



MEETINGS SCHEDULED FOR NOVEMBER

Date: 11/21/24, 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: 1.866.901.6455 Access Code: 804-978-991

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, November 21, 2024.

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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Agenda: Minnesota Housing Board Meeting

Date: 11/21/2024, 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 October 24, 2024

5. Reports

- Chair
- Commissioner
- Committee

6. Consent Agenda

- A. (page 9) Commitment Extension, Impact Fund Loans
- B. (page 17) Approval, 2025 Minnesota Housing Board Meeting Schedule

7. Action Items

- A. (page 19) Commitment, Bridge Loan (BL) – Welch Place Apartments, D8560, Duluth
- B. (page 45) Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2025 A - Welch Place Apartments
- C. (page 123) Approval, State of Minnesota Housing Tax Credit 2026-2027 Qualified Allocation Plan
- D. (page 537) Approval, Tribal Indian Housing Program Manual
- E. (page 579) Approval, Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program Guide
- F. (page 611) Approval 2024 Capacity Building Request for Proposals (RFP) Selections

8. Discussion Items

- A. (page 629) Fourth Quarter 2024 Progress Report: 2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan

9. Information Items

- A. (page 635) 2024 Cost Containment Report

10. Other Business

None.

11. Adjournment

None.



DRAFT Meeting Minutes: Minnesota Housing Board Meeting

Date: Thursday, October 24, 2024, at 1 p.m.

1. Call Attendance

Chair DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance Agency at 1:00 p.m.

2. Roll Call

Members present via hybrid: Ramona Advani (proxy for Auditor Blaha), Chief Melanie Benjamin, Eric Cooperstein, Chair John DeCramer, Stephanie Klinzing, Stephen Spears, and Terri Thao.

Minnesota Housing staff present in person: Arin Adebayo, Tom Anderson, Tal Anderson, Ryan Baumtrog, Jennifer Bergman, Susan Bergmann, Scott Beutel, Sondra Breneman, Sara Broich, Stacie Brooks, Cassandra Busch, Aaron Cotter, Matt Dieveney, Michelle Doyal, Diane Elias, Peter Elwell, Jennifer Finnesgard, Sarah Foley, Jessica Fowler, Rachel Franco, Graydon Francis, Sara Gomoll, Vanessa Haight, Amanda Hedlund, Anne Heitlinger, Kang Her, Hattie Hiller, Adam Himmel, Jennifer Ho, Jon Holmseth, Heidi Hovis, John Hudson, Hannah Jirak, Karen Johnson, Dan Kitzberger, Greg Krenz, Laurie Krivitz, Sue Ladehoff, Janine Langsjoen, Debbi Larson, Ger Lee, Song Lee, James Lehnhoff, Ed LeTourneau, Rachel Lochner, Dylan Mato, Eric Mattson, Jill Mazullo, Don McCabe, David McGee, Colleen Meier, Amy Melmer, Benjamin Miles, Roger Moeller, Rudi Mohamed, Jonathan Moler, Gary Mortenson, Judi Mortenson, Michael Nguyen, Jennifer Nelson, Matt O'Brien, Andrew Orth, John Patterson, Caryn Polito, Ann Provo, Rinal Ray, Anne Redmond, Brittany Rice, Paula Rindels, Cheryl Rivinius, Lael Robertson, Rachel Robinson, Dani Salus, Joel Salzer, Kayla Schuchman, Lauren Stelter, Kim Stuart, Jodell Swenson, Susan Thompson, Monica Tucker, Ted Tulashie, Nancy Urbanski, Kayla Vang, Teresa Vaplon, Amanda Welliver, Alyssa Wetzels-Moore, Lakisha Whitson, Beverly Wilharm, and Kristy Zack.

Others present via hybrid: Michelle Adams, Kutak Rock; Melanie Johnson, Piper Sandler & Co.

3. Agenda Review

None.

4. Approval

Regular Meeting Minutes of September 26, 2024

Motion: Eric Cooperstein moved to approve the September 26, 2024, Regular Meeting Minutes. Seconded by Chief Benjamin. Roll call was taken. Stephanie Klinzing abstained. Ramona Advani and Stephen Spears were not present for the vote. Motion carries 4-0. All were in favor.

