a Low HOME unit until a comparable unit can be substituted. The rent of the over-income household must not exceed the Low HOME rent limit while the unit is a Low HOME unit.

When the next High HOME unit in the property is vacated, it must be re-designated as a Low HOME unit and rented to a household whose income does not exceed the very low-income limit, at a rent that does not exceed the Low HOME Rent limit.

Once the new Low HOME unit is designated, the unit with the over-income household is re-designated as a High HOME unit. The household's rent may be adjusted to no more than the High HOME Rent limit, subject to the terms of the lease.

Over Low-Income Limit Household Occupies a floating Low HOME Unit

If a household's income is above the low-income limit and it occupies a floating Low HOME unit, the next vacant, comparable, non-assisted unit must be designated as a Low HOME unit and rented to a household whose income does not exceed the very low-income limit, at a rent that does not exceed the Low HOME Rent limit.

Until a comparable Low HOME unit is designated, the unit that is occupied by the over-income household is considered a Low HOME unit that is temporarily out of compliance.

The rent of the over-income household in the original Low HOME unit must be adjusted as soon as the lease permits, and in accordance with the terms of the lease.

- Until a comparable Low HOME unit is substituted, the over-income tenant must pay 30% of the household's monthly adjusted income as rent.
- After a comparable Low HOME unit is substituted, the unit with the over-income household is re-designated as a non-assisted unit. The owner may adjust the household's rent without regard to the HOME restrictions. Rent increases are subject to the terms of the lease.

A household in a floating HOME unit whose income exceeds the low-income limit is not required to pay more than the market rent for a comparable, unassisted unit in the neighborhood.

More than One Over-Income Household in the Property

If there is more than one over-income tenant in the property and both a Low HOME unit and High HOME unit are needed to restore unit mix compliance, the owner should restore compliance with the Low HOME unit first.

NHTF Only

Properties with **floating NHTF-assisted units** do not have specific units that are designated for the duration of the effective period. Instead, the total number of NHTF-assisted and non-assisted units that are designated at the time of project commitment must stay the same throughout the effective period. The specific units that carry the NHTF-assisted designations may change, or float, among comparable assisted and non-assisted units during this time. In a property with floating units, unit mix is maintained by changing the unit designations when the next comparable unit becomes available. For example, if the recertified income of an NHTF-assisted household exceeds the allowable NHTF income limit, the unit will continue to qualify until a comparable vacant unit (comparable in size, features and number of bedrooms) is rented to an NHTF-qualified household. Once the unit is replaced, the over income unit is no longer treated as an NHTF unit.

When re-designating units in a property with floating NHTF-assisted units, owners can choose to substitute a unit that is equal to or greater than the original NHTF-assisted unit, but generally they cannot substitute one that is lesser. A lesser unit can be substituted only when doing so preserves the original unit mix. A greater unit is one that might be considered more preferable because of larger size, additional bedrooms, or amenities. The goal is to maintain the same number and type of assisted units as were originally designated; therefore, if an owner makes a substitution that is greater, it can later substitute an available unit that is lesser in order to restore the original unit mix.

2.03 Rental Assistance

Households receiving rental assistance, including a Section 8 subsidy, must not be refused tenancy in a HOME- or NHTF-assisted unit based solely on the fact that they receive rental assistance. Any rent charged must be comparable to units not receiving rental assistance (for example, if the owner charges less than the maximum HOME or NHTF rent for non-voucher holders, it cannot charge a higher rent to voucher holders).

Rents for NHTF-assisted units with tenants benefitting from project-based or tenant-based Section 8 rental assistance or similar state or federal rental assistance may exceed the applicable rent limit for the unit. Beginning April 20, 2025, the same is true for HOME-assisted units.

Chapter 3 – General Occupancy Guidelines

3.01 Tenant Selection Plan

Owners must develop a formal written policy that clearly states the procedures and criteria the owner will consistently apply in drawing applicants from the waiting list, screening for suitability for tenancy, and implementing income targeting requirements. The Tenant Selection Plan (TSP) must state whether there are any restrictions or preferences in the admission of tenants.

TSP's must provide for selection of qualified applicants from a written waiting list in the chronological order of their application, insofar as is practicable. If the TSP has preferences, the selection from the list of preferences must also be in chronological order of their application, insofar as is practicable.

There is no federal regulation governing the number of persons allowed to occupy a unit based on size; however, there may be local ordinances regarding unit occupancy. It is important, though, to be consistent when accepting or rejecting applications. It is recommended that the owner determine the minimum and maximum number of people that will be allowed to occupy each size unit and put that formula in writing as part of the TSP.

On April 4, 2016, HUD's Office of General Counsel issued guidance on criminal background screening, focusing attention on the ways in which even well-intentioned tenant selection policies can act as tools of exclusion. This guidance applies to all housing providers, including owners and managers of HOME and NHTF properties. In response, Minnesota Housing prepared a Tenant Selection Plan (TSP) guidance document that identifies best practices for TSP's. The TSP guidance is recommended for all properties but is required for all projects selected after March 31, 2021. The document contains a summary of the HUD guidance on criminal background screening and reflects the agency's consideration of best practices, along with special factors affecting supportive housing programs. Note that various funding sources and jurisdictions may impose other TSP requirements. Owners and managers should consult with an attorney to ensure the TSP complies with program requirements, the Fair Housing Act, and the Minnesota Human Rights Act.

HUD issued its Final Rule on February 3, 2012, regarding Equal Access to Housing in HUD programs regardless of Sexual Orientation or Gender Identity. Owners may not inquire about the sexual orientation or gender identity of an applicant or occupant of HUD assisted housing for the purpose of determining eligibility or continued occupancy. This prohibition on inquiries regarding sexual orientation or gender identity does not prohibit any individual from voluntarily self-identifying sexual orientation or gender identity. This prohibition on inquiries does not prohibit lawful inquiries of an applicant or occupant's sex where the housing provided or to be provided to the individual is temporary, emergency shelter that involves the sharing of sleeping areas or bathrooms.

In accordance with the Violence Against Women Reauthorization Act of 2013, the selection criteria cannot deny admission on the basis that the applicant has been a victim of domestic violence, dating violence, sexual assault or stalking, if the applicant or tenant otherwise qualifies for admission.

Owners may refer to the HUD Handbook 4350.3 REV 1, Change 4, Chapter 4, on developing a TSP. Minnesota Housing may review the TSP as part of its inspection procedure.

3.02 Minimum Lease Requirements

Tenant leases, including a signed and dated Minnesota Housing HOME/NHTF lease addendum (HOME/NHTF Form 22), must be on file (HOME/NHTF Form 22 is waived for units that receive project-based Section 8 assistance when the HUD Model Lease form is used), and must specify a term of at least one year, unless by mutual consent the owner and the tenant agree to a lesser term. Leases must not contain any of the prohibited lease terms as stated in section 92.253 of the Final HOME Rule or section 93.303 of the Interim NHTF Rule. Any non-renewal or termination of leases must be in accordance with the lease and/or lease addendum. For HOME projects with a commitment date of December 16, 2016 and later, and for all NHTF projects, the lease must also incorporate HUD form 91067, Violence Against Women Act (VAWA) lease addendum. In addition, beginning with new leases and lease renewals effective November 1, 2025, and later, owners must also include the Minnesota Housing Attachment to VAWA Lease Addendum (not required for units with project-based Section 8 using the HUD model lease).

The owner must comply with HOME requirements on evictions as well as state law regarding eviction procedures. There must be a written notice that gives a household 30 days to vacate its unit, regardless of whether the household has violated the law or lease terms. NHTF rules state that owners must serve a written notice upon the tenant specifying the grounds for the action and provide a specific period for vacating that is consistent with state or local law.

Under the HOME and NHTF Programs, tenancy may be terminated only for:

- Serious or repeated violation of the material terms and conditions of the lease
- Violation of applicable federal, state, or local law
- Completion of the tenancy period for transitional housing (HOME only)
- Other good cause (good cause does not include an increase in the tenant’s income)

3.03 Occupant Eligibility

It is the owner's responsibility to select and rent to qualified households. Minnesota Housing will not qualify or approve applicants for eligibility.

Applicants for assisted units should be advised early in the application process of the maximum income limits that apply. Management should explain to all applicants that the anticipated income of all family members must be disclosed and verified. For properties where HOME funds were committed on or after August 23, 2013, the HOME Program has adopted the Section 8 Housing Choice Voucher Program restrictions on student participation found at 24 C.F.R. 5.612, which exclude any student that is enrolled in a higher education institution, unless that student is an Independent Student as defined in the Higher Education Act or has parents who, individually or jointly, are eligible on the basis of income.

Initial Eligibility Determination

Before approving a household for occupancy, owners must determine that the household will cause the unit to be a qualifying unit. The qualification process has three phases:

1. **Application and disclosure of household composition, student status, income and assets:** A detailed application is critical to determining eligibility and is considered supporting documentation to the Tenant Income Certification (TIC). Minnesota Housing's Sworn Statement of Income and Assets form is designed to collect the necessary information. Owners may collect additional information for screening purposes according to their tenant selection plan. Where applicable, the HOME Annual Student Certification should be completed during the application process.
2. **Verification:** The owner must verify all sources of income and assets following HUD's order of acceptability. Owners may accept a Self-Certification of Assets in lieu of third-party verifications if combined net family assets do not exceed the applicable HUD-published amount of net assets for which the owner may accept self-certification. HUD adjusts this amount annually based on inflation so refer to this website for the current figure.
3. **Certification:** After all verifications are received and any applicable follow-up conducted, the owner must calculate income and income from assets based on information provided on the verification forms and complete the TIC.

Noncompliance due to Late Certification

An initial TIC that is not fully completed on or before the date a household moves into a unit causes a fixed HOME or NHTF unit to be out of compliance and cannot be considered a HOME or NHTF unit in a property with floating units. This includes supporting documentation in the form of the household's income and asset disclosure, all required verifications, signed and dated TIC and Annual Student Certification. The unit is out of compliance for over income, from the move-in date to the last signature on the TIC and/or student certification. However, if an applicant is unable to timely sign the TIC due to extenuating circumstances beyond their control, the owner must document the attempts to obtain signature, the reason for the delay and the plan for how and when the proper signature will be provided in the tenant file. If the tenant file contains such documentation a "true and correct as of" statement is unnecessary when the tenant does sign. Failure to follow-up with the tenant to obtain the signature when indicated in the documentation may result in noncompliance.

3.04 Annual Recertification

All households occupying a HOME- or NHTF-assisted unit must be recertified at least annually. Annual income recertifications and annual student certifications must be effective on or before the anniversary date of the previous certification. Owners may align recertification dates with other program certifications or recertify all households at one time during the year. However, if a period of 12 months passes without a recertification being completed for any HOME- or NHTF-assisted unit, the unit is considered out of compliance.

Income and assets must be verified every sixth year of the period of affordability. A self-certification of income and income from assets is acceptable in intervening years. Self-certification includes the income and asset disclosure and a properly signed and dated Tenant Income Certification form. Owners must carefully track which affordability years are six, twelve, eighteen, twenty-four, and thirty so that third party verification is conducted in these years.

3.05 Change in Household Composition

If a household in an assisted unit later wishes to have an additional person move into the unit, the following steps must be taken prior to occupancy:

1. The prospective tenant must complete a Sworn Statement of Income and Assets and allow for verification of income and assets as required of the initial tenant.
2. The prospective tenant's income must be added to the current tenant's most recent certification or recertification and a determination must be made as to whether the household is still within the HOME or NHTF income guidelines. This new certification is reported in PORT as an Other Cert. The effective date of the Other Cert is the date the new household member moves in.
3. In HOME-assisted only units, if the anticipated household income exceeds the guidelines, then once the current lease expires and proper notice is given, the household must pay the lesser of 30% of its *adjusted* income for rent up to the maximum HTC rent if the unit is also an HTC unit, or the rent amount payable under state or local law. If the unit is floating, the new rent cannot exceed market rent for a comparable unassisted unit.
4. For properties with HOME commitments on or after August 23, 2013, the prospective tenant cannot be an ineligible student as described in Chapter 1, section 1.03 (Student Eligibility Requirements – HOME Only) of this document. Prospective tenants age 18-23 must complete the HOME Program Annual Student Certification.

Minnesota Housing strongly recommends owners apply the same screening criteria as any new move-in (for example, credit check, landlord reference) prior to allowing a new member to occupy a unit and to add them to the lease at the time they move in.

It is not necessary to perform a certification when a household member vacates the unit, but owners should document the tenant file so it contains accurate occupancy information.

3.06 Tenant Income Certification Form

The TIC form is used to certify a project's eligible households. The TIC is a legal document that, when fully executed, certifies the tenant is qualified to live in a HOME or NHTF unit and that the information is complete, true, and correct and that no false or misleading information has been provided. The TIC must be signed and dated by all family members over age 18 (and by any members under age 18 who are treated as adults because they are the head of household, co-head or spouse). The owner representative must also sign and date the TIC to certify that the household is qualified for the low-income unit, and the rent complies with the rent limit. For these reasons the effective date cannot be earlier than the last signature date on the TIC form.

Supporting documentation (application/sworn income and asset statement, income verifications, asset verifications, student certification, clarification records, etc.) is considered part of the TIC and must be included in each tenant file. An Income and Asset Calculation Worksheet form can be used to assist in showing the individual calculations of income and asset income. This is highly recommended and will greatly assist an inspector during a file review.

3.07 Government Data Practices Act Disclosure Statement Form

Owners will create, collect, receive, store, use, maintain, and/or disseminate tenant data subject to applicable data privacy laws and regulations, including the Minnesota Government Data Practices Act (MGDPA). As the monitoring agency, Minnesota Housing must review such tenant data.

To comply with MGDPA and other applicable law, Minnesota Housing requires that owners collect a signed and dated Government Data Practices Act Disclosure Statement form for all assisted units. Note that the Government Data Practices Act Disclosure Statement form is *not* a release authorization for verification of income and assets and must not be used as such. The property name and each adult family member’s name must be printed clearly at the top in the boxes provided. An unsigned and/or undated form is not valid and will be noted at the time of file inspection.

- The form may be signed one time and is valid for as long as the family lives at the property. If a family moves from one unit to another, the original signed and dated form should be moved to the file for the new unit. A copy should be kept in the file for the old unit.
- A valid form *must* include all relevant attachments. Some properties or units within a property may require two or more attachments for multiple programs. Each attachment contains Part A, which is data that must be disclosed as a condition of occupancy for the program(s) listed on the attachment, and Part B, which is data that is requested but is not a condition of occupancy.
- The head of household, spouse, co-head, and all family members over the age of 18 must sign and date the form.

- If an adult is added later or a minor reaches age 18, they can add their name, signature and date to the existing form or complete a new form.
- A copy must be made available to the applicant/tenant. It is acceptable to provide an unsigned copy.
- For new applicants, provide the form with the initial application packet.

3.08 Annual Income

Minnesota Housing' HOME and NHTF Programs use HUD's definition of annual income as contained in the U.S. Housing Act of 1937 as amended.

Annual income corresponds to gross income, with no adjustments (deductions) for child-care, medical expenses, dependents, etc.

For certifications and recertifications effective before July 1, 2025 (or such later date as HUD may require full Housing Opportunities Through Modernization Act (HOTMA) implementation), refer to HUD Handbook 4350.3 for a complete listing and discussion of earned/unearned income and asset income.

For certifications and recertifications effective on or after July 1, 2025, or such later date determined by HUD when HOTMA must be fully implemented, refer to HUD Notice 2023-10 and this guide. Attachment F to Notice 2023-10 defines annual income to include all amounts received from all sources by each member of the family who is 18 years of age or older, the head of household, or spouse of the head of household, in addition to unearned income received by or on behalf of each dependent who is under 18 years of age. Annual income does not include amounts specifically excluded in paragraph (b) of 24 C.F.R. 5.609.

Factors that Affect Household Size for Income Limits

When determining family size for establishing income eligibility, the owner must include all persons living in the unit except the following:

- **Foster adult:** defined as a member of the household who is 18 years or older and meets the definition of foster adult under state law.
- **Foster child:** defined as a member of the household who meets the definition of foster child under state law.
- **Live-in aide/attendant (live-in aide)**: a live-in aide is a person who resides with one or more elderly persons, near-elderly persons, or persons with disabilities, and who meets each of the following requirements:
    - Is determined to be essential to the care and well-being of the person(s
    - Is not obligated for the support of the person(s)
    - Would not be living in the unit except to provide the necessary supportive services

Change 4 to HUD Handbook 4350.3, published in 2013, required that foster adults and foster children be counted as household members for both income and occupancy purposes. With the implementation of HOTMA, foster adults and foster children are no longer considered in family size for income purposes but must be considered for unit size purposes.

A live-in aide qualifies for occupancy as a non-family member only as long as the individual needing supportive services requires the live-in aide's services and remains a tenant. The live-in aide will not qualify for continued occupancy as a remaining family member. Owners must obtain verification from the person's physician, psychiatrist or other medical practitioner or health care provider that the live-in aide is needed to provide the necessary supportive services essential to the care and well-being of the person and should not add the attendant to the lease. The owner may not require applicants or tenants to provide access to confidential medical records or to submit to a physical examination. While a relative may be a live-in aide they must meet the above requirements or they must be treated as a family member and their income must be included.

When determining family size for income limits, the owner must include the following individuals who are not living in the unit:

- Children temporarily absent due to placement in a foster home
- Children in joint custody arrangements who are present in the household 50% or more of the time
    - If disputed, determine which parent claimed the children as dependents for purposes of filing a federal income tax return.
- Children who are away at school but who live with the family during school recesses
- Unborn children of pregnant women
    - When a pregnant woman is an applicant, the unborn child is included in the size of the household and may be included for purposes of determining the maximum allowable income. The rental application should ask the following question: "Will there be any changes in household composition within the next 12-month period?" If an applicant answers that a child is expected, the manager should explain to the tenant that to count the child as an additional household member and use the corresponding income limit, a self-certification of pregnancy must be provided
- Children who are in the process of being adopted
- Temporarily absent family members who are still considered family members
    - For example, the owner may consider a family member who is working in another state on assignment to be temporarily absent. Persons on active military duty are considered temporarily absent (except if the person is not the head, co-head or spouse or has no dependents living in the unit). If the person on active military duty is the head, co-head, or spouse, or if the spouse or dependents of the person on active military duty resides in the unit, that person's income must be counted in full.

- Family members in the hospital or at a rehabilitation facility for periods of limited or fixed duration; these persons are temporarily absent as defined above
- Persons permanently confined to a hospital or nursing home
    - The family decides if such persons are included when determining family size for income limits. If such persons are included, they must be listed on the TIC as "other adult family member." If the family chooses to include the permanently confined person as a member of the household, the owner must include income received by these persons in calculating family income.

Deployment of Military Personnel to Active Duty

Owners are encouraged to accommodate the unique circumstances of households where a member is called to active duty in the Armed Forces. Specific actions that an owner can take and remain in compliance include, but are not limited to:

- Allowing a guardian to move into the low-income unit on a temporary basis to provide care for any dependents the military person leaves in the unit. The guardian's income is not included in the household's income.
- Allowing a tenant living in a low-income unit to provide care for any dependents of persons called to active duty in the Armed Forces on a temporary basis as long as the head and/or co-head of the household continues to serve in active duty. Income of the dependent (for example, Supplemental Security Income [SSI] benefits, military benefits) is not included in the household's income.
- Allowing leases to remain in effect for a reasonable period without recertification (if required) depending on the length of deployment beyond that required by the Soldiers' and Sailors' Civil Relief Act of 1940, U.S. Code, title 50, section 501-591, even though the adult members of the military family are temporarily absent from the unit.

Annual Income

Annual income has two components: earned/unearned income and asset income.

Earned/Unearned Income + Income from Assets = Annual Income

If a particular type of income is not specifically mentioned as being excluded, then it is included in annual income. The following are examples of income that are included:

- The gross amount (before any payroll deductions) of wages and salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services of all adults in the household (including persons under the age of 18 who are the head, spouse or co-head)
- Net income, salaries, and other amounts distributed from a business; this includes salaries received from a family-owned business

- The gross amount (before any deductions for Medicare, etc.) of periodic Social Security payments; include payments received by adults on behalf of individuals under the age of 18, or by individuals under the age of 18 for their own support
- The full amount of periodic amounts received from annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts (for example, Black Lung Sick Benefits, Veterans Disability, Dependent Indemnity Compensation [widow of killed in action serviceman]); the withdrawal of cash or assets from an investment received as periodic payments is counted as income
- Delayed periodic payments received because of delays in processing unemployment, welfare, or other benefits
- Payments in lieu of earnings, such as unemployment and disability compensation, and severance pay
- Recurring Monetary or Non-monetary Contributions or Gifts Regularly Received from Persons not Living in the Unit; these sources may include rent, utility, and other payments paid on behalf of the household, and other cash or noncash contributions provided on a regular basis
- All regular pay, special pay, and allowances of a member of the Armed Forces
    - Note that until January 1, 2012, Basic Pay Allowance for housing is disregarded for properties located in a county that contains a qualified military installation to which the number of members assigned to units based out of the military installation as of June 1, 2008, has increased by 20% or more from December 31, 2005; this applies to the county that contains the military installation (a qualified military installation is a military installation or facility with 1,000 or more members as of June 1, 2008) and also to adjacent counties.
- Welfare Assistance
- Alimony and Child Support; alimony or child support paid by a member of the household is not deducted from income, even if it is garnished from wages

Student Financial Assistance

Prior to HOTMA, all forms of student financial assistance (grants, scholarships, educational entitlements, work study programs, Bureau of Indian Affairs student assistance programs and financial aid packages) were excluded from annual income except for students receiving Section 8 assistance. For students receiving Section 8 assistance, all financial assistance a student received, 1) under the Higher Education Act of 1965, 2) from private sources, or 3) from an institution of higher education that is in excess of amounts received for tuition and any other required fees and charges (refer to HUD Notice H2015-12) was included in annual income except if the student was over the age of 23 with dependent children or living with parents receiving Section 8 assistance.

The primary difference between the Section 8 and HOTMA student assistance approaches are how the Higher Education Act of 1965 (HEA) assistance and money from private sources (such as parents and grandparents) are counted. Under HOTMA, HEA assistance is not counted as income, and money from private sources is gift income, not student financial assistance.

The treatment of student financial assistance depends on the program, student/household characteristics, and the type of financial assistance received by the student. The student financial assistance rules apply to both full-time and part-time students.

