



Emergency Rental Assistance Capital Funding Program Guide

Affordable Rental Housing

03/18/2024

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Chapter 1 Program Purpose and Background

The Emergency Rental Assistance Program (ERA2) was established by the American Rescue Plan Act of 2021 (ARPA) to provide financial assistance and housing stability services to eligible households. ARPA allows funds that are unobligated on October 1, 2022, to be used for affordable rental housing serving Very Low-Income (VLI) Families. Minnesota Housing is providing these funds through the ERA2 Capital Funding Program, a one-time federal resource to finance the construction or preservation of permanent rental housing for VLI Families.

1.01 Definitions

Appendix A, which is attached and incorporated into this Program Guide, includes definitions of capitalized terms used in this Program Guide.

1.02 Legal Addendum

Any recipient of an award pursuant of ERA2 Capital Funds agrees to comply with the additional requirements and obligations as described in Appendix B, which is attached and incorporated into this Program Guide.

Chapter 2 Eligible Uses, Timing and Funding Allocation

2.01 Eligible Uses of Funds

ERA2 Capital Funds may be used for:

- Predevelopment activities that enable the construction, rehabilitation, or preservation of affordable rental housing projects serving VLI families, including architectural and engineering design, planning, permitting, surveys, appraisals, and environmental review associated with an eligible project, or
- The acquisition of real property for the purpose of constructing, rehabilitating, or preserving affordable rental housing projects serving VLI families, or
- The construction, rehabilitation, or preservation of affordable rental housing projects serving VLI Families; or
- The operation of affordable rental housing projects serving VLI Families that were constructed, rehabilitated, or preserved using ERA2 Capital Funds.

An affordable rental housing project funded, in whole or in part, with ERA2 Capital Funds must conform to and meet the ERA2 regulations and requirements Low-Income Housing Tax Credit program (U.S. Department of Treasury). However, if Minnesota Housing selects a project for ERA2 Capital Funds and provides other federal funds in the same Multifamily Consolidated RFP award cycle, then the ERA2 Capital Funds must conform to the ERA2 Capital Funds requirements and the strictest federal program requirements. Minnesota Housing provides federal funds through the HOME Investment Partnerships Program, National Housing Trust Fund, and Section 811 Project-Based Rental Assistance Program through the Multifamily Consolidated Request for Proposals. This provision only applies to federal funds provided by Minnesota Housing.

2.02 Ineligible Uses of Funds

ERA2 Capital Funds may not be used:

- to establish, provide financial support to, or invest in revolving loan funds or other structured funds.

2.03 Allocation of Funds

This funding is available on a statewide basis and is made available through Minnesota Housing's Consolidated Request for Proposal, which consolidates and coordinates multiple programs into a single Request For Proposal (RFP). Minnesota Housing reviews all proposals submitted and attempts to make the best and most appropriate funding choices for each development selected.

2.04 Timeline

ERA2 Capital Funds must be obligated by September 30, 2025 and fully expended on the eligible uses as described in Section 2.01 by December 31, 2025.

- ERA2 Capital Funds are considered obligated upon Minnesota Housing's execution of a term letter.
- ERA2 Capital Funds are considered expended when the funds are disbursed to a project to reimburse the project for eligible uses as described in Section 2.01.

ERA2 Capital Funds do not require the entire project to be complete by September 30, 2025. Please note that projects with other funding sources may have other completion requirements.

Chapter 3 Funding Requirements

Projects awarded ERA2 Capital Funds shall comply with the following:

- ERA2 regulations and requirements
- Requirements of other federal programs, if Minnesota Housing invests other federal funding in the same project and same Multifamily Consolidated RFP award cycle; and
- The 2024-2025 Qualified Allocation Plan (QAP), except those chapters and sections specific to tax credit requirements that would otherwise be impracticable to follow with ERA2 Capital Funds, which shall be determined at the sole discretion of Minnesota Housing.

Chapter 4 Income Limits

The household income of occupants of units funded by ERA2 Capital Funds is limited to the maximum income applicable to VLI Families. The income limitation will be imposed through restrictive covenants or other enforceable legal documents as determined by Minnesota Housing for a period of at least 20 years.

ERA2 Capital Funds may be used in mixed-income housing projects if the total investment of ERA2 Capital Funds in the project is proportional to the total development costs that are attributed to the units serving VLI Families. For example, if 25% of a project's units will be reserved for VLI Families and 20% of the total costs of all housing units in the project are attributable to such reserved units, then ERA2 Capital Funds may be used to pay for up to 20% of the total development costs.

Chapter 5 General Deferred Loan Characteristics

Minnesota Housing underwriting parameters for all developments awarded ERA2 Capital Funds will include an analysis of financial feasibility and development costs, and a review of management, marketability, and architectural requirements. Please refer to Minnesota Housing's Multifamily Underwriting Standards.

5.01 Mortgage Interest Rate and Term

ERA2 Capital Funds awards are generally provided in the form of a 0 percent, 30-year loan with principal due and payable at the end of the 30-year term. The interest rate may be adjusted to allow these funds to be utilized with other sources of funding, such as Low-Income Housing Tax Credits. The loan term may be adjusted based on requirements and conditions of other funding sources. Minnesota Housing may, at its sole discretion, require other loan terms, such as a cash flow note. More information on cash flow note requirements can be found in the Multifamily Underwriting Standards.