5. Reports

Chair

None.

Commissioner

Commissioner Ho shared the following with the Board:

- Welcome new employees
- Meetings
- Program Updates

Committee

None.

6. Consent Agenda

None.

7. Action Items

A. Approval, Family Homeless Prevention and Assistance Program Fiscal Year (FY) 2026-27 Program Guide

Staff requests approval of the amended Family Homeless Prevention and Assistance (FHPAP) FY 2026-27 Program Guide. This program guide will assist grant administrators to achieve program goals as well as comply with program requirements for the grant term of October 1, 2025, to September 30, 2027. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Eric Cooperstein moved Approval, Family Homeless Prevention and Assistance Program Fiscal Year (FY) 2026-27 Program Guide. Seconded by Terri Thao. Roll call was taken. Motion carries 7-0. All were in favor.

B. Commitment, Low and Moderate Income Rental (LMIR) Loan, Bridge Loan (BL) - The Views on 7th, D8580, Little Falls

Tom Anderson presented to the board a request for the following: 1. Adoption of a resolution authorizing the issuance of a LMIR program commitment in the amount of up to \$2,415,000; and 2. Adoption of a resolution authorizing the issuance of a BL commitment not to exceed \$7,300,000. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Eric Cooperstein moved Commitment, Low and Moderate Income Rental Loan, Bridge Loan - The Views on 7th, D8580, Little Falls. Seconded by Chief Benjamin. Roll call was taken. Motion carries 7-0. All were in favor.

C. Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2024 H-1 and 2024 H-2 -The Views on 7th

Matt Dieveney presented to the board a request for authorization to issue fixed rate bonds under the existing Rental Housing Bond Resolution. The bonds will be issued in two series, to make a short-term bridge mortgage loan and a long-term, first-lien Low and Moderate Income Rental (LMIR) loan to finance a portion of the acquisition and construction of The Views on 7th, a 45-unit multifamily housing development in Little Falls, MN. The Agency anticipates pricing and issue of the bonds described in the Preliminary Official Statement before the end of 2024. Michelle Adams joined the meeting to review the resolution. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Eric Cooperstein moved Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2024 H-1 and 2024 H-2 -The Views on 7th. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 7-0. All were in favor.

D. Commitment Bridge Loan (BL) and Funding Modification, Housing Infrastructure Bonds (HIB) - Mary Hall, D8341, St. Paul

Ted Tulashie presented to the board a request for the following: 1. Adoption of a resolution authorizing the issuance of a BL commitment not to exceed \$1,345,000; and 2. Adoption of a resolution modifying the loans under the HIB program to increase the total loan to \$13,910,000, of which the permanent loan will be a maximum of \$11,150,000 and the short-term loan a maximum of \$2,760,000. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Eric Cooperstein moved Commitment Bridge Loan and Funding Modification, Housing Infrastructure Bonds - Mary Hall, D8341, St. Paul. Seconded by Chief Benjamin. Roll call was taken. Motion carries 7-0. All were in favor.

8. Discussion Items

A. Housing Support Changes and Supportive Housing

9. Information Items

A. Post Sale Report, Residential Housing Finance Bonds, Series 2024 OPQ

B. Post Sale Report, Residential Housing Finance Bonds, Series 2024 RS

C. Post Sale Report, Rental Housing Bonds, Series 2024 C (Carver Place Apartments)

D. Post Sale Report, State Appropriated (Housing Infrastructure), Series 2024 A

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 2:26 p.m.

John DeCramer, Chair



Item: Commitment Extension, Impact Fund Loans

Consent Item: 6.A
Date: 11/21/2024
Staff Contacts: Nira Ly, 651.296.6345, nira.ly@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff requests approval to extend the commitments for the 2019, 2020, 2021 and 2022 Impact Fund loans through December 31, 2025.

Fiscal Impact

None.