The two types of student financial assistance applicable to HUD programs are described below:

1. **Amounts Received Under section 479B of the Higher Education Act (HEA) of 1965, as amended.** Section 479B of the HEA provides that certain types of student financial assistance are to be excluded in determining eligibility for benefits made available through federal, state, or local programs financed with federal funds. The types of financial assistance listed below are considered 479B student financial assistance programs; however, this list may not be exhaustive:
   - Federal Pell Grants
   - Teach Grants
   - Federal Work Study Programs
   - Federal Perkins Loans
   - Student financial assistance received under the Bureau of Indian Education
   - Higher Education Tribal Grant
   - Tribally Controlled Colleges or Universities Grant Program
   - Employment training program under section 134 of the Workforce Innovation and Opportunity Act (WIOA)
2. **Other Student Financial Assistance** includes grants or scholarships received from the following sources:
   - The Federal government
   - A state (including U.S. territories), Tribe, or local government
   - A private foundation registered as a nonprofit under 26 U.S.C. 501(c)(3)
   - A business entity (such as a corporation, general partnership, limited liability company, limited partnership, joint venture, business trust, public benefit corporation, or nonprofit entity)
   - An institution of higher education

Other student financial assistance does not include:

- Financial support provided to the student in the form of a fee for services performed (for example, a work study or teaching fellowship that is not excluded under section 479B of the Higher Education Act HEA)
- Gifts, including gifts from family or friends

Other student financial assistance may be paid directly to the student or to the educational institution on the student's behalf. The owner must verify that other student financial assistance is for the student's actual covered costs.

The following sections describe the treatment of the two above-described types of student financial assistance by program type.

Non–Section 8 Recipients

All assistance received under 479B of the HEA by students participating in non–Section 8 programs is excluded from income. Other student financial assistance received by the student that, either by itself or in combination with HEA assistance, exceeds the actual covered costs is not excluded from income.

Actual covered costs include: tuition, books, supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, and fees required and charged to a student by an institution of higher education (as defined under section 102 of the Higher Education Act of 1965 (20 U.S.C. 1087uu)). For a student who is not the head of household, co-head, or spouse, actual covered costs also include the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit.

The formula for calculating the amount of other student financial assistance that is excluded from income always begins with deducting the assistance received under 479B of the HEA from the total actual covered costs, because the 479B assistance is intended to pay the student's actual covered costs. This formula is illustrated below (this and other examples are in HUD Notice 2023-10, Attachment G).

Non-Section 8 Recipients Example 1: Full-Time Student

Juan is a full-time student, and he received the following grants and scholarships to cover his first year of college: Federal Pell Grant: $25,000; University Scholarship: $15,000; Rotary Club Scholarship: $3,000.

- Total assistance received under 479B of HEA: $25,000 (Federal Pell Grant)
- Total other student financial assistance received: $18,000
- Juan's actual covered costs: $28,000

Step 1: Determine amount of actual covered costs exceeding section 479B assistance.

$28,000 (actual covered costs)
\- $25,000 (total assistance received under 479B of HEA)
= $3,000

Step 2: Determine amount of student financial assistance to include in income.

$18,000 (other student financial assistance received)
\- $ 3,000 (actual covered costs exceeding section 479B assistance)
= $15,000 (if negative, then use $0)

Amount of student financial assistance included in Juan's income: $15,000

Section 8 Recipients

Section 210(b) of the Consolidated Appropriations Act, 2023, requires that, "for purposes of determining the eligibility of a person to receive assistance under Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f), any financial assistance (in excess of amounts received for tuition and any other required fees and charges) that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), from private sources, or from an institution of higher education (as defined under section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except for a person over the age of 23 with dependent children." HUD interprets that a person over the age of 23 is age 24 or older.

While the Consolidated Appropriations Act language is limited to federal fiscal year 2023, this does not rule out the possibility that similar language will be included in future years' appropriations bills. For any funds from a year where HUD's appropriations include this Section 8 student financial assistance limitation, if the student is the head of household, co-head, or spouse and is under the age of 23 or without dependent children, then both the assistance received under 479B of the HEA and other student financial assistance received by the student will be counted as income to the extent that it exceeds the total of tuition and any other required fees and charges. In contrast, the student financial assistance received by a Section 8 student who is the head of household, spouse, or co-head of household and is over the age of 23 with dependent children will be treated in a manner identical to the student financial aid received by students who participate in the Public Housing and non–Section 8 programs administered by HUD.

During years in which an appropriations act does not contain this Section 8 student financial assistance limitation (or any other such limitation), the determination of student financial assistance as included/excluded income for all Section 8 students defaults to the methodology described above for the non–Section 8 programs.

There are two steps required as part of the calculation for Section 8 students, the first of which is to determine the student's relationship to the household, age, and whether they have dependent children; based on the result of the first step, the second step is to calculate whether any excess student financial assistance should be included in the family's income. If the student is the head of household, co- head, or spouse and is 23 or younger or does not have dependent children, then 479B assistance will be part of the total equation. If the student is age 24 or over with dependent children, then the calculation will be identical for non–Section 8 students, as described above.

The following examples are from Attachment G of HUD Notice 2023-10.

Section 8 Recipients Example 1: Single Occupant

Roberto is a 22-year-old full-time student without dependent children. Since Roberto is a Section 8 participant head of household who is not over 23 with dependent children, the owner follows the Appropriations Act policy to determine if Roberto receives student financial assistance in excess of tuition from both HEA and other sources. Roberto received the following amounts to cover his first year of college: Federal Pell Grant: $12,000; University Scholarship: $22,000; City Scholarship: $3,000.

- Total assistance received under 479B of HEA: $12,000 (Federal Pell Grant)
- Total other student financial assistance received: $25,000
- Total student financial assistance from all sources: $37,000
- Total tuition + required fees and charges: $27,000

Subtract the total cost of tuition + required fees and charges from the total amount of student financial assistance.

  $37,000
- $27,000
= $10,000

The total amount of student financial assistance from all sources received by Roberto exceeds the total amount of tuition and required fees and charges.

Excess student financial assistance: $10,000

Amount of student financial assistance included in Roberto's income: $10,000

Section 8 Recipients Example 2: Age 24 or Over With Dependent Children

Cedric is a 28-year-old head of household and a full-time student with a 5-year-old daughter and a 9-year-old son who are his dependents. The owner will follow the rules under 24 C.F.R. 5.609(b)(9) (the same as for non–Section 8 programs). Cedric received the following amounts to cover his first year of college: Teach Grant: $8,000; Federal Pell Grant: $3,000; College Scholarship: $6,000.

- Total assistance received under 479B of HEA: $11,000 (Teach Grant plus Federal Pell Grant)
- Total other student financial assistance received: $6,000
- Total tuition + required fees and charges: $26,000

Step 1: Determine amount of tuition plus required fees exceeding 479B assistance.

  $26,000 (total tuition + required fees and charges)
- $11,000 (total assistance received under 479B of HEA)
= $15,000

Step 2: Determine amount of student financial assistance to include in income.

  $ 6,000 (other student financial assistance received)
- $15,000 (amount of tuition + required fees and charges exceeding 479B assistance)
= –$ 9,000 (if negative, then use $0)

The amount of other student financial assistance received by Cedric does not exceed the total amount of tuition and required fees and charges.

Excess student financial assistance: $0

Amount of student financial assistance included in Cedric's income: $0

Section 8 Recipients Example 3: Age 24 or Over Without Dependent Children

Angel is a 38-year-old full time student, head of household, without dependent children. Since Angel does not have dependent children, the Appropriations Act policy does not apply, and the owner must include assistance received under 479B of the HEA as part of the excess student financial aid calculation. Angel received the following amounts to cover her first year of college: Perkins Loan: $8,000.

- Total assistance received under 479B of HEA: $8,000 (Perkins Loan)
- Total tuition + other fees and charges: $6,200

Determine whether the amount of student financial assistance, including 479B assistance, exceeds the total of tuition + required fees and charges.

	$8,000
-	$6,200
=	$1,800

Excess student financial assistance: $1,800

Excess student financial assistance: $1,800

Amount of student financial assistance included in Angel's income: $1,800

Student loans are not considered student assistance and are never counted as income. Total student actual covered costs include all the costs a student must pay to attend school, such as tuition and other fees, room and board, course books, etc. These are the same as actual covered costs in the non-Section 8-assisted HOTMA student assistance rule.

Use the Affidavit of Student Financial Assistance to obtain information from the applicant or resident as to their source(s) of financial assistance.

3.09 Exclusions from Annual Income

For certifications and recertifications effective before July 1, 2025 (or such later date as HUD may require full HOTMA implementation), refer to HUD Handbook 4350.3 for a complete listing and discussion of income exclusions.

Refer to HUD Notice 2023-10 Attachment G for changes in exclusions resulting from HOTMA for certifications effective on or after July 1, 2025 (or such later date as HUD may require full HOTMA implementation).

Nonrecurring Income

Income that will not be repeated beyond the coming year (that is, the 12 months following the effective date of the certification), based on information provided by the family, is considered nonrecurring income and is excluded from annual income. However, income received as an independent contractor, day laborer, or seasonal worker is *not* excluded from income under 24 C.F.R. 5.609(b)(24), even if the source, date, or amount of the income varies.

Income that has a discrete end date and will not be repeated beyond the coming year during the family's upcoming annual reexamination period will be excluded from a family's annual income as nonrecurring income. This does not include unemployment income and other types of periodic payments that are received at regular intervals (such as weekly, monthly, or yearly) for a period of greater than one year that can be extended. For example, an increasing number of cities and states are piloting guaranteed income programs that have discrete beginning and end dates. This income can be excluded as nonrecurring in the final year of the pilot program. For example, for an annual recertification effective July 1, 2025, guaranteed income that will be repeated in the coming year but will end before the next reexamination on July 1, 2026 will be fully excluded from annual income. Income amounts excluded under this category may include, but are not limited to, nonrecurring payments made to the family or to a third party on behalf of the family to assist with utilities, eviction prevention, security deposits to secure housing, payments for participation in research studies depending on the duration, and general one-time payments received by or on behalf of the family.

The following list of exclusions is codified at 24 C.F.R. 5.609(b)(24) as nonrecurring income. Note that the list is not exhaustive:

- Payments from the U.S. Census Bureau for employment lasting no longer than 180 days and not culminating in permanent employment;
- Direct federal or state economic stimulus payments;
- Amounts directly received by the family as a result of state refundable tax credits or state tax refunds at the time they are received;
- Amounts directly received by the family as a result of federal refundable tax credits or federal tax refunds at the time they are received;
- Gifts for holidays, birthdays, or other significant life events or milestones (for example, wedding, baby shower, or anniversary gifts);
- In-kind donations (for example, food, clothing, or toiletries received from a food bank or similar organization); and
- Lump-sum additions to net family assets (for example, lottery winnings, contest winnings, etc.).

Excluded Recurring Income

Below is a list of income that is not counted as part of household income (refer to 24 C.F.R. 5.609(b) for the full list and to Attachment G in HUD Notice 2023-10 for additional detail):

- Earned income of children under age 18.
- Payments received for the care of foster children or foster adults, or State or Tribal kinship or guardianship care payments.
- Insurance payments and settlements for personal or property losses, including but not limited to payments through health insurance, motor vehicle insurance, and workers' compensation.

Any workers' compensation is always excluded from annual income, regardless of the frequency or length of the payments.

- Amounts received by the family that are specifically for, or in reimbursement of, the cost of health and medical care expenses for any family member.
- Any amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to a family member arising out of law, that resulted in a member of the family becoming disabled.
- Income of a live-in aide, foster child, or foster adult.
- Income and distributions from any Coverdell education savings account under section 530 of the Internal Revenue Code of 1986 or any qualified tuition program under section 529 of such Code; and income earned by government contributions to, and distributions from, baby bond accounts created, authorized, or funded by Federal, State, or local government.
- The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
- Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS).
- Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (such as special equipment, clothing, transportation, child-care, etc.) and which are made solely to allow participation in a specific program.
- Amounts received under a resident service stipend not to exceed $200 per month. A resident service stipend is a modest amount received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development.
- Incremental earnings and benefits resulting to any family member from participation in training programs funded by HUD or in qualifying Federal, State, Tribal, or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives and are excluded only for the period during which the family member participates in the employment training program unless those amounts are excluded under paragraph (b)(9)(i) of this section.
- Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
- Earned income of dependent full-time students in excess of the annually adjusted amount of the deduction for a dependent.
- Adoption assistance payments for a child in excess of the annually adjusted amount of the deduction for a dependent.
- Deferred periodic amounts from Supplemental Security Income and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts, or any deferred

Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts.

- Payments related to aid and attendance under 38 U.S.C. 1521 to veterans in need of regular aid and attendance. This income exclusion applies only to veterans in need of regular aid and attendance and not to other beneficiaries of the payments, such as a surviving spouse.
- Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit.
- Payments made by or authorized by a State Medicaid agency (including through a managed care entity) or other State or Federal agency to a family to enable a family member who has a disability to reside in the family's assisted unit. Authorized payments may include payments to a member of the assisted family through the State Medicaid agency (including through a managed care entity) or other State or Federal agency for caregiving services the family member provides to enable a family member who has a disability to reside in the family's assisted unit. Both the person providing the care and the person who has the disability must be family members (not foster adult, foster child or live-in aides) and must live in the same household. The exclusion does not apply to income earned by the family for other caregiving services provided to individuals outside of the assisted household.
- Loan proceeds (the net amount disbursed by a lender to or on behalf of a borrower, under the terms of a loan agreement) received by the family or a third party (such as proceeds received by the family from a private loan to enable attendance at an educational institution or to finance the purchase of a car).
- Payments received by Tribal members as a result of claims relating to the mismanagement of assets held in trust by the United States, to the extent such payments are also excluded from gross income under the Internal Revenue Code or other Federal law. Generally, payments received by tribal members in excess of the first $2,000 of per capita shares are included in a family's annual income for purposes of determining eligibility. However, payments made under the Cobell Settlement, and certain per-capita payments under the recent Tribal Trust Settlements, must be excluded from annual income in programs that adopt the definitions of annual income in 24 C.F.R. 5.609. Note that payment received by a tribal member from the tribe for distribution of Indian gaming profits is not a per-capita payment within the meaning of the Per Capita Distribution Act and does not qualify for income exclusion. If a family member who is a tribal member receives the IRS Form 1099–MISC, Miscellaneous Income, from the tribe for reporting Indian gaming profits, then this payment must be counted toward the family's annual income.
- Amounts that HUD is required by Federal statute to exclude from consideration as income for purposes of determining eligibility or benefits. HUD will publish a notice in the Federal Register to identify the benefits that qualify for this exclusion. Updates will be published when necessary. Examples include:
    - The value of the allotment provided to an eligible household under the Food Stamp Act of 1977.

- Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (including employment through AmeriCorps, Volunteers in Service to America [VISTA], Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, and senior companions).
- Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program.
- The first $2,000 of per capita shares received from judgment funds awarded by the National Indian Gaming Commission or the U. S. Claims Court, the interests of individual Indians in trust or restricted lands, and the first $2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands. This exclusion does not include proceeds of gaming operations regulated by the Commission.
- Payments received from programs funded under Title V of the Older Americans Act of 1985 (such as Green Thumb, Senior Aides, and Older American Community Service Employment Program).
- Any amount received under the Richard B. Russell School Lunch Act and the Child Nutrition Act of 1966, including reduced-price lunches and food under the Special Supplemental Food Program for Women, Infants, and Children (WIC).

- Replacement housing gap payments made in accordance with 49 C.F.R. 24 that offset increased out-of-pocket costs of displaced persons that move from one federally subsidized housing unit to another Federally subsidized housing unit. Such replacement housing gap payments are not excluded from annual income if the increased cost of rent and utilities is subsequently reduced or eliminated, and the displaced person retains or continues to receive the replacement housing gap payments.
- Nonrecurring income, which is income that will not be repeated in the coming year based on information provided by the family. Income received as an independent contractor, day laborer, or seasonal worker is not excluded from income under this paragraph, even if the source, date, or amount of the income varies. See the Nonrecurring Income section above for more information.
- Civil rights settlements or judgments, including settlements or judgments for back pay.
- Income earned on amounts placed in a family's Family Self Sufficiency Account.

The amount of rental subsidy paid to the owner on behalf of a household by a Public Housing Authority or other government administrator is also not included in income. Private or philanthropic rental assistance is considered regular contributions by persons not living in the unit and must be included in income.

Earned Income Disregard

The Earned Income Disregard (EID) will not apply to any family who is not eligible for *and already participating in* the disallowance as of December 31, 2023.

The EID allowed eligible families to have a portion of their earned income excluded from annual income for a maximum period of 24 consecutive months. Although HOTMA eliminates the EID from HUD regulations, families who were receiving the EID benefit as of December 31, 2023, may continue to receive the full benefit until the remaining timeframe for an individual family's EID expires. Because the EID lasts up to 24 consecutive months, no family will still be receiving the EID benefit after December 31, 2025.

3.10 Annualized Income

Income determination is based on the annual gross income a household anticipates it will receive for the 12-month certification period. Disclosure and verification of all sources of current and anticipated income for all household members age 18 and older, persons under the age of 18 who are treated as adults because they are the head of household, co-head or spouse, and unearned income of minor children must be obtained in order to establish that the income limits are not exceeded.

Convert all verified incomes to annual amounts.

To annualize full-time employment, multiply:

- Hourly wages by 2,080 hours
- Weekly wages by 52
- Bi-weekly wages by 26
- Semi-monthly wages by 24
- Monthly wages by 12

To annualize income from other than full-time employment, multiply:

- Hourly wages by the number of hours the individual is expected to work per week by 52; if verification shows a range of hours, use the average number of hours (for example, verification shows 30-35 hours per week, use 32.5 hours).
- Average weekly amounts by the number of weeks the individual is expected to work
- Other periodic amounts (for example, monthly, bi-weekly) by the number of periods the individual expects to work

Some affordable housing professionals use non-conforming methodologies for calculating wages including using the highest of a range of hours provided by the employer or basing income determinations on the higher calculation of income provided by the employer and a calculation of annual income based on year-to-date information. As noted above, Minnesota Housing uses the average of a range of hours given and anticipated wage information supplied by the employer, consistent with Section 8. More conservative methodologies are not prohibited; however, using more conservative methodologies may exclude households that qualify based on Section 8 methodologies. In any event, any approach developed by an owner/agent must be consistently applied to all applicants and tenants to avoid the risk of a fair housing violation.

Seasonal Income

If an applicant is in a seasonal line of work, for example a job dependent on weather conditions such as roofing, and normally collects unemployment during the off months, both incomes are used for the appropriate number of months. For example, if an individual makes $1,800 a month during a nine-month roofing season and collects unemployment in the amount of $800 a month for the remaining three months, income is calculated as follows:

$1,800 x 9 = $16,200

$800 x 3 = $2,400

$16,200 + $2,400 = $18,600 = Total Annualized Income

Zero Income Members

If an adult member of an applicant family has no regular verifiable income or income from assets from any source and claims zero income, a Certification of Zero Income must be completed. Note that the current HUD Handbook requires non-monetary contributions (excluding groceries) to be counted as income. Under HOTMA, non-monetary in-kind donations from a food bank or similar organization cannot be assigned a monetary value (including food, clothing or toiletries).

3.11 Income from Assets

Assets are items of value, other than necessary personal items, and are considered along with verified income to determine eligibility.

For certifications and recertifications effective before July 1, 2025 (or such later date as HUD may require full HOTMA implementation), refer to HUD Handbook 4350.3 for a complete listing and discussion of income from assets.

For certifications effective on or after July 1, 2025 (or such later date as HUD may require full HOTMA implementation), refer to HUD Notice 2023-10 Attachment F for changes resulting from HOTMA and this guide.

Under HOTMA, assets have three categories:

- Necessary Personal Property
- Non-Necessary Personal Property
- Real Property

Assets include the net cash value of all real property and the net cash value of all non-necessary items of personal property.

Necessary Personal Property

Necessary Personal Property (NPP) are items that are essential to the family for maintenance, use, and occupancy of the residence, or necessary for employment, education, or health and wellness. NPP also includes items that assist persons with disabilities, including items for disability-related needs and items required for reasonable accommodation. NPP does not include luxury items.

Owners must determine whether an item is considered necessary or non-necessary to determine whether it should be included as an asset.

This is a highly fact-specific determination. Therefore, owners must collect enough facts to make this determination. If an item is considered necessary personal property, it is not included as an asset.

Examples of NPP (list is not exhaustive):

- Car(s)/vehicle(s) that a family relies on for transportation for personal or business use (for example, bike, motorcycle, skateboard, scooter)
- Furniture, carpets, linens, kitchenware
- Common appliances
- Common electronics (for example, radio, television, DVD player, gaming system)
- Clothing
- Personal effects that are not luxury items (for example, toys, books)
- Wedding and engagement rings
- Jewelry used in religious/cultural celebrations and ceremonies
- Religious and cultural items
- Medical equipment and supplies
- Healthcare-related supplies
- Musical instruments used by the family
- Personal computers, phones, tablets, and related equipment
- Professional tools of trade (for example, professional books)
- Educational materials and equipment, including equipment to accommodate persons with disabilities
- Equipment used for exercising (for example, treadmill, stationary bike, kayak, paddleboard, ski equipment

Non-Necessary Personal Property

If personal property is not deemed necessary, as HUD guidance provides, then it is considered Non-Necessary Personal Property (NNPP) and may need to be included as an asset.

Under HOTMA, the combined value of NNPP up to the amount that HUD allows to be self-certified is excluded from net family assets, but any income earned by these assets is included in gross annual household income. Refer to HUD's website for the current amount of assets HUD allows to be self-certified (updated annually, adjusted for inflation).

If the total value of NNPP exceeds the amount HUD allows to be self-certified, owners must verify all asset amounts and any income earned. If an asset does not earn income, owners must use HUD's passbook savings rate to calculate an imputed income. Refer to HUD's website for the current passbook savings rate (updated annually, adjusted for inflation).