5.02 Transfer of Ownership/Prepayment

Sale of the property to another eligible borrower and assumption of the loan must be pre-approved in writing by Minnesota Housing. Approval must be requested through the Request for Action (RFA) process. Approval is at Minnesota Housing's sole discretion and will only be considered (but not guaranteed to be approved) if:

- The mortgagor is in compliance with all of its agreements with Minnesota Housing.
- The new entity is creditworthy, in Minnesota Housing's sole opinion
- The new entity assumes all contractual obligations with Minnesota Housing
- Minnesota Housing receives payment of an assumption fee equal to the approximate administrative costs incurred by Minnesota Housing in processing the sale and assumption

The loan may be prepaid in full at any time; however, covenants and conditions relating to the ERA2 Capital Funds will remain in place for a minimum of 20 years. Minnesota Housing will charge a prepayment fee in an amount equal to the approximate administrative costs incurred by Minnesota Housing in processing the prepayment.

5.03 Management and Operations

Management and Operating Budget. The budget submitted in the application for ERA2 Capital Funds is reviewed and compared to budgets of comparable Minnesota Housing financed developments. Minnesota Housing comparables are used in the underwriting of the loan and are used to project long-term operating costs that will protect the owner's long-term investment.

Minnesota Housing reserves the right to reject or adjust the operating and maintenance figures based on the information provided specific to development type, circumstances, and significant changes to the economics of the development's current marketplace.

Utilization of Units. All units must be rented to family sizes appropriate to the unit size, with a ratio of at least one person per bedroom. If, during the course of tenancy, a family size changes, a household may submit a written request to the management agent to transfer to another unit or be placed on a waiting list for such transfer. In the event of a decrease in family size, the household may be required to move into the next available suitably sized smaller unit.

Marketing. The owner or agent should demonstrate that they have established networks and linkages necessary for residents to maintain housing stability.

Chapter 6 Reporting

The following information outlines the reporting requirements that Minnesota Housing will submit to the federal government as required, as well as standardized public reporting. Minnesota Housing will collect and report to U.S. Department of Treasury on a range of data quarterly, including the following:

- Project name
- Project id
- Cumulative obligations
- Cumulative expenditures
- Current period obligations
- Current period expenditures
- Status of completion
- Project narratives
- Project physical address
- Federal program alignment
- Additional federal program funds used for the project
- Compliance status
- Estimated portion of total cost of the affordable rental housing project that has been/will be paid with ERA2 Capital Funds
- Estimated start of service date of the project
- Date of first ERA2 Capital Funds expenditure on the project
- Funding type (loan, interest subsidy, grant, other)
- Whether ERA2 Capital Funds are used for gap financing
- Type of project (rehabilitation, new construction, preservation, operation)
- Number of rental units in project
- Number of rental units funded by ERA2 Capital Funds
- Number of units serving VLI Families
- Description of income limitations on rental units funded with ERA2 Capital Funds
- Development partners
- Whether the program is limited to specific populations
- Period of legally enforceable income limitation for rental units funded with ERA2 Capital Funds
- Period of legally enforceable income limitation for any rental units not funded with ERA2 Capital Funds

Minnesota Housing will follow the requirements and reporting periods for submission in the detailed reporting guidance, as it may be amended, posted on the U.S. Department of the Treasury's website.

Appendix A – Definitions

Table 1: Terms and Definitions

Term	Definition
American Rescue Plan Act of 2021 (ARPA)	ARPA is a COVID-19 relief package that President Biden signed into law on March 11, 2021.
ERA2	The Emergency Rental Assistance Program (ERA2) which was established by the American Rescue Plan Act of 2021 (ARPA) to provide financial assistance and housing stability services to eligible households.
ERA2 Capital Funds	ERA2 funds that Minnesota Housing provides to finance the construction or preservation of permanent rental housing for VLI Families.
Minnesota Housing	The Minnesota Housing Finance Agency.
Multifamily Consolidated Request for Proposals (RFP)	Competitive funding round offered annually that Minnesota Housing uses to award and allocate federal and state resources for multifamily projects.
Program Guide	This Emergency Rental Assistance Program (ERA2) Capital Funding Program Guide.
Very-Low Income (VLI) Families	Families whose incomes do not exceed 50 per centum of the median family income for the area, as determined by the Secretary of Housing and Urban Development with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 50 per centum of the median for the area on the basis of the Secretary’s findings that such variations are necessary because of unusually high or low family incomes.

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.

- **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 (i.e., interactions are coincidental or relatively superficial). Social media friendships, connections, or links, by themselves, do not constitute friendship.
- **Outside Interest:** An Outside Interest may occur when an individual, their Family Member or their Partner has a connection to an organization via employment (current or prospective), has a financial interest or is an active participant.
- **Partner:** A person’s romantic and domestic partners and outside Business partners.
- **Relative:** Uncle or aunt; first or second cousin; godparent; godchild; other person related by blood, marriage or legal action with whom the individual has a close personal relationship.

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

- Revising the contracting party’s responsibilities to mitigate the conflict

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

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

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 (e.g., 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.

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

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.

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

1.06 Suspension

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

1.07 Disclosure and Reporting

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

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

1.08 Electronic Signatures

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

1.09 Fair Housing Policy

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

Minnesota Housing's fair housing policy incorporates the requirements of Title VI of the Civil Rights Act of 1968; the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988; and the Minnesota Human Rights Act. Housing providers and other entities involved in real-estate related transactions are expected to comply with the applicable statutes, regulations and related policy guidance. 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); (2) a single entity receives from Minnesota Housing \$200,000 or more of grant proceeds or \$500,000 of loan proceeds.

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.

All determinations regarding prevailing wage are made by the Minnesota Department of Labor and Industry. All questions regarding state prevailing wages and compliance requirements should be directed to that agency 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, after a determination by the Minnesota Department of Labor that prevailing wage does apply, a contractor or subcontractor fails to adhere to prevailing wage laws, then that contractor or subcontractor could face civil and/or criminal liability.