Agency Priorities

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

Attachments

- Background

Background

The Agency commits loan funds for homeownership housing projects through the annual Consolidated Single Family Request for Proposals (Single Family RFP). The Community Homeownership Impact Fund (Impact Fund) is the program that implements and oversees the projects funded through the Single Family RFP. Funding sources for the loans include Economic Development and Housing Challenge (EDHC), Pool 2 and Housing Infrastructure Bond (HIB) proceeds. These loans fund downpayment and closing cost assistance, owner-occupied rehabilitation, new construction and acquisition, rehabilitation, resale.

Certain loan contracts with funds committed through the 2019 Single Family RFP, 2020 Single Family RFP and 2021 Single Family RFP will expire on December 1, 2024. Certain loan contracts with funds committed through the 2022 Single Family RFP will expire on January 1, 2025. These projects are in the process of development or rehabilitation. Acquisition, rehabilitation, resale and new construction commitments require extensions to enable the administrators to complete development and to sell the homes to eligible households. Owner-occupied rehabilitation commitments require extensions to complete rehabilitation on homes. Many of the contracted entities have already reported some completed units but need additional time to close out the remaining units.

2019 Single Family RFP Loan Contracts

At the November 21, 2019 meeting, the Minnesota Housing board approved the following loan commitments under Resolution No. MHFA 19-071, which are set to expire on December 1, 2024. Staff requests an extension to December 31, 2025.

Administrator	Project/Program Name	Funding Source	Contract Amount
City of Lakes Community Land Trust	Harrison Townhomes (formerly known as LEEF Townhomes)	HIB – Loan	\$ 732,168
City of Lakes Community Land Trust	City of Lakes Community Land Trust Homebuyer Initiated Program (CLCLT HIP)	HIB – Loan	\$ 200,000
United Community Action Partnership, Inc.	Marshall Parkway II Home Ownership Program	EDHC – Loan	\$ 56,000
		Pool 2 – Loan	\$ 475,000

2020 Single Family RFP Loan Contracts

At the December 17, 2020 meeting, the Minnesota Housing board approved the following loan commitments under Resolution No. MHFA 20-063, which are set to expire on December 1, 2024. Staff requests an extension to December 31, 2025.

Administrator	Project/Program Name	Funding Source	Contract Amount
Carver County Community Development Agency	Carver County CDA CLT Expansion Ernst House Rehab	HIB – Loan	\$ 100,000
Carver County Community Development Agency	Ernst Home Townhome project	HIB – Loan	\$ 339,210
City of Lakes Community Land Trust	City of Lakes Community Land Trust Homebuyer Initiated Program (CLCLT HIP) – Stand-Alone Affordability Gap	HIB – Loan	\$ 350,000
City of Lakes Community Land Trust	City of Lakes Community Land Trust Homebuyer Initiated Program (CLCLT HIP) – Owner-Occupied Rehabilitation	HIB – Loan	\$ 450,000
Housing and Redevelopment Authority of the City of Saint Paul, Minnesota	Acquisition, Rehabilitation, Resale + ADU Addition	EDHC – Loan	\$ 50,000
Housing and Redevelopment Authority of the City of Saint Paul, Minnesota	Large Family Housing & Wealth Building T2 Zoning SFH + ADU New Construction	EDHC – Loan	\$ 100,000
Northside Home LLC	Northside Home	EDHC – Loan	\$ 11,750
One Roof Community Housing	One Roof Community Lending Owner Occupied Rehab	EDHC – Loan	\$ 105,000
Urban Homeworks	Homeownership Within Reach	EDHC – Loan	\$ 11,750

2021 Single Family RFP Loan Contracts

At the January 27, 2022 meeting, the Minnesota Housing board approved the following loan commitments under Resolution No. MHFA 22-008, which are set to expire on December 1, 2024. Staff requests an extension to December 31, 2025.