Examples of NNPP (list is not exhaustive):

- Bank accounts or other financial investments (for example, checking account, savings account, stocks/bonds, money market or mutual funds, certificates of deposit)
- A mortgage or deed of trust held by an applicant or resident (for example, contract for deed or deed of trust);payments on this type of asset are often received as one combined payment of principal and interest with the interest portion counted as income from the asset
- Cash value of life insurance policies available to the individual before death (for example, the surrender value of a whole life policy or a universal life policy)
- Recreational car/vehicle not needed for day-to-day transportation (for example, campers, motorhomes, travel trailers, all-terrain vehicles [ATVs])
- Recreational boat/watercraft
- Expensive jewelry without religious or cultural value, or which does not hold family significance
- Collectibles (for example, coins/stamps)
- Equipment/machinery that is not used to generate income for a business
- Items such as gems/precious metals, antique cars, artwork, etc.
- Assets disposed of for less than fair market value within 2 years of the effective date of the certification
    - Assets lost to foreclosure, bankruptcy, divorce or separation settlements are not counted as disposed of assets, and assets put into an irrevocable trust for another member of the same household are not counted as disposed; neither are assets that are simply used to buy goods or services that are not counted as assets

Bank accounts include amounts in cash apps and digital wallets that hold balances. Examples include Venmo, PayPal, GoFundMe, Cash App, Google Pay, Google Wallet, etc., and cards used to receive government and other cash benefits. Retailers such as Wal-Mart, Target and Starbucks may also have cash-holding apps.

Apps that merely facilitate transferring funds from one account to another and do not actually hold any money, are not assets (for example, Zelle).

Stocks, bonds, treasury bills, certificates of deposit, money market accounts, mutual funds. Interest or dividends earned are counted as income from assets even when the earnings are reinvested. The value of stocks and other assets vary from one day to another. The value of the asset may go up or down the day before or after income is calculated and multiple times during the year thereafter. The owner may assess the value of these assets at any time after the authorization for the release of information has been received.

Real Property

The value of real property is always counted as an asset.

Equity in rental property or other capital investment. Include the current fair market value less (a) any unpaid balance on any loans secured by the property; and (b) reasonable costs that would be incurred in selling the asset (that is, penalties, broker fees, etc.). If the person's main business is real estate, then count any income as business income. Do not count it as an asset and as business income.

Only the interest portion of the monthly payment received by the tenant is included as income. For interest income from the sale of real property, if said property was sold on an installment sales contract, request one of the following:

- A letter from an accountant, attorney, real estate broker, the buyer, or a financial institution stating interest due for the next 12 months.; a copy of the check(s) paid by the buyer to the tenant is *not* sufficient since appropriate breakdowns of interest and principal are not included
- Amortization schedule showing interest for the 12 months following the date the purchaser intends taking occupancy

For rental income from property owned by the tenant, request each of the following:

- IRS Form 1040 with Schedule E (Rental Income)
- Lease between the tenant and the tenant’s renter
- Lessee's written statement identifying monthly payments due the tenant and tenant's affidavit as to net income realized

3.12 Household Asset Exclusions

Household assets do not include:

- NPP including clothing, furniture, cars, etc.
- Retirement accounts under IRS-recognized retirement plans (for example, IRA, employer retirement plans, and retirement plans for self-employed individuals)
    - Note that regular distributions or withdrawals from such accounts are treated as income.
- Real property without legal authority to sell

- Legal settlements from civil actions or settlement based on a claim of malpractice, negligence or other breach of duty owed to a family member, for an incident resulting in a disability
- Interests in Indian land trusts
- Coverdell or 529 education savings accounts, ABLE accounts, baby bond accounts
- Term life insurance policies
- Equity in a manufactured home where the family receives assistance under 24 C.F.R. 982 (Housing Choice Voucher)
- Equity in property under the Homeownership Option for which a family receives assistance under 24 C.F.R. 982
- Family Self-Sufficiency Accounts
- Federal tax refunds or refundable tax credits from the 12 months prior to the certification effective date (for example, Earned Income Tax Credits)
    - Note that HUD instructs owners to subtract the value of any tax return that a household has received in the last 12 months from total net assets. This may mean self-certification of assets is allowed if subtracting the refunds or refundable credits puts the total value of net assets below the amount HUD allows to be self-certified.
- Trust funds that are not revocable by, or under the control of, any family member as long as they continue to be held as such.
    - When a trust is in the control of a household it is an asset to the household, and income is counted as the trust generates it.
    - Distributions/withdrawals from the trust in the household’s control are not counted as income. When a trust is NOT in the control of a household it is NOT an asset to the household.
    - Distributions received from the trust are income except for the following two exclusions: 1. Distributions from the principle or corpus of the trust; 2. Distributions that are made to pay for the health and medical expenses of a minor child.
- Assets that are part of an active business (not including rental of properties that are held as investment and not a main occupation)
- Assets that are not effectively owned by the applicant; that is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household, and that other person is responsible for income taxes incurred on income generated by the assets
- Assets not accessible to the applicant and provide no income to the applicant (for example, a battered spouse owns a house with her husband. Because of the domestic situation, she receives no income from the asset and cannot convert the asset to cash)

3.13 Assets Owned Jointly

For assets jointly owned by one or more individuals outside of the family, owners must include the total value of the asset in the calculation of net assets, unless the asset is otherwise excluded, or unless the applicant can demonstrate that the asset is inaccessible to them, or that they cannot dispose of any portion of the asset without the consent of another owner who refuses to comply. If the applicant demonstrates that they can only access a portion of an asset, then only that portion's value shall be included in the calculation of net assets. Likewise, any income from a jointly owned asset must be included in annual income, unless that income is specifically excluded, or unless the applicant demonstrates that they do not have access to the income from that asset, or that they only have access to a portion of the income from that asset.

If an individual is a beneficiary who is entitled to access the account's funds only upon the death of the account's owner, and may not otherwise withdraw funds from an account, then the account is not an asset, and the individual should provide proper documentation demonstrating that they are only a beneficiary on the account.

3.14 Instructions for Valuing Assets

In computing assets, owners must use the cash value of the asset; that is, the amount the family or household would receive if the asset were converted to cash. Cash value is the market value of the asset minus reasonable costs that were or would be incurred in selling or converting the asset to cash. Expenses which may be deducted include:

- Penalties for withdrawing funds before maturity
- Broker/legal fees assessed to sell or convert the asset to cash
- Settlement costs for real estate transactions

For non-liquid assets, enough information should be collected to determine the current cash value: the net amount the family would receive if the asset were converted to cash.

Owners must count assets disposed of for less than fair market value during the two years preceding certification or recertification. The amount counted as an asset is the difference between the cash value and the amount received, if the difference is more than $1,000. If a tenant has sold their home (either a private residence or rental) or disposed of other assets within the past two years for less than fair market value, request:

- Copies of closing documents (HUD-1, settlement statement) showing the selling price, the distribution of the sales proceeds and the net amount to the tenant
- Divestiture of Assets Verification identifying the disposed-of asset, the cash value and amount actually received

Actual income from assets is always included in a family's annual income, regardless of the total value of net family assets, unless that income is specifically excluded by 24 C.F.R. 5.609(b).

Income or returns from assets are generally considered to be interest, dividend payments, and other actual income earned on the asset, and not the increase in market value of the asset. The increase in market value is relevant to the cash value of the asset for the purpose of determining total net family assets and imputing income.

When total net assets exceed the amount HUD allows to be self-certified (when HOTMA implementation guidance was released, this amount was $50,000), income from assets is no longer determined based on the greater of actual or imputed income from the assets. Instead, imputed asset income must be calculated for specific assets when three conditions are met:

1. The value of net family assets exceeds the amount HUD allows to be self-certified
2. The specific asset is included in net family assets
3. Actual asset income cannot be calculated for the specific asset

Imputed asset income is calculated by multiplying the net cash value of the asset, after deducting reasonable costs that would be incurred in disposing of the asset, by the current HUD-published passbook rate.

To properly calculate income from assets:

1. Review the list of assets provided by the applicant or resident.
2. Categorize assets as NPP, NNPP, and real property.
3. Exclude any NPP.
4. Determine the total value of NNPP.
    a. If the total value of all NNPP is less than the amount HUD allows to be self-certified, assign a $0 value to each asset, but calculate income, if any.
    b. If the total value of all NNPP exceeds the amount HUD allows to be self-certified, fully verify the assets, assign the net value of the asset and calculate actual or imputed income to each asset.
5. Add NNPP to any real property. If the total value exceeds the amount HUD allows to be self-certified, impute income for any assets that cannot otherwise have income determined.
6. Subtract any federal tax return or refundable tax credit the household received in the past 12 months (if an applicant anticipates a $500 federal tax refund but only receives $250, then only $250 will be excluded from net assets because that is the amount actually received. If the subtraction results in a negative number, then net family assets are considered $0.

Refer to the examples in Attachment F to HUD Notice 2023-10.

Owners should not conflate an asset with an actual return of $0, with an asset for which an actual return cannot be computed, such as could be the case for some non-financial assets. If the asset is a financial asset and there is no income generated (for example, a bank account with a 0 % interest rate or a stock that does not issue dividends), then the asset generates zero actual asset income, and imputed income is not calculated. When a stock issues dividends in some years but not others (for example, due to market performance), the dividend is counted as the actual return when it is issued, and when no dividend is issued, the actual return is $0. When the stock never issues dividends, the actual return is consistently $0.

3.15 General Income Verification Requirements

The Sworn Statement of Income and Asset (or owner's application containing, at a minimum, the information on the Sworn Statement of Income and Asset) must be used as the basis for determining the necessary verifications.

Refer to Table J2 in HUD Notice 2023-10 for Verification Hierarchy and order of acceptability. Note that HUD's EIV system *cannot* be used for the HOME or NHTF programs.

Owners must follow up on any incomplete, inconsistent, or missing information with the verification source and document such follow-up in the resident file. A Phone Verification/Clarification Record form is recommended for this purpose. Verifications and follow-up records are considered supporting documentation to the TIC.

Reminder: Owners are not allowed to use information obtained through Enterprise Income Verification (EIV) for the HOME and NHTF Programs. EIV cannot be used to verify income, nor can it be in the HOME or NHTF portion of a tenant's file.

Acceptable Verification Descriptions and Guidance

Upfront Income Verification (UIV) (Level 6/5)

The verification of income before or during a family reexamination, through an independent source that systematically and uniformly maintains income information in computerized form for a number of individuals. HUD encourages owners to use tools such as The Work Number (an automated verification system) and state government databases to verify tenant-reported income.

Written, Third-Party Verification (Level 4)

An original or authentic document generated by a third-party source dated within six months of the date received by the owner. For fixed-income sources, a statement dated within the appropriate benefit year is acceptable documentation.

Such documentation may be in the possession of the tenant (or applicant) and is commonly referred to as tenant-provided documents. Owners may obtain any tenant-provided documents and follow up directly with the third-party source to obtain necessary verification of information, when necessary.

Examples of acceptable tenant-provided documentation (generated by a third-party source) include but are not limited to the following: pay stubs, payroll summary report, employer notice/letter of hire/termination, SSA benefit verification letter, bank statements, child support payment stubs, welfare benefit letters and/or printouts, and unemployment monetary benefit notices.

Owners are required to obtain a minimum of two months' worth of current and consecutive pay stubs for determining annual income from wages. If a family disagrees with the income calculation, owners may request additional paystubs for a more accurate calculation. For new income sources or when a sufficient number of pay stubs are not available, use the verification hierarchy level 3, then level 2 if necessary, then level 1 if attempts to obtain level 3 and level 2 verifications are not successful (see definitions and documentation requirements, below).

Income tax returns with corresponding official tax forms and schedules attached and including third-party receipt of transmission for income tax return filed (that is, tax preparer's transmittal receipt, summary of transmittal from online source, etc.) are an acceptable form of written, third-party verification.

When verification of assets is required, owners are required to obtain a minimum of one statement that reflects the current balance of banking/financial accounts.

Written, Third-Party Verification Form (Level 3)

This type of verification uses forms specifically developed to collect information from a third-party source. Owners send the form directly to the third-party source by mail, fax, or email. The form is completed by the third party by hand (in writing or typeset) and returned to the owner.

Minnesota Housing provides sample verifications and other forms to assist owners with this method. The release of information (at the top of the form) must be completed and signed by the person who is the subject of the verification prior to sending the form to an employer or other source.

Oral Third-Party Verification (Level 2): Independent verification of information by contacting the individual income/expense source(s), as identified through the UIV technique, or identified by the family, via telephone or in-person visit. Owner must document in the tenant file the date and time of the telephone call (or visit to the third party) and the name of the person contacted and their telephone number, along with the confirmed information.

This verification method is commonly used when the independent source does not respond to the owner's faxed, mailed, or e-mailed request for information in a reasonable time frame (for example, 10 business days).

Non-Third-Party Verification: Self-Certification (Level 1)

The tenant submits a signed statement of reported income and/or expenses to the owner. This verification method should be used as a last resort when obtaining information via all other required verification techniques is not successful and the tenant file must contain documentation of why third-party verification was not available.

The self-certification is not required to be notarized; however, the following language should be included on any self-certification to ensure the certifier understands the consequences of knowingly providing false information:

> *"I/We, the undersigned, certify under penalty of perjury that the information provided here is true and correct, to the best of my knowledge and recollection. WARNING: Anyone who knowingly submits a false claim or knowingly makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. 287, 1001, 1010, 1012; 31 U.S.C. 3279, 3802)"*

Self-Certification of Assets

Minnesota Housing allows self-certification of assets when the net value does not exceed the amount HUD allows to be self-certified (when HOTMA implementation guidance was released, this amount was $50,000).

Minnesota Housing's monitoring procedure do not permit an owner to rely on a low-income tenant's signed, sworn statement of annual income from assets if a reasonable person in the owner's position would conclude that the tenant's income is higher than the tenant's represented annual income. In this case, the owner must obtain other documentation of the low-income tenant's annual income from assets to satisfy the documentation requirement of third-party asset verification.

Optional Streamlined Income Determination for Fixed-Income Source

During the annual income recertification, owners may use a streamlined income determination to adjust a family's income according to the percentage of a family's unadjusted income that is from fixed income (refer to list of fixed income sources below) as follows:

- When 90 % or more of a family's unadjusted income consists of fixed income, owners must apply a cost-of-living adjustment (COLA) to the family's fixed income sources, provided that the family certifies both that 90 % or more of their unadjusted income is fixed income and that their sources of fixed income have not changed from the previous year. Owners may accept a self-certification by the tenant to adjust income for non-fixed sources.
- When less than 90 % of a family's unadjusted income consists of fixed income, owners must apply a COLA to each of the family's sources of fixed income. Owners must verify all non-fixed income sources using regular verification methods.

The following are fixed income sources eligible for the streamlined approach:

- Social Security, Supplemental Security Income, Supplemental Disability Insurance
- Federal, state, local or private pension plans
- Annuities or other retirement benefit programs, insurance policies, disability or death benefits, or other similar types of periodic receipts
- Any other source of income subject to adjustment by a verifiable COLA or current rate of interest (for example, Veteran's Administration (VA) Disability, TANF, federal pensions)

The current COLA or rate of interest specific to the fixed source of income must be used to adjust the income amount. Verification of the COLA or rate of interest must be obtained from a public source or through tenant-provided, third party generated documentation and a copy must be placed in the tenant file. If no such verification is available, this streamlined process cannot be used and regular, third-party verification will be required.

This streamlined process can only be used for two years following regularly verified income and only for the sources described above. Every third year, third party verification must be obtained. Assets are not subject to streamlining and must be verified each year.

3.16 Determination of Income Using Other Means-Tested Public Assistance

Owners may determine a family's annual income, including income from assets, using income determinations from other means-tested public assistance (Safe Harbor). The following types of means-tested federal public assistance programs may be used:

- The Temporary Assistance for Needy Families block grant (42 U.S.C. 601, et seq.)
- Medicaid (42 U.S.C. 1396 et seq.)
- The Supplemental Nutrition Assistance Program (42 U.S.C. 2011 et seq.)
- The Earned Income Tax Credit (26 U.S.C. 32)
- The Special Supplemental Nutrition Program for Woman, Infants, and Children (42 U.S.C. 1786)
- Supplemental Security Income (42 U.S.C. 1381 et seq.)
- Other programs administered by the Secretary
- Other means-tested forms of federal public assistance for which HUD has established a memorandum of understanding
- Other federal benefit determinations made by other means-tested federal programs that the Secretary determines to have comparable reliability and announces through a Federal Register notice

If owner elects to use the annual income determination from one of the above-listed forms of means-tested federal public assistance, they must obtain the income information by means of a third-party verification. The third-party verification must state the family size, must be for the entire family (that is, the family members listed in the documentation must match the family's composition in the assisted unit, except for household members), and must state the amount of the family's annual income. The annual income need not be broken down by family member or income type. Annual income includes income earned from assets, therefore when using Safe Harbor to verify a family's income, owners will neither further inquire about a family's net family assets, nor about the income earned from those assets. The Safe Harbor verification may be in the form of an award letter from the relevant federal program and must show that the family's income determination was made in the previous 12 months. HUD clarifies that the verification will be considered acceptable if the documentation meets the criteria that the income determination was made within the 12 months prior to the receipt of the verification by the owner.

The Safe Harbor documentation will be considered acceptable if any of the following dates fall into the 12-month period prior to the receipt of the documentation by the owner:

- Income determination effective date
- Program administrator's signature date
- Family's signature date
- Report effective date
- Other report-specific dates that verify the income determination date

The only information owners are permitted to use to determine income under this Safe Harbor is the total income determination made by the federal means-test program administrator. Other federal programs may provide additional information about income inclusions and exclusions in their award letters; however, these determinations and any other information must not be considered for purposes of the HOTMA Safe Harbor provision. Owners are not permitted to mix and match Safe Harbor income determinations and other income verifications.

If an owner does not accept Safe Harbor documentation, is unable to obtain Safe Harbor documentation, or if the family disputes the other program's income determination, the owner must calculate the family's annual income using regular verification methods.

If the owner uses a Safe Harbor to determine the family's income, this might mean that a certain source of income was not considered in the family's income, because the other program did not consider the source to be income. For example, if a family begins receiving a new source of income on February 1, 2026, and the owner completed a TIC effective March 1, 2026, using a Safe Harbor income determination, the new source of income would not be included. This aligns with the Section 8 program's Safe Harbor determination which would require the new source of income to be reported and included at the next income reexamination.

Minnesota Housing will also consider the gross income determination for project-based and tenant-based Section 8 and USDA Rural Development to be Safe Harbor income determinations for HOME and NHTF. A fully completed, signed and dated tenant income certification for those programs will satisfy all third-party verification requirements.

3.17 Effective Term of Verification

Verifications are valid for six months from the date of receipt by the owner. For fixed-income sources, a statement dated within the appropriate benefit year is acceptable documentation.

3.18 Date Stamp

All income, asset and eligibility verifications should be date-stamped as they are received. If verifications are not date stamped, Minnesota Housing may use the date the document was signed by the verification source or generated from the web to determine its age.

3.19 Electronic Signatures

Minnesota Housing will not fail a tenant file solely because it contains documents signed by electronic means as long as the owner has followed the guidance in HUD Notice H 20-10. Applicants and tenants must still be given the option to use wet signatures on paper, if requested.

As part of the inspection of administrative records, compliance staff may review the owner's e-signature policy and procedures, if applicable, to determine whether the requirements of HUD Notice H 20-10 are being satisfied for the use of electronic signatures.

3.20 Adjusted Gross Income for Over Income Households – HOME Only

When determining eligibility to occupy a HOME unit, the household's gross income must always be considered. However, if a tenant goes over the income guidelines after move-in, the owner must raise the over-income household's rent as soon as the lease permits in accordance with the terms of the lease; refer to Chapter 2 (Maintaining the Unit Mix) of this document. In certain circumstances, the rent for an over-income household may need to be adjusted such that the tenant pays 30% of the tenant's monthly adjusted family income.

To determine adjusted income, refer to the deductions and allowances in Attachment C in HUD notice 2023-10. Note that these deductions and allowances are subject to annual inflationary adjustments. Visit HUD's website for current rates.

3.21 Tenant Files

Owners must maintain a tenant file for each assisted unit. All permanent documents must be kept together so they are accessible at each compliance review (income certification and supporting documentation, lease/addendum, etc.). Annual recertification information (see list below) must be grouped together by year, with the most recent year placed on top of the documents for review.

The tenant files must contain the following:

- Minnesota Government Data Practices Act Statement (note that a data practices form for a housing tax credit suballocator or other funder will not be accepted)
- Sworn Statement of Income and Assets or equivalent form
- Tenant Income Certification (initial certification and annual recertifications) with acceptable verifications of income and assets for initial occupancy and every sixth year of the affordability period
- Certification of annual student eligibility for properties with HOME commitments on or after August 23, 2013
- Signed lease agreement, HOME/NHTF Form #22, Lease Addendum, HUD VAWA Lease Addendum, and Minnesota Housing's VAWA Attachment
- Lead-based paint acknowledgements (properties built pre-1978)

All move-out files must also contain the following:

- Written 30-day (or greater) notice to vacate (if not available – document in file)
- Move-out inspection report (both parties signed and dated)
- Security deposit refund (check number and date) or letter of intent to withhold security deposit within 14 days of move-out
- Itemized list of costs charged to tenant within 45 days

Tenant records, including income verifications, development rents, and unit inspections must be retained for the most recent five-year period, until five years after the period of affordability terminates.

Chapter 4 – Owner Reporting Requirements

The owner must maintain a report of all tenants residing in each unit at the time of written agreement through the end of the period of affordability and submit annual reports to Minnesota Housing in a form and manner requested by Minnesota Housing.

The items noted in section 4.01 (Annual Owner Certification) and 4.02 (Compliance Report) below are due to Minnesota Housing by February 15, or if this day falls on a holiday or weekend the next business day, of each year during the period of affordability. The owner certification and compliance report for the final year of the period of affordability will be due upon request by the assigned compliance officer.

4.01 Annual Owner Certification

Complete the Annual Owner Certification online in Minnesota Housing's Property Online Reporting Tool Annual Owner Certification Submission Site to certify compliance for the preceding calendar year. Follow data entry instructions in Chapter 4 of the PORT User Guide. It is not necessary to submit a hard copy certification form; however owners must submit any required documentation (for example, copies of inspection reports and evidence of correction). If this information contains private information on tenants, submit via the Multifamily Secure Upload Tool. If the information does not contain private information, it can be emailed directly to the assigned compliance officer. In either case, be sure to include the D number and property name with your submission.

4.02 Compliance Report

The Annual Owner Certification is supported by a report of unit events for all units in the property. Follow instructions in Chapter 3 of the PORT User Guide. All unit events must be reported annually for the full term of the effective period.

Minnesota Housing will annually monitor program compliance by reviewing annual owner certifications and analyzing compliance information submitted by the owner. Failure to submit the owner certification and/or update the Property Online Reporting Tool (PORT) on all units and their related activity by the due date will constitute noncompliance with the HOME or NHTF Programs and the related loan documents.

Chapter 5 – Compliance Inspections

The compliance inspection includes, but is not limited to, an inspection of at least 20% of the assisted units and tenant files (with a minimum of four units), a review of administrative records, and inspection of the physical condition of the property, including all common areas and mechanicals.

Minnesota Housing will notify the owner and manager by email when a compliance inspection is due. The owner or manager will be required to complete and submit a Compliance Information and Administrative Records Review form as part of the inspection. This form is used to answer questions regarding property characteristics, and to identify and submit the applicable administrative records such as utility allowance source documentation, tenant selection plans, Affirmative Fair Housing Marketing Plans (AFHMP), and fire, boiler and elevator certificates, etc. for review. It is also used to identify other inspections that are due in the same year so that inspections can be coordinated, if possible.

Once the date and time of inspection has been agreed to, Minnesota Housing will send a confirmation email along with a list of units selected for review. If the file review and physical inspection will be conducted separately, separate confirmation emails may be sent and separate unit lists may be used. At least 24 hours prior to the inspection date, the owner must notify all occupants of restricted units that their unit may be inspected, not just those identified on the unit list. A site representative must accompany the compliance officer during the inspection.

The property inspection and tenant file review may be conducted at the same time or may be conducted separately by different staff.

A compliance inspection will be conducted at least once every three years. Inspections may be conducted more frequently if Minnesota Housing determines it to be necessary based on concerns raised during a previous review or other information. The first compliance inspection will be conducted in conjunction with project completion.

5.01 Physical Inspections

The goal of the physical inspection is to ensure that the property and units are well maintained and in compliance with HUD’s inspection standards.

Effective October 1, 2023, HUD replaced the Uniform Physical Conditions Standards (UPCS) with the National Standards for the Physical Inspection of Real Estate (NSPIRE) which focuses on inside the building, outside the building and within the units to ensure that they are, “functionally adequate, operable, and free of health and safety hazards.” HOME and NHTF properties are not subject to NSPIRE’s scoring protocol. However, noncompliance with any of the NSPIRE inspection standards is considered noncompliance for HOME and NHTF.

Refer to section 1.13 (Property Standards) of this document and National Standards for the Physical Inspection of Real Estate for details regarding NSPIRE.

Owners should conduct routine property inspections and perform any needed maintenance to ensure that the property continually complies with all applicable codes and NSPIRE standards.

5.02 Review of Tenant Files and Property Records

As part of the inspection, Minnesota Housing staff will review tenant income certifications and all supporting documentation, leases, tenant ledgers and other information for selected units.

Minnesota Housing staff will also review the following property information:

- Utility allowances and supporting documentation
- Current written tenant selection plan, occupancy policy and/or house rules
- Current lease and lease addenda
- Affirmative Fair Housing Marketing Plan, unless otherwise reviewed by HUD or other Minnesota Housing staff
- Marketing and advertising
- Fire alarm, boiler, elevator, call-for-aid, and fire extinguisher certificates
- Where applicable, ongoing lead-based paint maintenance records

5.03 Review of Ongoing Lead-Based Paint Maintenance (24 C.F.R. 35.1355)

All borrowers with properties built before 1978 that have not been verified as lead free by a lead inspection must institute ongoing maintenance of painted surfaces and safe work practices as part of regular building operations. This includes a visual inspection of lead-based paint annually and at unit turnover, repair of all unstable paint, and repair of encapsulated or enclosed areas that are damaged.

Ongoing Maintenance Records

Borrowers must keep ongoing maintenance records and records of relevant building operations for use during reevaluations.

Borrowers and their maintenance personnel must be trained in ongoing lead-based paint maintenance or must contract with a qualified individual or company to perform ongoing maintenance. Ongoing maintenance of lead-based paint must be conducted only by individuals who have completed a HUD-approved course on lead safe work practices, are licensed lead workers or lead supervisors, or are working under the direction of a licensed lead supervisor.

Chapter 6 – Correction and Consequences of Noncompliance

6.01 Notice to Owner

Minnesota Housing will provide prompt notice via email to the owner if Minnesota Housing does not receive the annual owner certification and income and occupancy report by the required due date; or does not receive or is not permitted to inspect the tenant income certifications, supporting documentation, and rent records; or discovers by inspection, review, or in some other manner, that the property is not in compliance with the requirements of the respective program, or with the property's loan documents, including the Declaration.

6.02 Correction Period

The owner will be given a correction period to be established by Minnesota Housing and set forth in a Notice of Noncompliance sent via email to the owner with instructions on how to respond to the notice. Minnesota Housing may extend the correction period, but only if Minnesota Housing determines there is good cause for granting the extension. Requests for an extension must be in writing from the owner (email is acceptable), must be received by Minnesota Housing no later than the last day of the correction period identified on the Notice of Noncompliance, and must include each of the following:

- A description of efforts to make corrections within the correction period
- A plan to correct all remaining violations
- A timeline for when corrections are expected to be made

If the owner fails to respond or fails to supply evidence that all violations have been corrected within the correction period, Minnesota Housing will issue a second notice with an additional10-day period. If the owner fails to respond or fails to supply evidence that any remaining violations have been corrected within this 10-day period, the owner will be given a notice of failure to comply with a final 10-day correction period. If the owner still fails to respond or fails to supply evidence that all remaining violations have been corrected, Minnesota Housing may consider the loan in default and will consult with the Minnesota Attorney General's Office for legal action. Minnesota Housing reserves the right to modify this process, at its sole discretion.

6.03 Owner's Response

Minnesota Housing will review the owner's response and evidence of correction to determine whether the noncompliance has been clarified, corrected or whether the owner remains out of compliance and will update the status of the violation in PORT accordingly.

Clarified noncompliance is, for example, where income eligibility was not properly documented and the inspector initially could not make a reasonable determination that the unit is in compliance but the owner conducts a retroactive (re)certification that completely and clearly documents the sources of income and assets that were in place at the time the certification should have been effective, and applies income and rent limits that were in effect on that date. If documentation is complete and it supports that the household was eligible as of the effective date, the file is considered clarified.

Corrected noncompliance is when a violation is observed, there is a period of time during which the unit is out of compliance, but the unit is brought back into compliance. For example, a late certification or recertification is out of compliance on the certification due date, and back in compliance as of the date the last tenant signs the Tenant Income Certification.

Uncorrected noncompliance is a violation that is not corrected or clarified by the end of the correction period.

Failure to correct all noncompliance issues could result in extension of the end of the effective period, acceleration of the loan, or other legal remedies, and failure to correct all noncompliance issues may also affect the owner’s eligibility for future financing from Minnesota Housing under any or all of its programs.

Minnesota Housing reserves the right to conduct a follow-up inspection if documentation is not sufficient to confirm that all life-threatening violations and any other hazardous deficiencies have been corrected.

Chapter 7 – Loan Modification and Requests for Action

7.01 Sale or Transfer, Event of Default

Repayment of the loan may be required upon sale or transfer of the property without the prior consent of Minnesota Housing or in the event of default. Requests for refinance of the existing debt or partial release of mortgage will be considered and are subject to the terms and conditions of the program as set forth in the loan documents.

The affordability requirements apply for the full period of affordability without regard to the term of any loan or mortgage, repayment of the loan, or the transfer of ownership.

7.02 Modifications and Other Servicing Requests

The Request for Action (RFA) process is used for all servicing requests, including ownership/management company changes, subordinations, payoffs, and other requests.

1. An RFA form must be completed for all requests.
2. Upon receipt of your complete RFA form, Minnesota Housing will send you:
    a. A letter acknowledging your request, to be signed by the owner
    b. A list of required due diligence items
3. Minnesota Housing's loan processor and underwriting staff will review submitted materials and present them to the appropriate committees for approval. The average timeline for a decision is *30-90 business days* from Minnesota Housing's receipt of all required documentation. This timeline may be extended depending on the nature of the request or the completeness of the documentation.
4. We will notify you in writing of the final decision and provide you with next steps. Your file is then transferred to our legal team, where a timeline for closing will be determined and additional documentation is often required.

The decision of whether to partially release or to subordinate a mortgage is at the sole discretion of Minnesota Housing. If Minnesota Housing allows the subordination of its mortgage, the Declaration shall remain in a priority position.

Minnesota Housing will not consider a request for action within the first year after development completion. Exceptions to this may be the death of the owner or an incorrect legal description encumbering unimproved property.

Chapter 8 – Financial Oversight

Properties with HOME funds committed on or after July 2014 and all NHTF properties are required to have financial oversight by Minnesota Housing. Owners must submit annual budgets, operating data, audited financial statements, and annual updated Physical Needs Assessment (PNA) data for review by the assigned asset manager.

If you have questions regarding financial oversight, contact Eric Thiewes, Multifamily Portfolio Manager at eric.thiewes@state.mn.us.

Appendix A – 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 of this Legal Addendum.

1.03 Misuse of Funds

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

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

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

1.04 Conflict of Interest

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

- **Actual Conflict of Interest:** An Actual Conflict of Interest occurs when a person's decision or action would compromise a duty to a party without taking immediate appropriate action to eliminate the conflict.
- **Potential Conflict of Interest:** A Potential Conflict of Interest may exist if a person has a relationship, affiliation or other interest that could create an inappropriate influence if the person is called on to make a decision or recommendation that would affect one or more of those relationships, affiliations or interests.
- **Appearance of a Conflict of Interest:** The Appearance of a Conflict of Interest means any situation that would cause a reasonable person, with knowledge of the relevant facts, to question whether another person's personal interest, affiliation or relationship inappropriately influenced that person's action, even though there may be no Actual Conflict of Interest.

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

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

- **Partner:** A person's romantic and domestic partners and outside Business partners.
- **Relative:** Uncle or aunt; first or second cousin; godparent; godchild; other person related by blood, marriage or legal action with whom the individual has a close personal relationship.

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

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

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

1.04.1 Federal Conflict of Interest Requirements

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

Minnesota Housing administers various programs using federal funds. Minnesota Housing requires that each of its external business partners (for example, administrators, borrowers, contractors, grantees or subrecipients) complies with all applicable federal conflict of interest standards. Specifically, no external business partner's employee, agent or consultant may participate in the selection, award or administration of a contract supported by a federal award if they have a real or apparent conflict of interest. Such a conflict of interest would arise when the business partner's employee, agent, consultant or any member of their immediate family, their partners, or an organization which employs or is about to employ any of these parties, has a financial or other interest in, or obtains a tangible personal benefit from, a firm considered for a contract. External business partner's employees, agents and consultants may neither solicit nor accept gratuities, favors or anything of monetary value from contractors or parties to subcontracts supported by a federal award. Minnesota Housing will not consider it a violation of this policy if the external business partner's employee, agent or consultant receives an unsolicited item of nominal value.

In addition, no external business's partner employees, agents or consultants "who exercise or have exercised any functions or responsibilities with respect to activities assisted with" funds from HOME Investment Partnerships (HOME), HOME American Rescue Plan (HOME ARP), Housing Opportunities for Persons with AIDS (HOPWA) or National Housing Trust Fund (NHTF) "or who are in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or financial benefit from" a HOME, HOME ARP, HOPWA or NHTF-assisted activity "or have a financial interest in any contract, subcontract, or agreement with respect to the"

HOME, HOME ARP, HOPWA or NHTF-assisted activity "or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including a stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person."[1] Violation of federal conflict of interest requirements by business partners, agents or consultants will result in appropriate actions by Minnesota Housing, including the potential termination of the relationship and additional contractual or other remedies. Violation of federal conflict of interest requirements may need to be reported to the federal government in appropriate circumstances.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing relating to federal funds must avoid and immediately disclose to Minnesota Housing any and all conflicts of interest through one of the communication channels described in section 1.07 of this Legal Addendum.

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 of this Legal Addendum;
- The assistance is awarded utilizing the same costs, terms and conditions as compared to a similarly situated unaffiliated recipient and the recipient receives no special consideration or access as compared to a similarly situated unaffiliated recipient; and

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

- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and independent of any Family Member of the recipient. Family Member is defined in section 1.04 of this Legal Addendum.

A contracting party need not disclose Affiliated Assistance to Minnesota Housing. However, the contracting party must document and certify, prior to the award, that the Affiliated Assistance meets each of the provisions outlined above. This documentation must be included in the Affiliated Assistance file and must be made available to Minnesota Housing upon request. Affiliated Assistance that does not meet each of the provisions outlined above will be considered a violation of Minnesota Housing conflict of interest standards and must be reported by the contracting party through one of the communication channels outlined in section 1.07 of this Legal Addendum.

1.06 Suspension

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

1.07 Disclosure and Reporting

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

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

1.08 Electronic Signatures

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

1.09 Fair Housing Policy

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

Minnesota Housing's fair housing policy incorporates the requirements of Title VI of the Civil Rights Act of 1968; the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988; and the Minnesota Human Rights Act. Housing providers and other entities involved in real estate related transactions are expected to comply with the applicable statutes, regulations and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements. Housing providers and other entities involved in real-estate related transactions must comply with all non-discrimination requirements related to the provision of credit, as well as access to services.

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

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in the making or purchasing of loans for purchasing, constructing or improving a dwelling, or in the terms and conditions of real-estate related transactions;
- Discriminate in the brokering or appraisal of residential property;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Discriminate in the extension of personal or commercial credit or in the requirements for obtaining credit;
- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;

- Refuse to grant a reasonable accommodation or a reasonable modification to a person with a disability;
- Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

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

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

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

1.10 Minnesota Government Data Practices

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

1.11 Prevailing Wage

Under certain circumstances, awards of Minnesota Housing funds may trigger state prevailing wage requirements under Minnesota Statutes Chapter 177 or Minnesota Statutes Section 116J.871. In broad terms, Minnesota Statutes Chapter 177 applies to an award of $25,000 or greater for housing that is publicly owned. Minnesota Statutes Section 116J.871 applies to awards for non-publicly owned housing that meet the following conditions: (1) new housing construction (not rehabilitation of existing housing); (2) a single entity receives from Minnesota Housing $200,000 or more of grant proceeds or

$500,000 of loan proceeds; or (3) allocations or awards of low-income housing tax credits, for which tax credits are used for multifamily housing projects consisting of more than ten units.

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

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

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

All questions regarding state prevailing wages and compliance requirements should be directed to the Minnesota Department of Labor and Industry as follows:

Division of Labor Standards and Apprenticeship
State Program Administrator
443 Lafayette Road N, St. Paul, MN 55155
651.284.5091 or dli.prevwage@state.mn.us

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

MINNESOTA HOUSING

HOME/NHTF Form 22: Lease Addendum

HOME and National Housing Trust Fund Programs

Last Updated: May 2025

Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards

Lead Warning Statement

Housing built before 1978 may contain lead-based paint. Lead from paint, paint chips, and dust can pose health hazards if not managed properly. Lead exposure is especially harmful to young children and pregnant women. Before renting pre-1978 housing, lessors must disclose the presence of known lead-based paint and/or lead-based paint hazards in the dwelling. Lessees must also receive a federally approved pamphlet on lead poisoning prevention.

Lessor's Disclosure

(a) Presence of lead-based paint and/or lead-based paint hazards (check (i) or (ii) below):
- (i) ☐ Known lead-based paint and/or lead-based paint hazards are present in the housing. Disclose any additional information available, such as the basis for the determination that lead-based paint or lead-based paint hazards exist in the housing, their location, and the condition of the painted surfaces: _____
- (ii) ☐ Lessor has no knowledge of lead-based paint and/or lead-based paint hazards in the housing.

(b) Records and reports available to the lessor (check (i) or (ii) below):
- (i) ☐ Lessor has provided the lessee with all available records and reports pertaining to lead-based paint and/or lead-based paint hazards in the housing. List the documents (e.g., lead hazard evaluation, lead risk assessment, lead hazard reduction): _____
- (ii) ☐ Lessor has no reports or records pertaining to lead-based paint and/or lead-based paint hazards in the housing.

Lessee's Acknowledgment (initial)

(c) _____ Lessee has received copies of all information listed above.

(d) _____ Lessee has received the HUD pamphlet Protect Your Family From Lead in Your Home. (Required at move-in or when application is made.)

(e) _____ Lessee has received the EPA pamphlet Renovate Right: Important Lead Hazard Information for Families, Child Care Providers, and Schools. (Required within 30 days of commencement of rehab).

Agent's Acknowledgment (initial)

(f) ______ Agent (i.e. management company representative or realtor) has informed the lessor of the lessor's obligations under 42 U.S.C. 4852d and is aware of his/her responsibility to ensure compliance.

Certification of Accuracy

The following parties have reviewed the information above and certify, to the best of their knowledge, that the information they have provided is true and accurate.

Lessor Date

Lessee Date

Lessee Date

Agent Date

Disclosure of Household Income and Composition

Tenant Income Certification

(a) On an annual basis, Lessee shall certify the household's income and composition by signing a Tenant Income Certification as provided by Lessor.
(b) Lessee shall provide third party income and asset verification as necessary and reasonably requested by Lessor.
(c) Lessor may terminate the lease or refuse to renew the lease of a household for failure to supply the items listed in (a) or (b), above, within thirty (30) days of the request.

Disclosure of Prohibited Lease Terms

<u>Agreement to be sued:</u> This lease cannot contain a tenant agreement to be sued, admit guilt, or accept a judgment in favor of the property owner in a lawsuit brought in connection with the lease.

<u>Treatment of property:</u> This lease cannot contain a tenant agreement that the property owner may take, hold or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to disposition of personal property remaining in the housing unit after the tenant has moved out. The property owner may dispose of this personal property in accordance with state law.

<u>Excusing the property owner from responsibility:</u> This lease cannot contain tenant agreement not to hold the property owner or the property owner's agents legally responsible for actions or failure to act, whether intentional or negligent.

<u>Waiver of notice:</u> This lease cannot contain a tenant agreement that the property owner may institute a lawsuit without notice to the tenant.

<u>Waiver of legal proceedings:</u> This lease cannot contain a tenant agreement that the property owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties.

<u>Waiver of jury trial:</u> This lease cannot contain a tenant agreement to waive any right to a jury trial.

<u>Waiver of right to appeal court decision:</u> This lease cannot contain a tenant agreement to waive right to appeal or to otherwise challenge in court a decision in connection with the lease.

<u>Tenant chargeable with cost of legal actions regardless of outcome:</u> This lease cannot contain a tenant agreement to pay attorney fees or other legal costs even if the tenant wins a court proceeding by the property owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

<u>Good Cause Lease Termination:</u> Lessor may not terminate tenancy or refuse to renew the lease (including refusing to renew this Lease or refusing to enter into a new lease on substantially the same terms) except for serious or repeated material violation(s) of the terms and conditions of the lease; for violation of applicable federal, state, or local law; or for other good cause. Any termination or refusal to renew must be preceded by the Lessor's service upon the household of a written notice specifying the grounds for the action, at least thirty (30) days in advance of such action.

<u>Once Annual Rent Increase:</u> Lessor may not increase the lease rent more than once in a twelve-month period, regardless of the term of the Lease.

<u>Additional Notice Required</u>: a rent increase greater than 5% is not effective unless and until Lessor provides 120-days' notice in writing to Lessee. If Lessor fails to provide proper notice, Lessor must return or credit, at Lessee's election, any amounts collected in connection with the ineffective rent increase.

If any provision in the lease or any other addendum thereto conflicts with any provision in this Lease Addendum, the provisions of this Lease Addendum shall control. Lessor or authorized representative and the lessee(s) have reviewed the above information and agree to the terms of this Lease Addendum and hereby acknowledge the receipt of a signed and dated copy hereof.

I /we also certify that I/we have received/read/understand the basic requirements of the uniform Relocation Act (URA) as outlined in the (circle all applicable): "General Information Notice" and/or "Move-in Notice".

____

Lessee Date

____

Lessee Date

____

Lessor or Authorized Representative Date

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MINNESOTA HOUSING

Item: Approval, Modifications to Multifamily Grant Board Delegations

Information Item: 7.J
Date: 05/22/2025
Staff Contacts: Irene Kao, 651.296.9806, irene.kao@state.mn.us
Rinal Ray, 651.296.3789, rinal.ray@state.mn.us
James Lehnhoff, 651.296.3028, James.lehnhoff@state.mn.us
Request Type: Approval, Resolution

Request Summary

Agency staff recommends the adoption of three resolutions to modify the following three board delegations to add Housing Stability, Policy and Community Development and Local Government Housing programs; update the grant funding modification thresholds; revise the grant execution extension provisions; and revise the grant agreement extension provisions:

- Board Delegation No. 15, Grant Funding Modifications (Resolution No. MHFA 18-026)
- Board Delegation No. 19, Grant Execution Extensions (Resolution No. MHFA 18-028)
- Board Delegation No. 20, Grant Agreement Extensions (Resolution No. MHFA 18-029)

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

- Resolutions
- Resolutions with Red Lined Modifications

Background

On May 24, 2018, the board adopted three resolutions delegating certain authorities to the commissioner related to grant administration in the Multifamily Division:

- Board Delegation No. 15, Grant Funding Modifications (Resolution No. MHFA 18-026)
- Board Delegation No. 19, Grant Execution Extensions (Resolution No. MHFA 18-028)
- Board Delegation No. 20, Grant Agreement Extensions (Resolution No. MHFA 18-029)

When those resolutions were adopted, most of the grants processed in the Multifamily Division were from the Housing Stability team for such programs as the Family Homeless Prevention and Assistance Program (FHPAP), Housing Trust Fund (HTF) and Bridges. In mid-2023, the Multifamily Division was restructured, and the Housing Stability team became its own separate division. However, the Housing Stability Division retained all its grant programs but is not specifically referenced in those board delegations.

Additionally, the 2023 legislature created several new one-time grant and ongoing grant programs that are operated by the newly created Local Government Housing Programs team. The Local Government Housing Programs team operates such programs as Local Housing Trust Fund, Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program and Bring It Home Rental Assistance.

Finally, the Policy and Community Development Division administers the Capacity Building Program and related grants, which has historically used Agency resources and state appropriations to provide resources to local organizations. Neither the Local Government Housing Programs team nor the Policy and Community Development Division have board delegations that allow for grant modifications or extensions.