Administrator	Project/Program Name	Funding Source	Contract Amount
Build Wealth MN Inc.	Family Stabilization and PAH Community Development Plan	EDHC – Loan	\$ 130,000
Build Wealth MN Inc.	Affordability Assistance for Building Equity in Small Multifamily Ownership	EDHC – Loan	\$ 100,000
City of Lakes Community Land Trust	City of Lakes Community Land Trust (CLCLT) Homebuyer Initiated Program (CLCLT HIP) – Stand Alone Affordability Gap	HIB – Loan	\$ 140,000

City of Lakes Community Land Trust	City of Lakes Community Land Trust (CLCLT) Homebuyer Initiated Program (CLCLT HIP) – Owner-Occupied Rehabilitation	HIB – Loan	\$ 245,000
City of Lakes Community Land Trust	City of Lakes Community Land Trust (CLCLT) New Construction	HIB – Loan	\$ 25,000
City of Lakes Community Land Trust	City of Lakes Community Land Trust (CLCLT) Strategic Opportunity Fund	HIB – Loan	\$ 195,000 ¹
City of Minneapolis, CPED	Minneapolis Homes: Financing – New Construction	HIB – Loan	\$ 1,000,000
City of Minneapolis, CPED	Minneapolis Homes: Financing – Acquisition, Rehabilitation, Resale	HIB – Loan	\$ 500,000
Community Neighborhood Housing Services dba NeighborWorks Home Partners	Preserving Affordable Homeownership for St. Paul	HIB – Loan	\$ 199,000
Housing and Redevelopment Authority of the City of Saint Paul	Inspiring Communities	EDHC – Loan	\$ 338,400
		HIB – Loan	\$ 724,500
Northside Home LLC	Northside Home	EDHC – Loan	\$ 27,964
		HIB – Loan	\$ 125,000
Scott County Community Development Agency on behalf of the Scott County Community Land Trust	Scott County Community Land Trust Expansion in Partnership with Twin Cities Habitat for Humanity (TCHFH)	HIB – Loan	\$ 320,000
SEMCAC	Albert Lea Home Renovation Loan Program ("ALHRLP")	EDHC – Loan	\$ 275,000 ²
Twin Cities Habitat for Humanity	Twin Cities Habitat for Humanity, 2021 New Construction Affordability Gap	EDHC – Loan	\$ 400,000
Twin Cities Habitat for Humanity	Twin Cities Habitat for Humanity, 2021 Scattered Site Acquisition-Rehab	EDHC – Loan	\$ 180,000

¹ The City of Lakes Community Land Trust (CLCLT) Strategic Opportunity Fund was originally selected for a \$75,000 HIB loan. On July 5, 2023, the award amount was increased to \$195,000 pursuant to Board Delegation No. 017.

² The SEMCAC Albert Lea Home Renovation Loan Program ("ALHRLP") was originally selected for a \$175,000 EDHC loan. On July 5, 2023, the award amount was increased to \$275,000 pursuant to Board Delegation No. 017.

Urban Homeworks	Homeownership within Reach	EDHC – Loan HIB – Loan	\$ 13,982 \$ 62,500
West Central MN Communities Action, Inc.	West Central Community Land Trust	HIB – Loan	\$ 75,000

2022 Single Family RFP Loan Contracts

At the December 15, 2022 meeting, the Minnesota Housing board approved the following loan commitments under Resolution No. MHFA 22-100, which are set to expire on January 1, 2025. Staff requests an extension to December 31, 2025.

Administrator	Project/Program Name	Funding Source	Contract Amount
Cass Clay Community Land Trust	With All, For All	HIB – Loan	\$ 386,000
City of Lakes Community Land Trust	City of Lakes Community Land Trust New Construction	HIB – Loan	\$ 70,000
City of Lakes Community Land Trust	City of Lakes Community Land Trust Homebuyer Initiated Program (CLCLT HIP) – Stand-Alone Affordability Gap	HIB – Loan	\$ 200,000
City of Lakes Community Land Trust	City of Lakes Community Land Trust Homebuyer Initiated Program (CLCLT HIP) – Owner-Occupied Rehabilitation	HIB – Loan	\$ 350,000
Community Neighborhood Housing Services dba NeighborWorks Home Partners	Community Keys Plus	EDHC – Loan	\$ 500,000
First Homes Properties	First Homes Community Land Trust - Suburban Growth Initiative	HIB – Loan	\$ 372,000
Greater Metropolitan Housing Corporation	Minnetonka Boulevard Redevelopment	Pool 2 – Loan	\$ 475,000
Hennepin County Housing and Redevelopment Authority	Healthy Homes Assistance Project	EDHC – Loan	\$ 80,000
Housing and Redevelopment Authority of Duluth, Minnesota	Single Family Owner-Occupied Rehabilitation Program	EDHC – Loan	\$ 150,000