To address the grant administration needs of the Housing Stability Division, Policy and Community Development Division and Local Government Housing team, staff requests approval to modify all three existing Multifamily grant board delegations to:

- Expand the board delegation to include the Housing Stability, Local Government Housing, and Policy and Community Development programs along with the Multifamily programs; and
- Revise the internal review and approval process to include a committee designated by the commissioner that includes, at a minimum, the Deputy Commissioner, General Counsel and Assistant Commissioner of Policy and Community Development. This committee replaces the reference to the Mortgage Credit Committee and Clearinghouse Committee, which are no longer the forum for reviewing grant modifications.

Staff also proposes modifications that are specific to each given board delegation as further described below.

Grant Funding Modifications (Board Delegation No. 15)

Staff proposes to update the maximum funding modifications thresholds based on analysis of the size of Multifamily and Housing Stability grant amounts approved by the board since 2021. Based on a sample of more than 100 grant awards, the median grant award size was approximately $400,000. The sampled grant awards ranged from $9,100 to just over $5.3 million. Depending on whether the grant award is higher or lower than $400,000, there is both a maximum dollar increase and maximum percentage increase. The combination of dollar and percentage increases are intended to provide flexibility based on the grant size while reasonably limiting the scope of administratively approved funding modifications.

The proposed modification also includes a new reference to modifying work plans, which are a component of a grant contract agreement and required for all grant awards to detail how the funds will be spent. There can be a need to modify work plans to address changing needs during the lifecycle of a grant period. The prior delegated authority was silent on the ability to modify a work plan even if such modification was consistent with the program guide and authorizing legislation.

Grant Execution Extensions (Board Delegation No. 19)

When the board approves new grant awards, the resolution generally includes a deadline by which the grantee must execute a grant contract agreement. For example, the resolution may state that the grant contract agreement must be executed within six months of the board's approval date. In some instances, there is a need to provide additional time to finalize the grant contract agreement, due diligence items and/or the work plan finalization. The proposed changes modernize the language but does not change the maximum extension period.

Grant Agreement Extensions (Board Delegation No. 20)

Grant contract agreements include a deadline by which the grantee must complete the work funded by the grant. In some instances, the grantee requires additional time to complete the work. The proposed modifications retain the maximum 24 month extension period. However, staff proposes to modify the increments within the 24 month period. Instead of four separate six month extensions, the proposed modification allows the first extension to be up to 12 months and the total extension period cannot exceed 24 months.

As noted in each of the resolutions, staff provides a written report to the board at least annually on uses of these board delegations. When a grant funding modification or extension cannot meet the parameters of the board delegation, the proposed modification and/or extension are subject to board approval.

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

RESOLUTION NO. MHFA 25-XXX
Modifying Resolution No. MHFA 18-026

BOARD DELEGATION NO. 015

RESOLUTION APPROVING DELEGATED AUTHORITY TO THE COMMISSIONER TO APPROVE GRANT FUNDING AND WORK PLAN MODIFICATIONS FOR MULTIFAMILY, HOUSING STABILITY, LOCAL GOVERNMENT HOUSING, AND POLICY AND COMMUNITY DEVELOPMENT PROGRAMS

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) Commissioner (“Commissioner”) has requested the Minnesota Housing Finance Board (“Board”) to delegate to the Commissioner certain authority regarding the administration of grants in order to improve the efficiency of the Agency’s grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED:

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

<u>DELEGATED AUTHORITY</u>

To authorize the Commissioner to make certain grant funding and work plan modifications.

<u>PARAMETERS OF DELEGATED AUTHORITY</u>

1. Grants that are $400,000 or less may be increased by the lesser of (i) up to 20% of the original grant amount or (ii) $50,000.
2. Grants that are greater than $400,000 may be increased up to 20% of the original grant amount, up to a maximum of $300,000.
3. The work plan modification must be necessary to further program goals, to aid the grantee to meet program outcomes and is consistent with the program guide, original request for proposals and the authorizing law.
4. The grant modification is subject to approval by a committee designated by the Commissioner that includes, but is not limited to, the Deputy Commissioner, General Counsel, and Assistant Commissioner of Policy and Community Development.

REPORTING REQUIREMENTS
The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS
Supersedes Board Report dated October 24, 2013, and May 24, 2018.

Adopted this 22^{nd} day of May, 2025

____
CHAIR

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

RESOLUTION NO. MHFA _____
Modifying Resolution No. MHFA 18-028

BOARD DELEGATION NO. 019

RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER TO APPROVE GRANT EXECUTION EXTENSIONS FOR MULTIFAMILY, HOUSING STABILITY, LOCAL GOVERNMENT HOUSING, AND POLICY AND COMMUNITY DEVELOPMENT PROGRAMS

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of grants in order to improve the efficiency of the Agency's grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED:

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to approve certain grant execution extensions.

PARAMETERS OF DELEGATED AUTHORITY

1. The grant execution extension period must not exceed six months.
2. The grant execution extension is subject to approval by a committee designated by the Commissioner that includes, but is not limited to, the Deputy Commissioner, General Counsel, and Assistant Commissioner of Policy and Community Development.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS

Supersedes Board Report dated May 24, 2018.

Adopted this 22nd day of May, 2025

____

CHAIR

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

RESOLUTION NO. MHFA _____
Modifying Resolution No. MHFA 18-029

BOARD DELEGATION NO. 020

RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER TO APPROVE GRANT CONTRACT AGREEMENT EXTENSIONS FOR MULTIFAMILY, HOUSING STABILITY, LOCAL GOVERNMENT HOUSING, AND POLICY AND COMMUNITY DEVELOPMENT PROGRAMS

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) Commissioner (“Commissioner”) has requested the Minnesota Housing Finance Agency Board (“Board”) to delegate to the Commissioner certain authority regarding the administration of grants in order to improve the efficiency of the Agency’s grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED:

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

<u>DELEGATED AUTHORITY</u>
To authorize the Commissioner to approve certain grant agreement extensions.

<u>PARAMETERS OF DELEGATED AUTHORITY</u>
1. A grant contract agreement may be extended up to 24 months, and the first extension shall not exceed 12 months.
2. The total grant term, with extensions, must not exceed five years.
3. The grant agreement extension is subject to approval by a committee designated by the Commissioner that includes, but is not limited to, the Deputy Commissioner, General Counsel, and Assistant Commissioner of Policy and Community Development.

<u>REPORTING REQUIREMENTS</u>
The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS
Supersedes Board Report dated May 24, 2018.

Adopted this 22nd day of May, 2025

____
CHAIR

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

RESOLUTION NO. MHFA _____
Modifying Resolution No. MHFA 18-026

BOARD DELEGATION NO. 015

RESOLUTION APPROVING DELEGATED AUTHORITY TO THE COMMISSIONER TO APPROVE GRANT FUNDING AND WORK PLAN MODIFICATIONS FOR ~~REGARDING~~ MULTIFAMILY, HOUSING STABILITY, LOCAL GOVERNMENT HOUSING, AND POLICY AND COMMUNITY DEVELOPMENT- PROGRAMS ~~GRANT MODIFCATIONS~~

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Board ("Board") to delegate to the Commissioner certain authority regarding the administration of grants in order to improve the efficiency of the Agency's ~~loan and~~ grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED:

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to make certain grant funding and work plan ~~funding~~ modifications ~~of Multifamily grants~~.

PARAMETERS OF DELEGATED AUTHORITY

1. Grants that are $~~325~~400,000 or less may be increased by the lesser of (i) up to 20~~15~~% of the original grant amount or (ii) $50,000~~, whichever is greater~~.
2. Grants that are greater than $~~325~~400,000 may be increased up to ~~15~~20% of the original grant amount, up to a maximum of $300,000.
~~2.~~3. The work plan modification must be necessary to further program goals, to aid the grantee to meet program outcomes and is consistent with the program guide, original request for proposals and the authorizing law.
4. The grant modification is subject to approval by a committee designated by the Commissioner that includes, but is not limited to, the Deputy Commissioner, General Counsel, and Assistant Commissioner of Policy and Community Development.

~~3. The Agency Clearinghouse and Mortgage Credit Committees must approve all modifications that increase grant amounts.~~

REPORTING REQUIREMENTS
The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS
Supersedes Board Report dated October 24, 2013, and ~~October~~ May 24, 2018~~3~~.

Adopted this 22nd day of May, 2025

____
CHAIR~~MAN~~

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

RESOLUTION NO. MHFA 25-XXX
Modifying Resolution No. MHFA 18-028

BOARD DELEGATION NO. 019

RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER TO APPROVE GRANT ~~REGARDING MULTIFAMILY GRANT~~ EXECUTION ~~COMMITMENT~~ EXTENSIONS FOR MULTIFAMILY, HOUSING STABILITY, LOCAL GOVERNMENT HOUSING, AND POLICY AND COMMUNITY DEVELOPMENT PROGRAMS

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of ~~loans and~~ grants in order to improve the efficiency of the Agency's ~~loan and~~ grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED:

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

<u>DELEGATED AUTHORITY</u>

To authorize the Commissioner to approve certain grant ~~commitment~~ execution extensions ~~for all Multifamily grants.~~.

<u>PARAMETERS OF DELEGATED AUTHORITY</u>

1. The grant execution extension period must not exceed six months.
2. The grant execution extension is subject to approval by a committee designated by the Commissioner that includes, but is not limited to, the Deputy Commissioner, General Counsel, and Assistant Commissioner of Policy and Community Development.
~~2. The Assistant Commissioner of Policy must be informed of the grant commitment extension prior to presentation to the Agency Clearinghouse Committee.~~
3. ~~The Agency Clearinghouse Committee must approve the grant commitment extension.~~

<u>REPORTING REQUIREMENTS</u>

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

<u>OTHER CONSIDERATIONS</u>

~~None~~<u>Supersedes Board Report dated May 24, 2018</u>.

Adopted this 22nd day of May, 2025

____

CHAIR~~MAN~~

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

RESOLUTION NO. MHFA _____
Modifying Resolution No. MHFA 18-029

BOARD DELEGATION NO. 020

RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER TO APPROVE ~~REGARDING MULTIFAMILY~~ GRANT CONTRACT AGREEMENT EXTENSIONS FOR MULTIFAMILY, HOUSING STABILITY, LOCAL GOVERNMENT HOUSING, AND POLICY AND COMMUNITY DEVELOPMENT PROGRAMS

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of ~~loans and~~ grants in order to improve the efficiency of the Agency's ~~loan and~~ grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED:

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to approve certain grant agreement extensions ~~for all Multifamily grants~~.

PARAMETERS OF DELEGATED AUTHORITY

1. A grant contract agreement may be extended up to 24 months, and the first extension shall not exceed 12 months. ~~Up to four grant agreement extensions are permitted. The extension period of each extension must not exceed six months.~~
2. The total grant term, with extensions, must not exceed five years.
3. The grant agreement extension is subject to approval by a committee designated by the Commissioner that includes, but is not limited to, the Deputy Commissioner, General Counsel, and Assistant Commissioner of Policy and Community Development.

~~3. The Assistant Commissioner of Policy must be informed of the grant agreement extension prior to presentation to the Agency Clearinghouse Committee.~~

~~4. The Agency Clearinghouse and Mortgage Credit Committees must approve the grant agreement extension.~~

REPORTING REQUIREMENTS
The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS
Supersedes Board Report dated May 24, 2018.~~None.~~

Adopted this 22nd day of May, 2025

____
CHAIR~~MAN~~

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MINNESOTA HOUSING

Item: 2025 State Legislative Session Recap

Discussion Item: 8.A
Date: 05/22/2025
Staff Contacts: Dan Kitzberger, 651.296.3706, dan.kitzberger@state.mn.us
Ryan Baumtrog, 651.296.8920, ryan.baumtrog@state.mn.us
Request Type: No Action, Discussion

Request Summary

The 2025 State Regular Legislative Session ends on May 19. Staff will provide an update of any legislative actions at the board meeting.

Fiscal Impact

None

Agency Priorities

☒ Improve the Housing System

☒ Preserve and Create Housing Opportunities

☒ Make Homeownership More Accessible

☒ Support People Needing Services

☒ Strengthen Communities

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Item: Chief Risk Officer Report

Information Item: 9.A
Date: 5/22/25
Staff Contacts: Mike Thone, 651.296.9813, Mike.Thone@state.mn.us
Rachel Robinson, 651.297.3125, Rachel.Robinson@state.mn.us
Request Type: No Action, Information

Request Summary

This is an update from the Chief Risk Officer regarding the status of conflict of interest, misuse of funds and fraud/embezzlement investigations for the period July 1, 2024, to December 31, 2024. The last Chief Risk Officer Report was made August 22, 2024, for the period of January 1, 2024, through June 30, 2024.

The next semi-annual report is expected to be delivered to the board in September 2025, for the period January 1, 2025, to June 30, 2025.

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
- Exhibit 1: Status of Conflict of Interest, Misuse of Funds, and Fraud/Embezzlement Investigations Opened by the Agency or Chief Risk Officer; period of 7/1/24 – 12/31/24

Background

Minnesota Housing has established procedures by which the Chief Risk Officer or other staff receive and address allegations of conflict of interest, misuse of funds and fraud/embezzlement related to Agency operations or Agency programs.

The Minnesota Housing Risk Management and Internal Control Framework contemplates the Chief Risk Officer report regularly to the board of directors on status of such allegations. The typical process is to report every six months.

Previous Chief Risk Officer Reports had included separate exhibits related to the RentHelpMN (including Targeted Rental Assistance) and HomeHelpMN programs, federal COVID-19 programs for rental and homeownership assistance, respectively. Those programs have been fully closed out and going forward any further activity related to those programs will be reported in the general report section in Exhibit 1, as applicable.

In the previous Chief Risk Officer report dated August 22, 2024, we reported there were 91 potentially fraudulent paid RentHelpMN applications pending referral to the Bureau of Criminal Apprehension (BCA) for further review to determine if criminal investigation for fraud was warranted. BCA evaluated those applications before the Agency's contract with BCA expired on November 30, 2024. Prior to contract expiration, the BCA worked with prosecutors to determine which of those cases would be prosecuted. There are currently 17 court cases in-process involving 22 defendants who allegedly stole $1.1 million through 72 applications. As of April 18, 2025, four of those cases resulted in conviction (or guilty plea) with restitution ordered.

Minnesota Housing, as a state housing finance agency, is not structured as an investigative body and does not have statutory investigatory or enforcement authority. The Agency conducts a thorough review of all fraud, misuse of funds and conflict of interest reports and when applicable coordinates with law enforcement, investigatory bodies and the Minnesota Attorney General's office for appropriate next steps related to cases of suspected or potential fraud, misuse of funds or other malfeasance.

Exhibit 1 informs the board about the number of conflict of interest, misuse of funds and fraud/embezzlement investigations opened, resolved and still in-process for the period.

Exhibit 1

Status of Non-RentHelpMN Direct Assistance Program Conflict of Interest, Misuse of Funds, and Fraud/Embezzlement Investigations Opened by the Agency or Chief Risk Officer For the Period 7/1/24 – 12/31/24				
Allegation Type	**Investigations in-process as of 7/1/24**	**Investigations Opened During Period**	**Investigations Resolved During Period**	**Comments Regarding Investigations**
Alleged Conflict of Interest (COI)	0	0	0	No investigations in-process
Alleged Misuse of Funds (MOF) less than $50,000	0	0	0	No investigations in-process
Alleged Misuse of Funds (MOF) greater than $50,000	0	0	0	No investigations in-process
Alleged Fraud/Embezzlement	3	1	3	• (2) Allegations were unsubstantiated (1) Potential fraud but no program funds were lost • (1) Investigation in-process
Summary	**3**	**1**	**3**	**(1) Investigation in-process**

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MINNESOTA HOUSING

Item: Second Quarter 2025 Progress Report: 2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan

Information Item: 9.B
Date: 5/22/2025
Staff Contacts: John Patterson, 651.296.0763, john.patterson@state.mn.us
Request Type: No Action, Information

Request Summary

Staff are providing for the board's review the Second Quarter 2025 Progress Report: 2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan.

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

- Second Quarter 2025 Progress Report: 2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan

Second Quarter 2025 Progress Report:

2024-2027 Strategic Plan and
2024-2025 Affordable Housing Plan

(Program Year October 1, 2024 through September 30, 2025)

This progress report has two sections:

1. **Go Bigger Strategic Goals.** To track our progress in carrying out our 2024-2027 Strategic Plan, we have identified two priority areas for which we set strategic goals:
   a. Share of first-time homebuyer mortgages going to Black, Indigenous and households of color
   b. Share of new rental units that will be deeply affordable

2. **Forecast of Households and Housing Units to be Assisted.** To track our progress in implementing the 2024-2025 Affordable Housing Plan, we forecasted and now track the number of households and housing units that we expect to assist with funds awarded in program year 2025. This is a leading indicator of our program activity. For housing development programs, it can take two years from selecting projects for funding to disbursing those funds when construction is carried out.

In 2025, we are on track overall with our expectations.

Key highlights include:

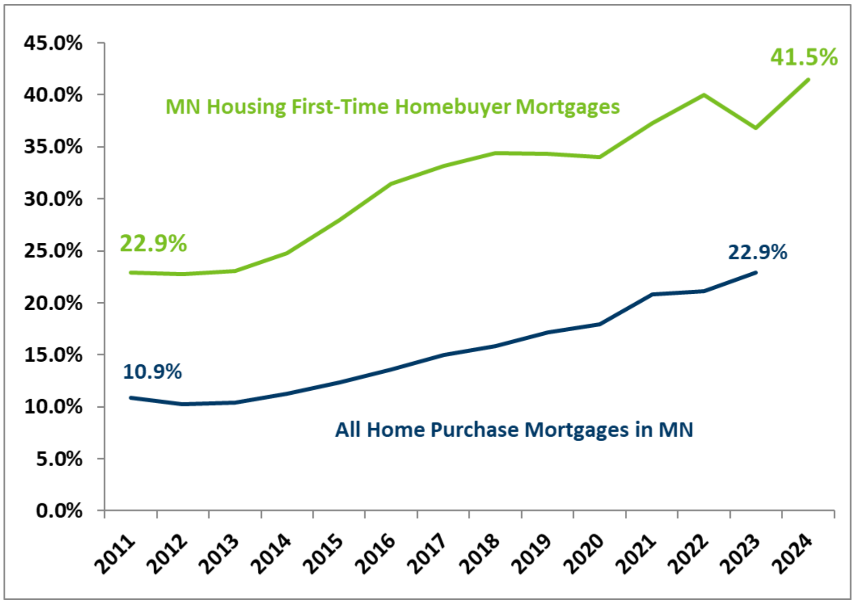
- Through the first two quarters, 51.8% of our first-time homebuyer mortgages went to Black, Indigenous and households of color, exceeding our goal of 40%. Because our First-Generation Homebuyer Assistance program exhausted its one-time appropriation and closed at the end of the first quarter, the percentage is starting to decline. However, with staff implementing board-approved program changes, we expect to stay above 40%.

- Across all programs, we have reached 76% of our year-end forecast in households to be served, when we are traditionally at 72% after the second quarter.

- We continue to stand-up, launch and implement a wide range of new programs created by the Legislature in 2023. In fact, some of the one-time programs have now ended and are in the close-out phase, including the First-Generation Homebuyer Assistance program ($50 million) and Stable Housing Organizational Relief Program ($50 million).

Strategic Goals

1. Share of First-Time Homebuyer Mortgages Going to Black, Indigenous and Households of Color



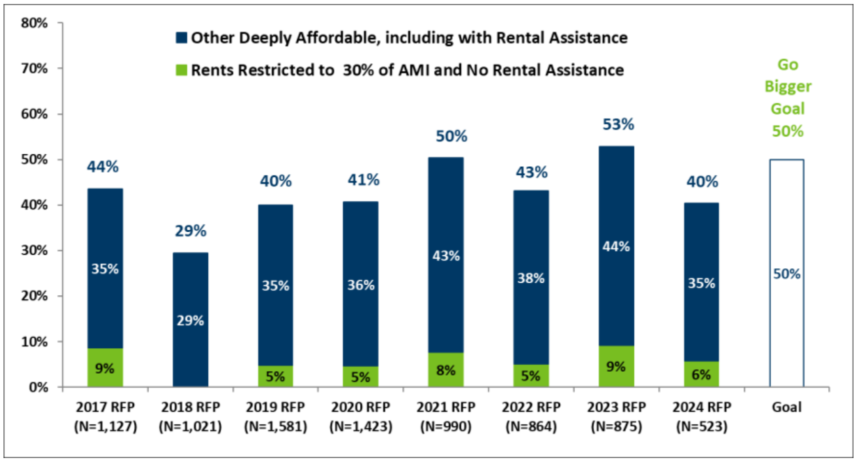
Go Bigger Goal 40.0%
Q2-2025 Actual 51.8%

Our 2024-2027 Strategic Plan recognizes that some communities of shared identities, experience or geographies disproportionally face housing instability and experience disparities in access and outcomes. These include people of color, people with disabilities, single parents, large families, and older adults. These communities are our priority because the current market is not working for them, and they experience barriers in accessing and navigating affordable housing.

Among the 50 states, Minnesota has the 11th largest disparity in the homeownership rates between white households (76.8%) and Black, Indigenous and households of color (51.1%). To help address the disparity, we have set a goal of 40% of the Agency's first-time homebuyer mortgages going to Black, Indigenous and households of color. We estimate that about 40% of renters who are potentially income-ready to buy a home and between the ages of 25 and 44 (prime first-time homebuyer ages) are Black, Indigenous and households of color.

After a few years of having 34% of our first-time homebuyer mortgages going to Black, Indigenous and households of color, we were able to break through and reach our 40% goal in 2022. This is significantly higher than the overall mortgage industry in Minnesota (22.9%). Because high interest rates and a very limited supply of affordable homes for sale created additional homebuying challenges, particularly for those facing the biggest barriers, our rate of lending to Black, Indigenous and households of color dropped in 2023. However, with the May 2024 launch of our temporary First-Generation Homebuyer Assistance program, which supported many Black, Indigenous and homebuyers of color with downpayment assistance, our lending rate to buyers of color reached 50% in a given month. Unfortunately, the program exhausted the available appropriations and closed at the end of December. This surge in lending to Black, Indigenous and households of color since May increased the rate to 41.5% for all of program year 2024 (October 1, 2024 through September 30, 2024) and 53.2% for the first quarter of 2025. With the dedicated appropriations for first-generation homebuyers no longer available, our lending to Black, Indigenous and households of color has started to decline. Our goal is to keep the rate above 40%. The program changes that the board approved in January – making first-generation homebuying an eligibility criterion for downpayment assistance under our ongoing Deferred Payment Loan Plus program – will likely help address the homeownership disparities for BIPOC communities.

2. Share of New Rental Units from the Consolidated RFP that will be Deeply Affordable*



Go Bigger Goal 50%
2025 (2024 RFP) Actual 40%

* Includes new construction and adaptive-reuse units: (1) with contract rents that are affordable to households with incomes at or below 30% of the area median income (AMI), (2) with rental assistance, including Housing Support, and/or (3) that are permanent supportive housing.

With the funding selections approved last December 2024, 40% of the new construction and adaptive-reuse units are expected to be deeply affordable. While we did not reach the goal in the most recent RFP, we achieved it in two of the past four years. Achieving the target depends on: (1) the availability of capital funding for deferred lending—particularly Housing Infrastructure Resources, (2) the availability of rental assistance, including the Department of Human Services' Housing Support, and (3) the type of projects that submit funding proposals through the Consolidated RFPs. In the 2023 Consolidated RFP, we reached 53% deeply affordable new units with the support of $206 million in deferred lending, including $102 million from Housing Infrastructure Resources. In contrast, we reached 40% in the 2024 Consolidated RFP when we only had $121 million in deferred lending, which included $61 million from Housing Infrastructure Resources. While funding levels and project proposals vary from year to year, we remain committed to maximizing deeply affordable housing through strategic investments and partnerships.

Forecast of Households and Housing Units to Be Assisted

The following table tracks our progress in reaching our 2025 activity forecasts by program area. For context and a comparison, it also provides the level we reached in 2024 after the second quarter.

Progress in Reaching Our Forecast of Households and Housing Units to be Assisted in 2025

		2025 Year-End Forecast	2025 Actual After Second Quarter	Share of 2025 Forecast Reached After Second Quarter	2024 Actual After Second Quarter	Historical Share After Second Quarter
1	Homebuying	4,041	2,003	50%	2,064	40%
2	Homebuyer Education and Coaching	8,282	4,557	55%	3,784	45%
3	Home Improvement Lending	1,480	529	36%	679	40%
4	Single Family Housing Development and Supports	909	602	66%	1,314	100%
5	Manufactured Housing and Communities	943	1,275	135%	1,920	100%
6	Other Single-Family Programs	800	15	2%	0	25%
7	Rental New Construction	564	601	107%	954	85%
8	Rental Rehabilitation	2,826	350	12%	800	60%
9	Rental Refinance Only	27	0	0%	37	50%
10	State Rental Assistance and Operating Subsidies	3,520	2,183	62%	2,330	75%
11	Section 8 Contract Administration	34,000	34,315	101%	29,916	100%
12	Homeless Prevention and Other Supports	12,441	8,132	65%	6,106	55%
13	Other Multifamily Housing Programs	2,198	42	2%	136	25%
14	Total for Core Programs	72,030	54,604	76%	50,040	72%
15	COVID-19 Housing Recovery	14	14	100%	2,426	25%
Note: These numbers reflect households or housing units to be assisted based on housing developments that have been selected for funding, the commitment of home mortgage and home improvement loans (net of cancellations), and the disbursement of funds for rental assistance, operating subsidies, homebuyer education/coaching and homelessness prevention.						

Without historical data, our forecasts of activity for new programs are quite uncertain in terms of the timing and number of households assisted. We anticipated that we would be well over the forecast in some areas and well under in other areas.

NOTES:

Lines 1: Through the second quarter of program year 2025, we reached 50% of our year-end forecast for our homebuyer programs. At this point of the year, we typically reach only 40% of the year-end forecast because the prime homebuying season of spring and summer is still to come. We experienced a larger than normal share of lending in the first quarter with the availability our First-Generation Homebuyer Assistance, which helped bring in homebuyers. With that program exhausting its available resources and closing at end of the first quarter, we have seen our lending slow, and we expect it to remain lower than we have seen in the past few years. In addition, we also expect the program changes that the board approved in January will also slow program activity. Those program changes were needed to address the limited funds that the Agency has on hand for providing downpayment and closing-cost assistance.

Lines 2: Homebuyer/owner education and counseling reached 55% of the year-end forecast after the second quarter, which is under the 45% that we traditionally reach at this point of the year.

Line 3: With respect to home improvement activity, we have reached 36% of the year-end forecast, which is just under the 40% that we traditionally see after the second quarter.

Line 4: With respect to single-family development and supports, we are currently behind our traditional pace. Because we complete the RFP for the Impact Fund in the first quarter, we have typically reached 100% of the year-end forecast at this point. This year, we are at 66% because we still have to complete the RFP for the new Homeownership Investment Grants program. When that is completed, we'll be closer to 100% of the forecast. The Homeownership Investment Grants will provide funding to nonprofit Community Development Financial Institutions (CDFIs) for affordable housing lending or financing, including new construction and rehabilitation.

Line 5: We have already exceeded our forecast for manufactured housing and communities by a sizable amount. With the completion of the annual Manufactured Home Community Redevelopment Program RFP, we have awarded all available funds and the amount of assistance provided per lot was less than expected, allowing us to support more lots with the available resources.

Line 6: This program area tracks the single-family portion of several miscellaneous new programs that are still in the process of being set up and launched. The new programs are Build Wealth's 9,000 Equities, Community Stabilization, Greater Minnesota Housing Infrastructure, Lead-Safe Homes, Local Housing Trust Fund Grants and Local Housing Aid Grants (Tier 2 Cities). Activity in this area will pick up during the final two quarters.

Line 7: With respect to the construction of new rental units, we have reached 107% of the year-end forecast after the second quarter. Our Multifamily Consolidated RFP was completed in the first quarter.

Line 8: While we have completed the Multifamily Consolidated RFP, we still have to complete the RFPs for the Publicly Owned Housing Program (POHP) and High-Rise Sprinkler Grants. As a result, we are only at 12% of our year-end forecast, when we are typically at 60% after the second quarter. We expect the Consolidated RFP will account for a small share of our overall rehabilitation activity in 2025.

Line 9: We had no rental refinancing activity during the first two quarters. These funds are available year-round, and activity is demand driven, which can lead to uneven activity over the course of a year and from year-to-year. Given high interest rates, it is not surprising to see very low levels of refinancing.

Line 10: After the second quarter, we reached 62% of the year-end forecasts, when we typically reach 75% at this point in the program year. While most of the households that received assistance in the second quarter will continue to do so for the rest of the year, additional households will be served as more operating subsidies are distributed and rental assistance vouchers turnover to new households as people leave the program. We also originally forecasted a small number of households being assisted under our new Bring It Home Rental Assistance before September 30, 2025 with a fall of 2025 launch. It is now looking like the first funds will be disbursed after October 1.

Line 11: The number of units receiving project-based rental assistance changes very little, if at all, over the course of the year. All the units currently receiving assistance will continue to do so.

Line 12: Activity under homeless prevention and other supports is higher than expected. The amount of assistance needed per household served so far has been lower than expected, allowing us to serve more households with the available resources.

Line 13: Just like line 6, this program area tracks several miscellaneous new programs (but in the multifamily space) that are in the process of being set up and launched. The new programs include Community Stabilization, Greater Minnesota Housing Infrastructure, Lead-Safe Homes, Local Housing Trust Fund Grants, Local Housing Aid Grants (Tier 2 Cities), and Grant to City of Minneapolis. Activity in this area will pick up during the final two quarters.

Line 14: The Agency has reached 76% of its overall year-end forecast, which is in line with what we typically reach after the second quarter.

Line 15: This activity, which occurred in the first quarter under the RentHelpMN-Targeted Assistance Program, reflects the distribution of the last of the Agency's COVID-19 housing recovery funds. Over the last few years, program activity in this area included the COVID-19 Housing Assistance Program (CHAP), RentHelpMN-Regular, RentHelpMN-Targeted Assistance, and HomeHelpMN. The Agency still has funds to award under HOME-ARP (American Rescue Plan), but that activity falls under rental production activities and not this housing recovery category.

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MINNESOTA HOUSING

Item: Post Sale Report, Residential Housing Finance Bonds, Series 2025 CDE

Information Item: 9.C
Date: 5/22/2025
Staff Contacts: Matt Dieveney, 651.282.2577, matt.dieveney@state.mn.us
Debbi Larson, 651.296.8183, debbi.larson@state.mn.us
Request Type: No Action, Information

Request Summary

The Agency priced $200,000,000 of its Series 2025 CDE Residential Housing Finance Bonds on February 19, 2025. Series C and Series D are fixed rate bond issues. Series D is a taxable issue while Series E is a variable rate taxable issue. All series closed March 19, 2025. In accordance with the board's Policy No. 1 (Debt and Balance Sheet Management Policy) the attached detailed post-sale report is provided by the Agency's financial advisor, CSG Advisors.

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

- Post-Sale Report

CSG | ADVISORS

$200,000,000
Minnesota Housing Finance Agency
Residential Housing Finance Bonds
$69,565,000 2025 Series C (Non-AMT)
$90,435,000 2025 Series D (Taxable)
$40,000,000 2025 Series E (Taxable)

POST-SALE ANALYSIS

KEY RESULTS FOR MINNESOTA HOUSING

Purpose. 2025 Series CDE accomplished the following major objectives:

1. Enabled Minnesota Housing to profitably finance Start Up first mortgages and Deferred Payment Loans on the balance sheet and earn net annual income over future years.

2. Used taxable debt for 65% of the issue, together with recycled volume cap from replacement refundings and $65 million in new volume cap.

3. Achieved a direct spread on the bond issue of 1.50%, with overall yield projected to be approximately 5.09%. There was no hedge gain or loss associated with the issue.

Key Measurable Objectives and Accomplishments. This issue was very successful despite the first quarter's particularly volatile market environment.

Objective	*Result*
Finance new production on balance sheet	$213.75 million of new Start Up first-mortgage loans in MBS securities and $11.25 million of 0% deferred payment loan second mortgages
Leverage private activity bond volume cap by efficiently incorporating taxable debt	Included $130.4 million of taxable bonds (Series D and E)
Maximize spread on the overall transaction	Achieved a direct, and total effective, spread of 1.50% on the bond issue; there was no hedge gain or loss associated with the issue.
Minimize use of and/or create zero participations (interest subsidies under IRS rules), and preserve them for future issues	Neither created nor used zero participations. *Note: there are no zeros left in the Agency's indenture as the remaining balance was utilized in the 2024 LMN transaction.*
Achieve cost-effective bond yield	Overall bond yield is projected to be approximately 5.09%
Create future income streams that will support Pool 3	Increased indenture's expected net present value by approximately $15.3 million at 150% PSA prepayment speed, after accounting for net service release premiums.
Maintain high bond ratings	RHFB bonds are rated Aa1/AA+

TIMING AND STRUCTURE

Timing. The bonds were priced on Thursday, February 20th.

Sizing. The issue was sized to fund pipeline lending.

Major Design Decisions

1. **Efficiently leverage volume cap.** To help preserve volume cap at a time when loan prepayments (and thus the ability to recycle past volume cap) have decreased significantly, the Agency structured 65.2% of the issue ($130.44 million) as taxable debt. The Agency then utilized $13.37 million in recycled volume cap from replacement refundings, requiring only $65.178 million in new volume cap from the 2025 Minnesota City Participation Program.

2. **Finance deferred payment loans.** The issue was designed to finance approximately $11.25 million of Deferred Payment Loans to help fund such loans from resources outside Pool 3. Because they have a 0% interest rate and are deferred until sale or refinancing, these loans reduced the net spread and net income earned by the indenture on this issue.

3. **Issue variable-rate debt.** To finance Start Up and 0% deferred payment loans at or above full spread with so much taxable debt and so little volume cap, the Agency issued $40 million of taxable bonds (20% of the entire issue) as variable-rate demand bonds (Series E). In the RHFB indenture, the total amount of variable-rate debt remains about 19.7%, well below the 30% of total indenture bonds outstanding often used as a benchmark for comparisons among HFAs and presentations to rating agencies.

4. **Appropriately hedge the variable-rate debt.** For the $40 million of variable-rate Series E bonds, the Agency entered into an interest rate swap with Royal Bank of Canada (Aa1/AA-) at a rate of 5.109%. Minnesota Housing can terminate the entire swap at no cost to the Agency starting on January 1, 2032.

5. **Time and size the issue to address volatile interest rates.** To deal with fluctuations in the bond and mortgage markets, Minnesota Housing has been (a) actively adjusting interest rates for new loan reservations to help keep pace with the market and (b) issuing bonds frequently and quickly, in relationship to the amount of loans reserved, to help reduce interest rate risk.

Bond Structure

1. **Series C.** The $69.565 million of tax-exempt (non-AMT) fixed-rate bonds consisted entirely of planned amortization class (PAC) term bonds due July 1, 2055.

2. **Series D.** The $90.435 million of taxable fixed-rate bonds included $10.85 million of serial maturities due between 2034 and 2037, as well as the following term bonds:
   $15.42 million due in 2033
   $15.14 million due in 2040
   $21.94 million due in 2045
   $32.09 million due in 2051

3. **Series E.** The $40 million of variable-rate demand bonds, with a final maturity of July 1, 2055, are covered by an initial 5-year standby bond purchase agreement from Federal Home Loan Bank of Des Moines, assuring investors they can tender their bonds with reasonable notice if desired. The cost of the liquidity facility to the Agency is 26 basis points per year.

SOCIAL BONDS

The Series CDE bonds are designated as Social Bonds. Minnesota Housing continued its practice since 2021 of designating its RHFB bonds as meeting an important social purpose. This confirms to investors that the bonds meet specific environmental, social, and governance standards. Single-family housing bonds generally meet the social purpose standards because of the level of affordability in serving low- and moderate-income households. Like many housing finance agencies, Minnesota Housing contracts with an independent party to evaluate and confirm that the bonds specifically meet the criteria for social bonds. Kestrel Verifiers, widely recognized across the industry, provided this certification based on detailed information from Minnesota Housing on the income mix of borrowers.

BOND SALE RESULTS

1. **Market Environment.** Entering 2025, the municipal bond market saw strong demand and issuance of municipal debt in January, reaching $35 billion, an 11% increase in volume from January 2024. Consensus muni issuance expectations for the year are approaching $500 billion with strong fundamentals supporting investor confidence.

   The yield on 10-year Treasury bonds continued its downward trajectory that started in mid-November, falling to 4.15% on December 6th, and then began climbing through early January, reaching 4.8% on January 13th. This decline and rebound was largely driven by a smaller-than-expected rate cut (25 bps)—accompanied by messaging indicating a slower pace of cuts in 2025 than previously anticipated—at the Federal Reserve's December 19th meeting. Further, uncertainty surrounding potential changes to tax policy under the new administration (including the possible alteration of the municipal interest exemption), as well as potential tariffs on goods from Canada, Mexico, and China, introduced some volatility through January. In early February, however, the 10-year Treasury yield had fallen from its early January high to 4.43%. On February 20th, when 2025CDE priced, the yield had risen slightly to 4.5%.

2. **Institutional Interest.** Institutional interest in the $69.565 million of Series C PAC bonds was very strong, with the bonds receiving a total of $237.39 million in orders and being 3.4x oversubscribed. As a result, the preliminary pricing spread was reduced by 4 basis points.

   Institutional interest in the 2025D bonds was somewhat weaker, receiving a total of $69.71 million in orders for the $90.435 million series and being undersubscribed at 0.8x. Driving the orders was interest in the 2034-2037 serial maturities, which ranged from 1x to 2x subscribed. The three term maturities in 2040, 2045, and 2051 had an unsold balance of $23.535 million, resulting in an increase of 5 basis points to the preliminary pricing spread for each maturity.

3. **Comparable Transactions.** The most comparable tax-exempt offerings to MHFA's non-AMT Series C PAC bonds, which priced 100 basis points over the 7-year Treasury, included Louisiana Housing Corporation (Aaa) and Vermont Housing Finance Agency (Aa1/AA+) on February 19th, and Maryland Department of Housing and Community Development (Aa1/AA+) and Ohio Housing Finance Agency (Aaa) on February 11th. The 2025C PAC priced 1 bp wider than Louisiana (+99 bps to 7-year), even with Ohio (+100 bps to 5-year), 2 bps tighter than Maryland (+102 bps to 7-year), and 10 bps tighter than Vermont (+110 bps to 7-year).

   Minnesota's spreads to treasuries on the taxable serial bonds priced 2 to 6 bps wider than the State of New York Mortgage Agency (SONYMA) (Aa1) 2035, 2036, and 2037 maturities, which priced on February 19th, and 2 bps wider than the only other comparable offering, Vermont Housing Finance Agency's 2034 serial bonds, which priced on February 18th.

The most comparable taxable term bonds were the SONYMA bonds issued on February 18th and Maryland bonds issued on February 11th. Minnesota priced 7 bps wider than SONYMA's 2040 and 2045 maturities and 2 to 3 bps wider than Maryland's 2040, 2045, and 2051 maturities.

UNDERWRITING

Underwriters. RBC was senior manager. Morgan Stanley, Northland, Piper Sandler, and Wells Fargo served as regular co-managers. As the tax-exempt bonds were PAC bonds, there was no retail selling group for the issuance. RBC also serves as the initial remarketing agent for the Series 2025E bonds.

Sales by Underwriter. RBC brought in all $237.93 million of orders on the Series C bonds. Of the total $69.71 million of institutional orders on the Series D bonds, RBC brought in $63.71 million, Northland brought in $4 million, and Piper Sandler brought in $2 million. RBC also brought in $200,000 of retail orders for Series D.

Underwriter Fees. Management fees were appropriate, consistent with industry standards, and in the same range as fees reported for other housing issues of similar size and structure.

ISSUE DETAILS

Economic Calendar. At the time of pricing the 2025CDE bonds, the fed funds rate had remained unchanged since December 2024, when it was cut by 25 bps. During its meetings on January 30th, the Federal Reserve maintained its cautious stance on interest rate cuts, indicating that rates would remain at the current level as inflation continues to be monitored. The annual inflation rate cooled to 2.9% in December, however, the economy's resilience has persisted, with core inflation ticking up to 3.3% in January 2025, higher than expectations.

The Fed's hesitancy to implement further rate cuts stems from several factors:

- *Robust economic growth.* The U.S. economy continued to show strength throughout 2024.
- *Low unemployment.* The job market remained tight, with unemployment staying below 4%.
- *Inflation concerns.* While inflation has moderated, it remains above the Fed's 2% target.

Market predictions for rate cuts in 2025 are now down to two or three, from as high as six in recent months. This cautious approach by the Fed, combined with ongoing economic uncertainty, suggests that market volatility may continue in the near term as investors adjust their expectations and react to new economic data.

Treasuries. At market close on February 20th, the day 2025CDE priced, the 10-year Treasury yield was 4.5%, 7 bps higher than the 2025AB pricing a few weeks prior on February 4th. After starting the week higher, Treasury yields reversed course following weaker-than-expected Purchasing Managers' Index data and initial jobless claims.

The yield curve has largely normalized in 2025, starting prior to the 2025CDE pricing and continuing through the sale. On February 20th, the 30-year Treasury 4.74%, 24 bps higher than the 10-year, and the 2-year was 4.19%, 31 bps lower than the 10-year.

Municipals. Municipal issuance in January was 11% higher than a year prior, and the expectation for total issuance during 2025 is approximately $500 billion (with some forecasts as high as $740 billion), indicating a material increase over the past few years. Factors driving this expected increase include capital plans expanding with rising travel demand, stimulus funds becoming depleted, and inflation continuing to drive up project costs.

In 2023, the supply of new-issue municipal bonds was the lowest since 2018 at just $380 billion, though the amount of housing bonds issued was a multiyear high. Interest rates reached highs not seen in more than a decade, creating more demand from investors while fewer bonds were available, thus resulting in lower MMD-to-Treasury ratios by the end of 2023. MMD-to-Treasury ratios dropped further in 2024, hitting the 50% range, as the Fed began to cut rates and there was a more favorable tone to investor demand in the muni market due to lower supplies of new bond issues coupled with investors looking to reinvest recent bond redemptions.

On the date of pricing for 2025CDE, the 10-year MMD/Treasury ratio was 66.7%, compared to ratios in the 80% range in late 2022, but up from the 50% range in early 2024. This relatively low MMD/treasury ratio continues a trend of lower borrowing rates for issuers compared to taxable alternatives. However, as muni supply increases, the fed continues to cut rates, and proposed federal tax cuts begin to take shape, upward pressure on the MMD/Treasury ratio is likely to increase.