Northside Home LLC	Northside Home	EDHC – Loan	\$ 59,200
One Roof Community Housing	One Roof Community Housing New Construction - Scattered Sites	HIB – Loan	\$ 380,000
One Roof Community Housing	One Roof Community Housing Acquisition-Rehab-Resale - Duluth/Two Harbors	HIB – Loan Pool 2 – Loan	\$ 1,080,000 \$ 475,000
Partnership Community Land Trust	PCLT-New Construction	HIB – Loan	\$ 271,500
PRG, Inc.	PRG - Minneapolis Infill	EDHC – Loan Pool 2 – Loan	\$ 240,000 ³ \$ 420,000
Scott County Community Development Agency on behalf of the Scott County Community Land Trust	Scott County Community Land Trust Expansion in Partnership with Twin Cities Habitat for Humanity (TCHFH) - Phase 2	HIB – Loan	\$ 300,000
The Rondo Community Land Trust	Rondo Community Land Trust Homebuyer Initiated Program - Rehab Gap Program – Owner-Occupied Rehabilitation	HIB – Loan	\$ 515,000
Three Rivers Community Action, Inc.	Gap Financing Program	EDHC – Loan	\$ 180,000
Three Rivers Community Action, Inc.	Faribault Single Family Project: Large Family Housing	EDHC – Loan	\$ 330,000
Twin Cities Habitat for Humanity	Twin Cities Habitat for Humanity, 2022 Scattered Site Acquisition-Rehab	EDHC – Loan	\$ 400,000
Twin Cities Habitat for Humanity	Twin Cities Habitat for Humanity, 2022 New Construction Affordability Gap	EDHC – Loan	\$ 600,000
Twin Cities Habitat for Humanity	Twin Cities Habitat for Humanity, 2022 SAAG Open Market Program	EDHC – Loan	\$ 900,000
Two Rivers Community Land Trust	The PATH (Preserving Affordable Tracks to Homeownership) Project	HIB – Loan	\$ 76,635

³ The PRG - Minneapolis Infill was originally selected for a \$180,000 EDHC loan. On March 23, 2023, the board increased the award amount to \$240,000 pursuant to Resolution No. MHFA 23-011.

United Community Action Partnership, Inc.	Jackson Homeownership Program	Pool 2 – Loan	\$ 400,000
West Central Minnesota Communities Action, Inc.	West Central Community Land Trust	HIB – Loan	\$ 50,000
West Hennepin Affordable Housing Land Trust	Homes Within Reach (HWR)	HIB – Loan	\$ 350,000
West Hennepin Affordable Housing Land Trust	HWR New Construction - Bloomington	HIB – Loan	\$ 90,000

Future Steps

Staff plan on presenting the board with a delegated authority for loan extensions for similar situations in the future.

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Item: Approval, 2025 Minnesota Housing Board Meeting Schedule

Consent Item: 6.B

Date: 11/21/2024

Staff Contacts: Rachel Franco, 651.296.2172, rachel.franco@state.mn.us

Request Type: Approval, Motion

Request Summary

Staff requests approval of the 2025 meeting schedule. Committee and special meetings will be scheduled as needed and in consultation with board members.

Fiscal Impact

None

Agency Priorities

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

Attachments

- Meeting schedule

Background

All meetings are on Thursdays and will begin at 1:00 p.m. unless otherwise noted.