TABLE 1: COMPARISON OF RATES IN RECENT MHFA SINGLE-FAMILY TRANSACTIONS

Issue	Date	10-Year Treasury	10-Year MMD	MMD/ Treasury	30-Year Treasury	30-Year MMD	MMD/ Treasury
2022 RHFB AB	2/1/22	1.79%	1.50%	83.8%	2.11%	1.91%	91.1%
2022 RHFB CD	3/3/22	1.73%	1.61%	93.1%	2.16%	2.03%	94.0%
2022 RHFB EF	4/13/22	2.70%	2.46%	91.1%	2.81%	2.81%	100.0%
2022 RHFB GH	6/8/22	3.02%	2.45%	81.1%	3.17%	2.92%	92.1%
2022 RHFB IJK	9/13/22	3.42%	2.81%	82.1%	3.51%	3.62%	103.1%
2022 RHFB LMN	11/9/22	3.83%	3.26%	85.1%	4.31%	4.06%	94.2%
2023 RHFB ABC	2/7/23	3.68%	2.23%	60.6%	3.71%	3.24%	87.3%
2023 RHFB DE	4/19/23	3.60%	2.36%	65.6%	3.79%	3.40%	89.7%
2023 RHFB FG	6/18/23	3.72%	2.57%	69.1%	3.84%	3.50%	91.1%
2023 RHFB HI	6/29/23	3.85%	2.56%	66.5%	3.90%	3.49%	89.5%
2023 RHFB JK	7/27/23	4.01%	2.52%	62.8%	4.06%	3.51%	86.5%
2023 RHFB LM	8/23/23	4.19%	2.95%	70.4%	4.27%	3.91%	91.6%
2023 RHFB NOPQ	9/12/23	4.27%	2.98%	69.8%	4.35%	3.92%	90.1%
2023 RHFB RST	11/8/23	4.49%	3.20%	71.3%	4.64%	4.20%	90.5%
2023 RHFB UV	11/15/23	4.53%	3.10%	68.4%	4.68%	4.12%	88.0%
2024 RHFB ABC	1/23/24	4.14%	2.46%	59.4%	4.38%	3.61%	82.4%
2024 RHFB DE	3/11/24	4.10%	2.40%	58.5%	4.26%	3.57%	83.8%
2024 RHFB FGHI	4/9/24	4.36%	2.65%	60.8%	4.50%	3.81%	84.7%
2024 RHFB JK	5/16/24	4.38%	2.75%	62.8%	4.52%	3.76%	83.2%
2024 RHFB LMN	6/11/24	4.39%	2.92%	66.5%	4.53%	3.79%	83.7%
2024 RHFB OPQ	7/30/24	4.15%	2.82%	67.9%	4.40%	3.68%	83.6%
2024 RHFB RS	8/20/24	3.82%	2.71%	70.9%	4.07%	3.59%	88.2%
2024 RHFB TUVW	11/12/24	4.43%	2.96%	66.8%	4.58%	3.79%	82.8%
2025 RHFB AB	2/4/2025	4.43%	2.89%	65.2%	4.64%	3.90%	84.1%
2025 RHFB CDE	2/20/2025	4.50%	3.00%	66.7%	4.74%	4.01%	84.6%
Change from 2025 *RHFB AB*		**+ 7 bps**	**+ 11 bps**	**+ 1.5%**	**+ 10 bps**	**+ 11 bps**	**+ 0.5%**

NON-AMT SINGLE FAMILY HOUSING PAC BOND PRICING COMPARABLES, PAST 2 MONTHS PLUS EARLIER MHFA

Pricing Date		2/20/25			2/19/25			2/19/25			2/11/25			2/11/25		
Amount		$69,565,000			$73,925,000			$30,000,000			$75,975,000			$225,000,000		
Issuer		Minnesota HFA			Louisiana HC			Vermont HFA			Maryland DHCD			Ohio HFA		
Series		2025 Series C			Series 2025A			2025 Series A			2025 Series A			2025 Series A		
Program		Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated		
Rating(s)		Aa1 / AA+ / -			Aaa / - / -			Aa1 / - / AA+			Aa1 / - / AA+			Aaa / - / -		
Tax Status		Non-AMT			Non-AMT			Non-AMT			Non-AMT			Non-AMT		
	Maturity	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread
Yr	('25 pricings)	56796	(if diff.)	to iMMD	Jun1 / Dec1	(if diff.)	to iMMD	May1 / Nov1	(if diff.)	to iMMD	Mar1 / Sep1	(if diff.)	to iMMD	Mar1 / Sep1	(if diff.)	to iMMD
0	2025															
1	2026										2.90 / 2.95	-	+30 / +35	6.00 / 6.00	2.73 / 2.76	+13 / +16
2	2027										3.00 / 3.05	-	+38 / +43	6.00 / 6.00	2.80 / 2.84	+18 / +22
3	2028				3.15	-	+42				3.10 / 3.10	-	+45 / +44	6.00 / 6.00	2.87 / 2.90	+22 / +24
4	2029				3.20 / 3.25	-	+46 / +49				3.15 / 3.15	-	+47 / +46	6.00 / 6.00	2.93 / 2.99	+25 / +30
5	2030				3.30 / 3.30	-	+54 / +53				3.25 / 3.30	-	+54 / +58	6.00 / 6.00	3.02 / 3.08	+31 / +36
6	2031				3.40 / 3.40	-	+61 / +61				3.35 / 3.35	-	+62 / +62	6.00 / 6.00	3.11 / 3.11	+38 / +38
7	2032				3.50 / 3.60	-	+66 / +72				3.40 / 3.50	-	+63 / +70	6.00 / 6.00	3.17 / 3.25	+40 / +45
8	2033				3.65 / 3.70	-	+75 / +79				3.55 / 3.60	-	+71 / +74	6.00 / 6.00	3.31 / 3.36	+47 / +50
9	2034				3.75 / 3.80	-	+79 / +81	3.75	-	+76	3.65 / 3.70	-	+75 / +77	6.00 / 3.65	3.42 / 3.65	+52 / +72
10	2035				3.85 / 3.90	-	+83 / +87	3.80 / 3.85	-	+78 / +82	3.75 / 3.80	-	+79 / +82	3.70 / 3.80	-	+74 / +82
11	2036				3.95 / 4.00	-	+89 / +91	3.90 / 3.95	-	+84 / +86	3.85 / 3.875	-	+85 / +84.5	3.85 / 3.875	-	+85 / +84.5
12	2037				4.00 / 4.00	-	+89 / +86	4.00 / 4.00	-	+89 / +86	3.90 / 3.90	-	+86 / +83	3.90 / 3.90	-	+86 / +83
13	2038															
14	2039															
15	2040				4.15	-	+83	4.20	-	+88	4.10	-	+83	4.15	-	+88
16	2041															
17	2042															
18	2043															
19	2044															
20	2045				4.50	-	+69	4.60	-	+79	4.50	-	+74	4.55	-	+79
21	2046															
22	2047															
23	2048															
24	2049															
25	2050				4.60	-	+65	4.70	-	+75				4.65	-	+75
26	2051										4.60	-	+69			
27	2052															
28	2053															
29	2054															
30	2055				4.70	-	+69							4.70	-	+73
31	2056															
32	2057															
PAC		6.25	3.77	+100	6.00	3.75	+99	6.00	3.87	+110	6.25	3.75	+102	6.25	3.71	+100
PAC AvgLf, Price		6yrs 75-400% PSA, $112.913			5yrs 75-600% PSA, $110.026			5.5yrs 75-500% PSA, $110.237			6yrs 75-500% PSA, $113.084			5yrs 75-500% PSA, $111.307		
Notes																
Par Call		7/1/33			12/1/33 (+adj PAC)			5/1/34 (+adj PAC)			3/1/33 (+adj PAC)			3/1/34 (+adj PAC)		
Sr Manager		RBC Capital Markets			J.P. Morgan			J.P. Morgan			J.P. Morgan			J.P. Morgan		

NON-AMT SINGLE FAMILY HOUSING PAC BOND PRICING COMPARABLES, PAST 2 MONTHS PLUS EARLIER MHFA

Pricing Date		2/10/25			2/5/25			2/4/25			2/4/25			1/28/25		
Amount		$75,000,000			$92,500,000			$110,000,000			$75,000,000			$140,000,000		
Issuer		Florida HFC			North Carolina HFA			Alaska HFC			Oklahoma HFA			Missouri HDC		
Series		2025 Series 1			Series 57-A			2025 Series A			Series 2025A			2025 Series A		
Program		Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated		
Rating(s)		Aaa / - / -			Aa1 / AA+ / -			Aaa / AA+ / -			Aaa / - / -			- / AA+ / -		
Tax Status		Non-AMT			Non-AMT			Non-AMT			Non-AMT			Non-AMT		
Yr	Maturity ('25 pricings)	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to iMMD	Coupon 1/1/56	Yield (if diff.)	Spread to iMMD	Coupon Jun1 / Dec1	Yield (if diff.)	Spread to iMMD	Coupon Mar1 / Sep1	Yield (if diff.)	Spread to iMMD	Coupon May1 / Nov1	Yield (if diff.)	Spread to iMMD
0	2025							2.95	-							
1	2026	2.95 / 2.95	-	+37 / +37				3.00 / 3.00	-	+37 / +37	3.00 / 3.00	-	+37 / +37	3.00	-	+33
2	2027	3.00 / 3.00	-	+40 / +40				3.05 / 3.05	-	+40 / +40	3.05 / 3.10	-	+40 / +45	3.05 / 3.10	-	+36 / +41
3	2028	3.05 / 3.10	-	+42 / +47				3.10 / 3.15	-	+42 / +45	3.125 / 3.125	-	+44.5 / +43.5	3.15 / 3.15	-	+43 / +41
4	2029	3.20 / 3.25	-	+54 / +59				3.20 / 3.25	-	+49 / +52	3.20 / 3.25	-	+49 / +53	3.20 / 3.20	-	+45 / +43
5	2030	3.30 / 3.35	-	+61 / +66				3.30 / 3.35	-	+56 / +60	3.30 / 3.35	-	+56 / +60	3.30 / 3.35	-	+51 / +55
6	2031	3.40 / 3.40	-	+70 / +70				3.45 / 3.50	-	+69 / +74	3.40 / 3.45	-	+64 / +69	3.45 / 3.50	-	+64 / +69
7	2032	3.45 / 3.50	-	+72 / +75				3.55 / 3.60	-	+77 / +78	3.50 / 3.55	-	+73 / +75	3.55 / 3.60	-	+72 / +74
8	2033	3.55 / 3.60	-	+75 / +79				3.65 / 3.70	-	+80 / +84	3.60 / 3.65	-	+76 / +79	3.65 / 3.70	-	+75 / +79
9	2034	3.65 / 3.65	-	+80 / +77				3.75 / 3.80	-	+84 / +86	3.70 / 3.75	-	+80 / +82	3.75 / 3.80	-	+79 / +81
10	2035	3.70 / 3.75	-	+79 / +82				3.85 / 3.90	-	+88 / +92	3.80 / 3.85	-	+84 / +87	3.85 / 3.85	-	+83 / +82
11	2036	3.85 / 3.875	-	+89 / +89.5				3.95 / 3.95	-	+94 / +91	3.875 / 3.90	-	+87.5 / +87	3.90 / 3.90	-	+84 / +81
12	2037	3.90 / 3.90	-	+90 / +88				4.00 / 4.00	-	+95 / +92	3.95 / 3.95	-	+91 / +88	3.95 / 4.00	-	+85 / +87
13	2038							4.05	-	+94	4.00	-	+89			
14	2039							4.10	-	+92	4.05	-	+87			
15	2040	4.125	-	+89.5				4.15	-	+87	4.15	-	+87	4.15	-	+83
16	2041															
17	2042							4.30	-	+79						
18	2043															
19	2044															
20	2045	4.50	-	+78				4.50	-	+76	4.50	4.47	+73	4.50	-	+74
21	2046															
22	2047															
23	2048							4.60	-	+74						
24	2049										4.60	-	+73			
25	2050	4.60	-	+74										4.625	-	+73.5
26	2051							4.65	-	+76						
27	2052															
28	2053															
29	2054															
30	2055	4.65	-	+72										4.65	-	+69
31	2056															
32	2057															
PAC		6.25	3.69	+100	6.25	3.74	+104	6.00	3.72	+98	6.25	3.81	+105	6.00	3.82	+103
PAC AvgLf, Price		5yrs 75-500% PSA, $111.421			6yrs 75-500% PSA, $113.14			5yrs 50-500% PSA, $110.035			6yrs 100-500% PSA, $112.706			5yrs 75-400% PSA, $109.589		
Notes																
Par Call		7/1/33 (+adj PAC)			7/1/33 (+adj PAC)			6/1/33 (+adj PAC)			3/1/33 (+adj PAC)			11/1/33 (+adj PAC)		
Sr Manager		Morgan Stanley			Wells Fargo			Jefferies			Raymond James			Raymond James		

NON-AMT SINGLE FAMILY HOUSING PAC BOND PRICING COMPARABLES, PAST 2 MONTHS PLUS EARLIER MHFA

Pricing Date		1/23/25			1/22/25			1/15/25			1/14/25			1/14/25			1/8/25		
Amount		$72,000,000			$159,000,000			$40,355,000			$15,000,000			$175,000,000			$75,000,000		
Issuer		New Mexico MFA			South Dakota HDA			Colorado HFA			Pinellas Co HFA (FL)			Texas DHCA			New Hampshire HFA		
Series		2025 Series A			2025 Series A			2025 Series B			2025 Series A			Series 2025A			2025 Series A		
Program		Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated		
Rating(s)		Aaa / - / -			Aaa / AAA / -			Aaa / AAA / -			Aaa / - / -			Aaa / AA+ / -			Aaa / - / -		
Tax Status		Non-AMT			Non-AMT			Non-AMT			Non-AMT			Non-AMT			Non-AMT		
Yr	Maturity ('25 pricings)	Coupon Mar1 / Sep1	Yield (if diff.)	Spread to iMMD	Coupon May1 / Nov1	Yield (if diff.)	Spread to iMMD	Coupon 11/1/54	Yield (if diff.)	Spread to iMMD	Coupon Mar1 / Sep1	Yield (if diff.)	Spread to iMMD	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to iMMD	Coupon Jul1	Yield (if diff.)	Spread to iMMD
0	2025										3.20	-							
1	2026	3.05	-	+33										3.20 / 3.25	-	+34 / +39			
2	2027	3.125 / 3.125	-	+38.5 / +38.5							3.30 / 3.40	-	+41 / +51	3.35 / 3.40	-	+46 / +51			
3	2028	3.20 / 3.25	-	+43 / +47							3.50 / 3.55	-	+58 / +62	3.45 / 3.45	-	+53 / +53			
4	2029	3.30 / 3.35	-	+50 / +54	3.35	-	+53							3.50 / 3.50	-	+54 / +54			
5	2030	3.40 / 3.45	-	+56 / +60	3.40	-	+56				3.65 / 3.75	-	+66 / +75	3.55 / 3.65	-	+56 / +66			
6	2031	3.50 / 3.55	-	+63 / +68							3.80 / 3.85	-	+78 / +83	3.75 / 3.80	-	+73 / +78			
7	2032	3.625 / 3.70	-	+73.5 / +78							3.90 / 3.95	-	+86 / +88	3.90 / 3.95	-	+86 / +89			
8	2033	3.75 / 3.80	-	+79 / +82							4.00 / 4.00	-	+89 / +87	3.95 / 3.95	-	+84 / +83			
9	2034	3.85 / 3.90	-	+83 / +85							4.05 / 4.05	-	+88 / +85	4.00 / 4.00	-	+84 / +81			
10	2035	3.95 / 3.95	-	+87 / +85							4.10 / 4.10	-	+85 / +83	4.00 / 4.00	-	+76 / +74			
11	2036	4.00 / 4.00	-	+88 / +85	3.90	-	+74				4.15 / 4.15	-	+85 / +82	4.05 / 4.10	-	+75 / +78			
12	2037	4.05 / 4.05	-	+89 / +86	4.00 / 4.00	-	+83 / +80				4.20 / 4.20	-	+86 / +83						
13	2038																		
14	2039																		
15	2040	4.20	-	+82	4.20	-	+84				4.375	-	+83.5	4.25	-	+71	4.15	-	+77
16	2041																		
17	2042																		
18	2043																		
19	2044																		
20	2045	4.55	-	+73	4.50	4.55	+76				4.70	-	+78	4.65	4.689	+76.9	4.50	-	+74
21	2046																		
22	2047																		
23	2048																		
24	2049																4.65	-	+74
25	2050	4.70	-	+75	4.70	-	+79				4.80	-	+76	5.00	4.80	+76			
26	2051																		
27	2052																		
28	2053																		
29	2054																		
30	2055	4.75	-	+73							4.85	-	+74	5.125	4.85	+74			
31	2056																		
32	2057																		
PAC		5.75	3.88	+103	6.50	3.90	+103	5.75	4.07	+109	5.75	4.20	+120	5.75	4.10	+108	6.50	3.93	+103
PAC AvgLf, Price		5.6yrs 75-400% PSA, $109.084			6yrs 75-500% PSA, $113.517			6yrs 75-500% PSA, $108.648			5.9yrs 75-400% PSA, $107.734			6yrs 75-400% PSA, $108.51			6yrs 100-500% PSA, $113.266		
Notes																			
Par Call		3/1/33 (+adj PAC)			5/1/33 (+adj PAC)			5/1/2033 (102.54 PAC)			3/1/33 (104.904 PAC)			7/1/33 (+adj PAC)			7/1/33		
Sr Manager		RBC Capital Markets			BofA			Jefferies			RBC Capital Markets			Jefferies			RBC Capital Markets		

NON-AMT SINGLE FAMILY HOUSING PAC BOND PRICING COMPARABLES, PAST 2 MONTHS PLUS EARLIER MHFA

Pricing Date		1/8/25			1/7/25			1/7/25			1/6/25			11/12/24		
Amount		$74,000,000			$40,000,000			$172,000,000			$115,000,000			$78,350,000		
Issuer		Utah HC			Kentucky HC			South Carolina SHFDA			Delaware SHA			Minnesota HFA		
Series		2025 Series A			2025 Series A			Series 2025 A			2025 Series A			2024 Series U		
Program		Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated		
Rating(s)		Aa2 / - / -			Aaa / - / -			Aaa / - / -			Aa1 / - / -			Aa1 / AA+ / -		
Tax Status		Non-AMT			Non-AMT			Non-AMT			Non-AMT			Non-AMT		
Yr	Maturity ('25 pricings)	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to iMMD	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to iMMD	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to iMMD	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to iMMD	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to iMMD
0	2025															
1	2026	3.15 / 3.20	-	+40 / +45	3.15 / 3.20	-	+40 / +45	5.00 / 5.00	2.96 / 3.00	+21 / +25	3.15 / 3.2	-	+38 / +43	3.25	-	+22
2	2027	3.25 / 3.25	-	+46 / +46	3.25 / 3.25	-	+51 / +51	5.00 / 5.00	3.03 / 3.07	+29 / +33	3.2 / 3.25	-	+44 / +49	3.20 / 3.20	-	+39 / +45
3	2028	3.30 / 3.35	-	+49 / +54	3.30 / 3.35	-	+54 / +59	5.00 / 5.00	3.12 / 3.15	+36 / +39	3.3 / 3.35	-	+54 / +59	3.25 / 3.25	-	+67 / +67
4	2029	3.40 / 3.45	-	+55 / +60	3.40 / 3.45	-	+60 / +65	5.00 / 5.00	3.21 / 3.26	+41 / +46	3.4 / 3.45	-	+60 / +65	3.30 / 3.35	-	+70 / +75
5	2030	3.55 / 3.60	-	+66 / +71	3.50 / 3.60	-	+66 / +76	5.00 / 5.00	3.31 / 3.34	+47 / +50	3.5 / 3.55	-	+66 / +71	3.40 / 3.45	-	+77 / +81
6	2031	3.625 / 3.70	-	+72.5 / +80	3.625 / 3.70	-	+77.5 / +85	5.00 / 5.00	3.40 / 3.45	+55 / +60	3.6 / 3.65	-	+75 / +80	3.50 / 3.50	-	+82 / +80
7	2032	3.75 / 3.80	-	+83 / +86	3.75 / 3.80	-	+89 / +92	5.00 / 5.00	3.49 / 3.52	+63 / +64	3.75 / 3.8	-	+89 / +92	3.55	-	+80
8	2033	3.85 / 3.90	-	+86 / +90	3.85 / 3.875	-	+92 / +93.5	5.00 / 3.875	3.59 / 3.875	+66 / +93.5	3.85 / 3.9	-	+92 / +96			
9	2034	3.90 / 3.95	-	+88 / +90	3.875 / 3.95	-	+91.5 / +96	3.90 / 3.95	-	+94 / +96	3.9 / 3.9	-	+94 / +91			
10	2035	3.95 / 3.95	-	+85 / +83	4.00 / 4.00	-	+96 / +94	4.00 / 4.00	-	+96 / +94	3.9 / 3.95	-	+86 / +89			
11	2036	4.00 / 4.00	-	+86 / +84	4.05 / 4.05	-	+97 / +95	4.05 / 4.05	-	+97 / +95	4 / 4	-	+92 / +90			
12	2037	4.05 / 4.05	-	+87 / +85	4.10 / 4.10	-	+98 / +96	4.10 / 4.10	-	+98 / +96						
13	2038															
14	2039															
15	2040	4.10	-	+72	4.20	-	+90	4.15	-	+85	4.2	-	+90			
16	2041															
17	2042															
18	2043															
19	2044															
20	2045	4.45	-	+69	4.50	-	+84	4.50	-	+84	4.55	-	+89			
21	2046															
22	2047															
23	2048															
24	2049				4.625	-	+81.5									
25	2050	4.60	-	+68				4.65	-	+83	4.65	-	+83			
26	2051															
27	2052															
28	2053															
29	2054										4.7	4.554	+67.4			
30	2055	4.65	-	+66				4.70	-	+81	4.7	-	+81			
31	2056															
32	2057															
PAC		6.50	3.91	+102	6.25	3.96	+112	6.50	3.96	+111	5.75	3.91	+106	6.25	3.78	+106
PAC AvgLf, Price		5yrs 100-500% PSA, $111.444			5yrs 100-400% PSA, $110.132			5.95yrs 100-400% PSA, $113.023			5.6yrs 75-400% PSA, $108.897			6yrs 75-500% PSA, $112.83		
Notes								1/26 - 1/33 are 5% coupons (lockout)								
Par Call		1/1/33 (102.294 PAC)			1/1/33 (101.555 PAC)			1/1/33 (104.773 PAC)			7/1/33 (+adj PAC)			1/1/33		
Sr Manager		BofA			BofA			BofA			J.P. Morgan			RBC Capital Markets		

NON-AMT SINGLE FAMILY HOUSING PAC BOND PRICING COMPARABLES, PAST 2 MONTHS PLUS EARLIER MHFA

Pricing Date		7/30/24			6/11/24		
Amount		$75,000,000			$80,000,000		
Issuer		Minnesota HFA			Minnesota HFA		
Series		2024 Series O			2024 Series L		
Program		Single Family / Negotiated			Single Family / Negotiated		
Rating(s)		Aa1 / AA+ / -			Aa1 / AA+ / -		
Tax Status		Non-AMT			Non-AMT		
Yr	Maturity ('25 pricings)	Coupon 1/1/55	Yield (if diff.)	Spread to iMMD	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to iMMD
0	2025						
1	2026				3.4	-	+20
2	2027				3.45 / 3.45	-	+27 / +30
3	2028				3.50 / 3.50	-	+41 / +47
4	2029				3.55 / 3.60	-	+54 / +60
5	2030				3.625 / 3.65	-	+66 / +68
6	2031				3.75 / 3.80	-	+80 / +85
7	2032				3.85 / 3.90	-	+91 / +96
8	2033				3.95 / 3.95	-	+102 / +102
9	2034				4.00 / 4.00	-	+108 / +108
10	2035				4.05 / 4.05	-	+113 / +113
11	2036				4.10 / 4.10	-	+118 / +117
12	2037						
13	2038						
14	2039				4.15	-	+105
15	2040						
16	2041						
17	2042						
18	2043						
19	2044						
20	2045						
21	2046						
22	2047						
23	2048						
24	2049						
25	2050						
26	2051						
27	2052						
28	2053						
29	2054						
30	2055						
31	2056						
32	2057						
PAC		6.25	3.9	+113	6.50	4.09	+114
PAC AvgLf, Price		6yrs 75-500% PSA			6yrs 75-500% PSA		
Notes							
Par Call		1/1/33			1/1/33		
Sr Manager		RBC Capital Markets			RBC Capital Markets		