2025 Schedule of Minnesota Housing Board Meetings

January 23

February 27

March 27

April 24

May 22

June 26

July 24

August 28

September 25

October 23

November 20 (one week early due to Thanksgiving Holiday)

December 18 (*one week early due to Christmas Holiday*)



Item: Commitment, Bridge Loan (BL) -Welch Place Apartments, D8560, Duluth

Action Item: 7.A
Date: 11/21/2024
Staff Contacts: Sarah Foley, 651.297.5145, sarah.foley@state.mn.us
Benjamin Miles, 651.297.2278, benjamin.miles@state.mn.us
Request Type: Approval, Resolution

Request Summary:

At the December 14, 2023, meeting, the Minnesota Housing board selected the proposed development for financing with a Bridge Loan in the amount of up to \$6,320,000 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 BL commitment not to exceed \$7,195,000.

The commitment is subject to the terms and conditions of the Agency term letter.

The development was also selected for deferred funding up to \$5,238,000 under the Housing Infrastructure Appropriations (HIA) program and a \$4,000,000 HOME Investment Partnerships (HOME) program under Resolution No. MHFA 23-077. There are no changes to the HIA and HOME loan amounts and those loans are not subject to additional board action.

Fiscal Impact:

Minnesota Housing will earn interest rate spread income on the BL, as well as additional fee income.

Agency Priorities:

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

Attachments:

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

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information			
Development Name	Welch Place Apartments	D#8560	M#19259
Address	52 Avenue W (North of Wadena Street)		
City	Duluth	County	Saint Louis
Date of Selection	12/14/2023	Region	Northeast

A. Project Description and Population Served

Welch Place involves the new construction of 30 units located in Duluth. The development consists of studio and one-bedroom units and will provide permanent supportive housing for households experiencing homelessness. Seven units will serve High Priority Homeless (HPH) households and 23 units will serve Other Homeless Households. Six units will serve People with Disabilities (PWD).

The development will serve households with incomes that are at or below 30%, 50% and 60% Multifamily Tax Subsidy Projects (MTSP). All 30 units will benefit from Housing Support assistance. Of the 30 units, eight will be limited to households with incomes at or below 30% Multifamily Tax Subsidy Income Limits (MTSP).

The financing will include 4% Housing Tax Credits (HTCs) from Minnesota Housing.

B. Mortgagor Information

Ownership Entity:	Welch Place, LLLP
Sponsor:	Center City Housing Corp.
Managing Member:	Welch Place Developer, LLC
Guarantor(s):	Center City Housing Corp.

C. Development Team Capacity Review

The sponsor, Center City Housing Corp., has successfully completed numerous projects similar in size and scope and is familiar with Minnesota Housing funding, processes and requirements.

The property manager, Center City Housing Corp., has experience working with Minnesota Housing and has capacity to add this development.

The service provider, Center City Housing Corp., is experienced in serving HPH and PWD residents.

LHB, Inc. is the architect and Watson-Forsberg Co. is the general contractor. Both have the capacity to effectively design and construct the project. They have successfully completed projects similar in size and scope.

Center City Housing Corp., the project's developer, sponsor, management company and service provider represents a Women-owned business enterprise.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction /End Loan
Bridge	BL	TEB*	\$7,195,000	Bond rate + 1.0%	N/A	20 mos.	N/A	Construction Bridge loan

*Tax-exempt volume limited bonds.

Bridge Loan funded by tax-exempt bonds.

- The tax-exempt volume limited bonds are sized at approximately 53% to qualify the development for 4% HTC.

E. Significant Changes Since Date of Selection

- Total development costs increased by \$1.18 million (9%) since selection in 2023. Construction costs increased by about \$1.2 million or 14% since selection and other cost areas like environmental abatement and professional fees came in modestly under budget. To fill the funding gap, the City of Duluth will provide \$610,000 in HOME American Rescue Plan. Syndication proceeds increased by about \$544,000, the result of increased eligible basis and improved credit pricing.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition	\$ 43,400	\$ 1,447

Description	Amount	Per Unit
Construction Costs	\$ 10,544,516	\$ 351,484
Environmental Abatement	\$ 25,000	\$ 833
Professional Fees	\$ 1,028,306	\$ 34,277
Developer Fee	\$ 1,700,000	\$ 56,667
Syndication Fees	\$ 50,000	\$ 1,667
Financing Costs	\$ 923,381	\$ 30,779
Reserves	\$ 582,190	\$ 19,406
Total Development Costs	\$ 14,896,793	\$ 496,560

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

B. Permanent Capital Sources

Description	Amount	Per Unit
First Mortgage	\$ -	\$ -
General Partner Cash	\$ -	\$ -
Syndication Proceeds	\$ 4,494,816	\$ 149,827
Deferred Loan Request	\$ -	\$ -
Sales Tax Rebate	\$ 249,977	\$ 8,333
Energy Rebates	\$ 4,000	\$ 133
Sponsor Loan	\$ 300,000	\$ 10,000
Minnesota Housing HOME	\$ 4,000,000	\$ 133,333
Housing Infrastructure Appropriation Homeless	\$ 5,238,000	\$ 174,600
City of Duluth HOME ARP	\$ 610,000	\$ 20,333
Deferred Developer Fee	\$ -	\$ -
Total Permanent Sources	\$ 14,896,793	\$ 496,560

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

C. Financing Structure

The development will qualify for approximately \$530,540 of annual, 4% HTC's, which will result in equity proceeds from Cinnaire. 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 total development cost (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.
 - Currently, the TDC per unit is \$496,560, which exceeds the predictive cost model estimate of \$354,641 by 40%.
- The Policy also allows that no additional board waiver is needed if the cost increases do not exceed more than 10 percentage points from the original board approved waiver.
 - A waiver of the predictive cost model was approved at the December 14, 2023 board meeting with costs that exceeded the model by 31%. The amount over the model has not increased by more than ten percentage points, so no further action is required.
- Reasons for the project costs include the efficient HVAC system, building on an aggregate pier foundation, which requires a larger foundation wall to tuck the building into the hillside than a typical slab on grade, and the utility main extension.

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
0 BR	3	\$ 929	30%	30%	Housing Support
0 BR	5	\$ 734	50%	50%	Housing Support
0 BR	2	\$ 929	50%	50%	Housing Support
0 BR	2	\$ 929	60%	60%	Housing Support
1 BR	5	\$ 929	30%	30%	Housing Support
1 BR	9	\$ 929	50%	50%	Housing Support
1 BR	4	\$ 929	60%	60%	Housing Support

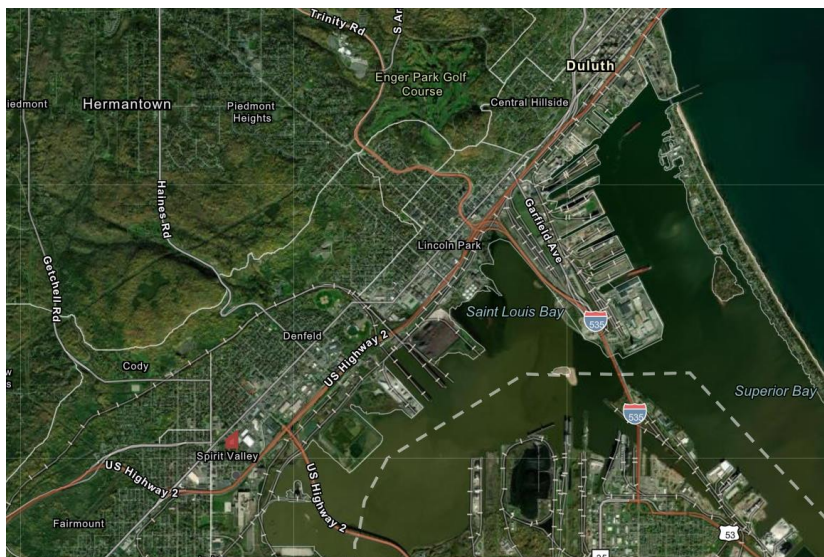
*Net Rents are the underwriting rents and are net of a utility allowance. The underwriting rents may not reflect the maximum rent limits.

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.

- The project was underwritten at 7% vacancy, with 2% income and 3% expense inflators.
- The project includes Tax Increment Financing (TIF) which will be structured as an operating subsidy. Since Welch Place cash flow is insufficient to support an amortizing first mortgage the TIF income will not be capitalized as an amortizing loan.
- The operating deficit reserve is sized to mitigate negative cash flow that is projected during the first 15 years of operations.