TAXABLE HOUSING BOND PRICING COMPARABLES, PAST MONTH PLUS EARLIER MHFA

Pricing Date		2/20/25			2/19/25			2/19/25			2/18/25			2/11/25		
Amount		$90,435,000			$3,045,000			$39,015,000			$15,000,000			$460,000		
Issuer		Minnesota HFA			Louisiana HC			SONYMA			Vermont HFA			Colorado HFA		
Series		2025 Series D			Series 2025B			Series 268			2025 Series B			2025 S. D (Gateway Vill)		
Program		Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Multifamily / Negotiated		
Rating(s)		Aa1 / AA+ / -			Aaa / - / -			Aa1 / - / -			Aa1 / - / AA+			Aaa / AAA / -		
Tax Status		Taxable			Taxable			Taxable			Taxable			Taxable		
	Maturity	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread
Yr	('25 pricings)	Jan1 / Jul1	(if diff.)	to UST	Jun1 / Dec1	(if diff.)	to UST	Apr1 / Oct1	(if diff.)	to UST	May1 / Nov1	(if diff.)	to UST	7/1/28	(if diff.)	to UST
0	2025															
1	2026				4.51 / 4.51	-	+23 / +23 to 2yr				4.477 / 4.477	-	+18 / +18 to 2yr			
2	2027				4.56 / 4.56	-	+28 / +28 to 2yr				4.547 / 4.547	-	+25 / +25 to 2yr			
3	2028				4.58 / 4.63	-	+28 / +33 to 3yr				4.55 / 4.60	-	+23 / +28 to 3yr	4.625	-	+34.5 to 3yr
4	2029										4.721 / 4.721	-	+33 / +33 to 5yr			
5	2030										4.791 / 4.841	-	+40 / +45 to 5yr			
6	2031										4.972 / 5.002	-	+50 / +53 to 7yr			
7	2032										5.052 / 5.072	-	+58 / +60 to 7yr			
8	2033	6.00	4.692	+35 to 5yr							5.194 / 5.244	-	+65 / +70 to 10yr			
9	2034	5.249 / 5.299	-	+75 / +80 to 10yr							5.294 / 5.324	-	+75 / +78 to 10yr			
10	2035	5.349 / 5.379	-	+85 / +88 to 10yr				5.325 / 5.375	-	+79 / +84 to 10yr						
11	2036	5.409 / 5.439	-	+91 / +94 to 10yr				5.425 / 5.455	-	+89 / +92 to 10yr						
12	2037	5.459 / 5.499	-	+96 / +100 to 10yr				5.475 / 5.505	-	+94 / +97 to 10yr						
13	2038															
14	2039															
15	2040	5.599	-	+110 to 10yr				5.565	-	+103 to 10yr						
16	2041															
17	2042															
18	2043															
19	2044															
20	2045	5.846	-	+110 to 30yr				5.803	-	+103 to 30yr						
21	2046															
22	2047															
23	2048															
24	2049															
25	2050															
26	2051	5.896	-	+115 to 30yr												
27	2052															
28	2053															
29	2054															
30	2055										5.971	-	+120 to 30yr			
31	2056															
32	2057															
PAC								6.25	5.312	+94 to 5yr	6.50	5.371	+98 to 5yr			
PAC AvgLf, Price								5yrs 60-500% PSA, $103.983			5.5yrs 75-500% PSA, $105.148					
Notes		7/33 priced to 5yr average life														
Par Call		1/1/34			None			4/1/33 (+adj PAC)			5/1/34 (+adj PAC)			None		
Sr Manager		RBC Capital Markets			J.P. Morgan			Morgan Stanley			J.P. Morgan			Jefferies		

TAXABLE HOUSING BOND PRICING COMPARABLES, PAST MONTH PLUS EARLIER MHFA

Pricing Date		2/11/25			2/10/25			2/10/25			2/5/25		
Amount		$174,025,000			$73,880,000			$75,000,000			$206,500,000		
Issuer		Maryland DHCD			Connecticut HFA			Florida HFC			North Carolina HFA		
Series		2025 Series B			2025 Series B-3,4			2025 Series 2			Series 57-B		
Program		Single Family / Negotiated			Multifamily / Negotiated			Single Family / Negotiated			Single Family / Negotiated		
Rating(s)		Aa1 / - / AA+			Aaa / AAA / -			Aaa / - / -			Aa1 / AA+ / -		
Tax Status		Taxable			Taxable			Taxable			Taxable		
Yr	Maturity ('25 pricings)	Coupon Mar1 / Sep1	Yield (if diff.)	Spread to UST	Coupon May15 / Nov15	Yield (if diff.)	Spread to UST	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to UST	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to UST
0	2025				4.479	-	+20 to 2yr						
1	2026	4.472 / 4.472	-	+18 / +18 to 2yr	4.479 / 4.479	-	+20 / +20 to 2yr	4.449 / 4.479	-	+17 / +20 to 2yr	4.385	-	+20 to 2yr
2	2027	4.512 / 4.522	-	+22 / +23 to 2yr	4.499 / 4.529	-	+22 / +25 to 2yr	4.509 / 4.529	-	+23 / +25 to 2yr	4.435 / 4.435	-	+25 / +25 to 2yr
3	2028	4.562 / 4.612	-	+25 / +30 to 3yr	4.553,4.803* / 4.603	-	+25,+50* / +30 to 3yr	4.551 / 4.581	-	+25 / +28 to 3yr	4.448 / 4.498	-	+25 / +30 to 3yr
4	2029	4.693 / 4.723	-	+32 / +35 to 5yr	4.67 / 4.67	-	+33 / +33 to 5yr	4.661 / 4.681	-	+32 / +34 to 5yr	4.594 / 4.594	-	+35 / +35 to 5yr
5	2030	4.773 / 4.823	-	+40 / +45 to 5yr	4.74 / 4.77	-	+40 / +43 to 5yr	4.741 / 4.791	-	+40 / +45 to 5yr	4.644 / 4.694	-	+40 / +45 to 5yr
6	2031	4.958 / 4.998	-	+50 / +54 to 7yr	4.899 / 4.939	-	+48 / +52 to 7yr	4.899 / 4.939	-	+48 / +52 to 7yr	4.812 / 4.852	-	+48 / +52 to 7yr
7	2032	5.058 / 5.088	-	+60 / +63 to 7yr	4.969 / 5.019	-	+55 / +60 to 7yr	4.969 / 5.019	-	+55 / +60 to 7yr	4.882 / 4.932	-	+55 / +60 to 7yr
8	2033	5.218 / 5.288	-	+68 / +75 to 10yr	5.149 / 5.199	-	+65 / +70 to 10yr	5.129 / 5.159	-	+63 / +66 to 10yr	5.071 / 5.121	-	+65 / +70 to 10yr
9	2034	5.338 / 5.438	-	+80 / +90 to 10yr	5.229 / 5.279	-	+73 / +78 to 10yr	5.229 / 5.279	-	+73 / +78 to 10yr	5.171 / 5.221	-	+75 / +80 to 10yr
10	2035	5.488 / 5.538	-	+95 / +100 to 10yr	5.329 / 5.369	-	+83 / +87 to 10yr	5.329 / 5.399	-	+83 / +90 to 10yr	5.271 / 5.321	-	+85 / +90 to 10yr
11	2036	5.558 / 5.578	-	+102 / +104 to 10yr	5.419 / 5.449	-	+92 / +95 to 10yr	5.399 / 5.449	-	+90 / +95 to 10yr	5.341 / 5.371	-	+92 / +95 to 10yr
12	2037	5.588 / 5.588	-	+105 / +105 to 10yr				5.479 / 5.499	-	+98 / +100 to 10yr			
13	2038												
14	2039												
15	2040	5.608	-	+107 to 10yr	5.569	-	+107 to 10yr	5.549	-	+105 to 10yr	5.491	-	+107 to 10yr
16	2041												
17	2042												
18	2043												
19	2044												
20	2045	5.837	-	+108 to 30yr	5.798	-	+108 to 30yr	5.748	-	+103 to 30yr	5.748	-	+110 to 30yr
21	2046												
22	2047												
23	2048												
24	2049												
25	2050				5.838	-	+112 to 30yr	5.798	-	+108 to 30yr	5.798	-	+115 to 30yr
26	2051	5.877	-	+112 to 30yr									
27	2052												
28	2053												
29	2054												
30	2055				5.918	-	+120 to 30yr	5.828	-	+111 to 30yr			
31	2056										5.848	-	+120 to 30yr
32	2057												
PAC		6.00	5.343	+97 to 5yr				6.25	5.201	+86 to 5yr			
PAC AvgLf, Price		5yrs 75-500% PSA, $102.788						5yrs 75-500% PSA, $104.498					
Notes					* 5/15/28 includes $180,000 4.553% B-3 and $31,795,000 4.803% B-4 with 11/15/26 par call								
Par Call		3/1/33 (+adj PAC)			B3: 5/15/34, B4: 11/15/26			7/1/33 (+adj PAC)			7/1/33		
Sr Manager		J.P. Morgan			Morgan Stanley			Morgan Stanley			Wells Fargo		

TAXABLE HOUSING BOND PRICING COMPARABLES, PAST MONTH PLUS EARLIER MHFA

Pricing Date		2/4/25			2/4/25			1/29/25			1/28/25			1/28/25		
Amount		$70,000,000			$64,150,000			$49,440,000			$160,000,000			$10,000,000		
Issuer		Minnesota HFA			Nebraska IFA			Indiana HCDA			Colorado HFA			Missouri HDC		
Series		2025 Series A			2025 Series B			2025 Series A-2			2025 Series D-1			2025 Series B		
Program		Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated		
Rating(s)		Aa1 / AA+ / -			- / AAA / -			Aaa / - / -			Aaa / AAA / -			- / AA+ / -		
Tax Status		Taxable			Taxable			Taxable			Taxable			Taxable		
Yr	Maturity ('25 pricings)	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to UST	Coupon Sep1	Yield (if diff.)	Spread to UST	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to UST	Coupon May1 / Nov1	Yield (if diff.)	Spread to UST	Coupon Nov1	Yield (if diff.)	Spread to UST
0	2025							4.483	-	+25 to 2yr						
1	2026	4.438 / 4.438	-	+22 / +22 to 2yr				4.493 / 4.493	-	+26 / +26 to 2yr	4.47	-	+26 to 2yr			
2	2027	4.478 / 4.548	-	+26 / +33 to 2yr				4.523 / 4.593	-	+29 / +36 to 2yr	4.52	-	+31 to 2yr	4.57	-	+38 to 2yr
3	2028	4.585 / 4.585	-	+33 / +33 to 3yr				4.652 / 4.652	-	+38 / +38 to 3yr	4.585	-	+33 to 3yr	4.62	-	+37 to 3yr
4	2029	4.624 / 4.624	-	+30 / +30 to 5yr				4.685 / 4.685	-	+33 / +33 to 5yr	4.654	-	+31 to 5yr	4.66	-	+33 to 5yr
5	2030	4.684 / 4.754	-	+36 / +43 to 5yr				4.735 / 4.785	-	+38 / +43 to 5yr	4.794	-	+45 to 5yr	4.76	-	+43 to 5yr
6	2031	4.887 / 4.947	-	+46 / +52 to 7yr				4.929 / 4.969	-	+48 / +52 to 7yr	4.921	-	+48 to 7yr	4.91	-	+48 to 7yr
7	2032	4.977 / 4.997	-	+55 / +57 to 7yr				4.999 / 5.029	-	+55 / +58 to 7yr	4.991 / 6.00	4.991 / 4.694	+55/+35 to 7/5yr	5.00	-	+57 to 7yr
8	2033	5.155 / 5.195	-	+63 / +67 to 10yr				5.201 / 5.251	-	+65 / +70 to 10yr	6.00 / 5.249	5.099 / 5.249	+55 / +70 to 10yr	5.21	-	+66 to 10yr
9	2034	5.255 / 5.325	-	+73 / +80 to 10yr				5.301 / 5.351	-	+75 / +80 to 10yr	5.299 / 5.349	-	+75 / +80 to 10yr	5.31	-	+76 to 10yr
10	2035	5.355 / 5.405	-	+83 / +88 to 10yr				5.401 / 5.451	-	+85 / +90 to 10yr	5.379 / 5.429	-	+83 / +88 to 10yr	5.45	-	+90 to 10yr
11	2036	5.445 / 5.445	-	+92 / +92 to 10yr				5.461 / 5.481	-	+91 / +93 to 10yr	5.469 / 5.499	-	+92 / +95 to 10yr			
12	2037	5.485 / 5.505	-	+96 / +98 to 10yr	4.831	-	+41 to 7yr	5.501 / 5.521	-	+95 / +97 to 10yr	5.529 / 5.539	-	+98 / +99 to 10yr			
13	2038															
14	2039															
15	2040	5.595	-	+107 to 10yr	5.587	-	+107 to 10yr	5.601	-	+105 to 10yr	5.629	-	+108 to 10yr	5.625	-	+107.5 to 10yr
16	2041															
17	2042	5.774	-	+100 to 30yr												
18	2043															
19	2044										5.838	-	+104 to 30yr			
20	2045				5.811	-	+105 to 30yr	5.827	-	+103 to 30yr				5.85	-	+107 to 30yr
21	2046	5.824	-	+105 to 30yr												
22	2047															
23	2048															
24	2049															
25	2050													5.94	-	+116 to 30yr
26	2051															
27	2052															
28	2053															
29	2054															
30	2055													6.00	-	+122 to 30yr
31	2056															
32	2057															
PAC		6.125	5.427	+100 to 7yr	6.00	5.23	+91 to 5yr	6.00	5.265	+91 to 5yr	6.25	5.421	+98 to 7yr			
PAC AvgLf, Price		6yrs 75-400% PSA, $103.411			5yrs 50-700% PSA, $103.273			5yrs 50-700% PSA, $103.138			6yrs 75-500% PSA, $104.097					
Notes											5/32 priced to 7yr, 11/32 priced to 5yr					
Par Call		7/1/33			9/1/33 (+adj PAC)			1/1/33			5/1/33 (+adj PAC)			11/1/33		
Sr Manager		RBC Capital Markets			J.P. Morgan			RBC Capital Markets			RBC Capital Markets			Raymond James		

TAXABLE HOUSING BOND PRICING COMPARABLES, PAST MONTH PLUS EARLIER MHFA

Pricing Date		1/27/25			1/27/25		1/23/25			1/22/25		
Amount		$54,150,000			$150,000,000		$48,000,000			$199,995,000		
Issuer		Iowa FA			Virginia HDA		New Mexico MFA			Connecticut HFA		
Series		2025 Series B			2025 Series A		2025 Series B			2025 Series A-2		
Program		Single Family / Negotiated			Single Family / Negotiated		Single Family / Negotiated			Single Family / Negotiated		
Rating(s)		Aaa / AAA / -			Aaa / AAA / -		Aaa / - / -			Aaa / AAA / -		
Tax Status		Taxable			Taxable		Taxable			Taxable		
Yr	Maturity ('25 pricings)	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to UST	Coupon Jan1 / Jul1	Spread to UST	Coupon Mar1 / Sep1	Yield (if diff.)	Spread to UST	Coupon May15 / Nov15	Yield (if diff.)	Spread to UST
0	2025											
1	2026	4.471 / 4.461	-	+27 / +26 to 2yr	4.445	+25 to 2yr	4.587	-	+30 to 2yr			
2	2027	4.521 / 4.581	-	+32 / +38 to 2yr	4.495 / 4.545	+30 / +35 to 2yr	4.637 / 4.687	-	+35 / +40 to 2yr			
3	2028	4.632 / 4.622	-	+38 / +37 to 3yr	4.588 / 4.638	+35 / +40 to 3yr	4.749 / 4.749	-	+40 / +40 to 3yr			
4	2029	4.659 / 4.669	-	+32 / +33 to 5yr	4.698 / 4.748	+37 / +42 to 5yr	4.797 / 4.797	-	+35 / +35 to 5yr	4.76	-	+33 to 5yr
5	2030	4.739 / 4.789	-	+40 / +45 to 5yr	4.778 / 4.778	+45 / +45 to 5yr	4.897 / 4.897	-	+45 / +45 to 5yr	4.83 / 4.86	-	+40 / +43 to 5yr
6	2031	4.916 / 4.936	-	+48 / +50 to 7yr	4.878 / 4.928	+45 / +50 to 7yr	5.027 / 5.047	-	+48 / +50 to 7yr	4.975 / 5.045	-	+46 / +53 to 7yr
7	2032	4.986 / 5.036	-	+55 / +60 to 7yr	4.978 / 5.028	+55 / +60 to 7yr	5.097 / 5.147	-	+55 / +60 to 7yr	5.095 / 5.115	-	+58 / +60 to 7yr
8	2033	5.188 / 5.238	-	+65 / +70 to 10yr	5.18 / 5.23	+65 / +70 to 10yr	5.292 / 5.342	-	+65 / +70 to 10yr	5.231 / 5.281	-	+63 / +68 to 10yr
9	2034	5.288 / 5.338	-	+75 / +80 to 10yr	5.25 / 5.30	+72 / +77 to 10yr	5.392 / 5.442	-	+75 / +80 to 10yr	5.351 / 5.391	-	+75 / +79 to 10yr
10	2035	5.358 / 5.398	-	+82 / +86 to 10yr	5.35 / 5.40	+82 / +87 to 10yr	5.492 / 5.542	-	+85 / +90 to 10yr	5.421 / 5.481	-	+82 / +88 to 10yr
11	2036	5.448 / 5.498	-	+91 / +96 to 10yr	5.45 / 5.50	+92 / +97 to 10yr	5.622 / 5.582	-	+98 / +94 to 10yr	5.531 / 5.571	-	+93 / +97 to 10yr
12	2037	5.518 / 5.538	-	+98 / +100 to 10yr	5.55 / 5.55	+102 / +102 to 10yr				5.631 / 5.651	-	+103 / +105 to 10yr
13	2038											
14	2039											
15	2040	5.618	-	+108 to 10yr	5.60	+107 to 10yr	5.742	-	+110 to 10yr	5.671	-	+107 to 10yr
16	2041											
17	2042											
18	2043											
19	2044											
20	2045	5.857	-	+107 to 30yr	5.856	+108 to 30yr	5.976	-	+110 to 30yr			
21	2046									5.953	-	+113 to 30yr
22	2047											
23	2048											
24	2049											
25	2050	5.897	-	+111 to 30yr	5.926	+115 to 30yr	6.026	-	+115 to 30yr			
26	2051											
27	2052											
28	2053											
29	2054											
30	2055				5.976	+120 to 30yr	6.066	-	+119 to 30yr			
31	2056											
32	2057											
PAC		6.25	5.269	+93 to 5yr			6.25	5.477	+93 to 7yr	5.41	-	+98 to 5yr
PAC AvgLf, Price		5yrs 50-700% PSA, $104.187					5.6yrs 75-400% PSA, $103.571			5yrs 75-500% PSA, $100		
Notes							PAC spread would be +103 if measured to 5yr rather than 7yr					
Par Call		1/1/34			1/1/33		3/1/33 (+adj PAC)			5/15/33 (+adj PAC)		
Sr Manager		RBC Capital Markets			Morgan Stanley		RBC Capital Markets			RBC Capital Markets		

TAXABLE HOUSING BOND PRICING COMPARABLES, PAST MONTH PLUS EARLIER MHFA

Pricing Date		1/22/25			11/12/24			8/20/24		
Amount		$40,000,000			$92,550,000			$60,000,000		
Issuer		South Dakota HDA			Minnesota HFA			Minnesota HFA		
Series		2025 Series B			2024 Series V			2024 Series R		
Program		Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated		
Rating(s)		Aaa / AAA / -			Aa1 / AA+ / -			Aa1 / AA+ / -		
Tax Status		Taxable			Taxable			Taxable		
Yr	Maturity ('25 pricings)	Coupon May1 / Nov1	Yield (if diff.)	Spread to UST	Coupon Jul 1	Yield (if diff.)	Spread to UST	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to UST
0	2025									
1	2026	4.55 / 4.59	-	+25 / +29 to 2yr				4.557	-	+55 to 2yr
2	2027	4.65 / 4.68	-	+35 / +38 to 2yr				4.447 / 4.447	-	+44 / +44 to 2yr
3	2028	4.724 / 4.754	-	+37 / +40 to 3yr				4.258 / 4.308	-	+45 / +50 to 3yr
4	2029	4.798	-	+36 to 5yr				4.237 / 4.247	-	+53 / +54 to 5yr
5	2030	4.888	-	+45 to 5yr				4.247 / 4.257	-	+54 / +55 to 5yr
6	2031	5.026 / 5.076	-	+50 / +55 to 7yr				4.341 / 4.391	-	+60 / +65 to 7yr
7	2032	5.096 / 5.126	-	+57 / +60 to 7yr				4.491 / 4.541	-	+75 / +80 to 7yr
8	2033	5.263 / 5.313	-	+65 / +70 to 10yr				4.676 / 4.726	-	+85 / +90 to 10yr
9	2034	5.353 / 5.403	-	+74 / +79 to 10yr				4.806 / 4.876	-	+98 / +105 to 10yr
10	2035	5.443 / 5.483	-	+83 / +87 to 10yr				4.926 / 4.976	-	+110 / +115 to 10yr
11	2036	5.533 / 5.563	-	+92 / +95 to 10yr	4.977	-	+60 to 7yr	5.026 / 5.056	-	+120 / +123 to 10yr
12	2037									
13	2038									
14	2039									
15	2040				5.626	-	+120 to 10yr	5.14	5.176	+135 to 10yr
16	2041									
17	2042									
18	2043									
19	2044									
20	2045				5.875	-	+130 to 30yr	5.483	-	+140 to 30yr
21	2046									
22	2047							5.533	-	+145 to 30yr
23	2048									
24	2049									
25	2050				5.925	-	+135 to 30yr			
26	2051									
27	2052									
28	2053									
29	2054									
30	2055									
31	2056									
32	2057									
PAC								6.00	5.041	+130 to 7yr
PAC AvgLf, Price								6yrs 75-500% PSA		
Notes					7/1/35 is lock-out					
Par Call		5/1/33			35-39: 1/33; 44-49: 1/34			1/1/33 at par		
Sr Manager		BofA			RBC Capital Markets			RBC Capital Markets		