Map of N 52nd Ave W North of Wadena Street



Rendering of N 52nd Ave W North of Wadena Street



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

RESOLUTION NO. MHFA 24-xxx

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
BRIDGE LOAN (BL)**

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:	Welch Place Apartments
Sponsors:	Center City Housing Corp.
Guarantors:	Center City Housing Corp.
Location of Development:	Duluth
Number of Units:	30
Amount of BL (not to exceed)	\$7,195,000

WHEREAS, the Minnesota Housing board approved the proposed development for financing under the Bridge Loan in the amount of up to \$6,320,000 in Resolution No. MHFA 23-078; and

WHEREAS, Agency staff has determined the construction cost increase is reasonable and justifies the increase in BL size; 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 construction loan to the sponsor or an affiliate thereof from the proceeds of Rental Housing Bonds for the Bridge Loan (if authorized by the Board) for the indicated development, upon the following terms and conditions:

1. This authorization shall expire on April 30, 2025; and

2. The BL transaction will be financed with the proceeds of tax-exempt Rental Housing Bonds of the Agency, and the commitment is subject to the ability of the Agency to sell bonds on terms and conditions, and in a time and manner, acceptable to the Agency; and
3. The amount of the BL shall not exceed \$7,195,000; and
4. The interest rate on the BL will be based on the interest rate on the Rental Housing Bonds issued to finance the BL plus 1.00%, interest will be payable monthly, and the principal will be due in a balloon payment no more than 20 months after closing; and
5. The BL commitment shall be entered into on or before April 30, 2025, and shall have a six-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 Regulatory Agreement and 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 21st day of November 2024

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

October 30, 2024

Nancy Cashman
 Welch Place, LLLP
 c/o Center City Housing Corp.
 105 ½ 1st Street W
 Duluth, MN 55802

RE: Term Letter
 Welch Place Apartments, Duluth
 Development #8560, Project #19259

Dear Nancy Cashman:

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: Welch Place, LLLP
Managing Member:	Welch Place Developer, LLC
Development Description/Purpose:	New construction of a 30-unit affordable housing development located in Duluth, Minnesota

October 25, 2024

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Program	Bridge Loan**	Housing Infrastructure Appropriations (HIA)	HOME Investment Partnerships Program (HOME)
Loan Amount	\$7,195,000	\$5,238,000	\$4,000,000
Interest Rate	Bond financing rate + 1.0% (4.5% est.)	0%	0%
Mortgage Insurance Premium (%)	Not Applicable	Not Applicable	Not Applicable
Term	20 months	Approx. 20 months (construction) + 50 years	Approx. 20 months (construction) + 50 years
Amortization / Repayment	Interest only during term based on the full amount of the loan	Deferred lump sum payment due in 20 months (construction) + 50 years.	Deferred lump sum payment due in approx. 20 months (construction) + 50 years.
Prepayment Provision	No prepayment until July 1, 2026.	Prepay at any time with prior written approval.	Prepay at any time without penalty.
Nonrecourse or Recourse	Recourse	Nonrecourse	Nonrecourse
Construction to Permanent Loan, Construction Bridge Loan or End Loan	Construction Bridge Loan	Construction to Permanent Loan	Construction to Permanent Loan
Lien Priority	First (during construction)	First (2 nd during construction)	Second (3 rd during construction)

**Subject to the ability of Minnesota Housing to sell bonds on terms and conditions, and in a time and manner, acceptable to Minnesota Housing.

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Origination Fees:	Bond-funded Bridge Loan: \$35,975 (payable at the earlier of loan commitment or loan closing)
Bond Issuance Fee	\$153,963 (payable at loan closing)
LMIR Interest Rate Extension Fee	Not applicable.
Construction Oversight Fee:	\$75,000 (payable at loan closing)
End Loan Commitment:	Not applicable.
Guarantee / Guarantor(s):	Bridge Loan: Completion, Repayment and Operations Guarantee from Center City Housing Corp.
Operating Deficit Escrow Reserve Account:	Not applicable.
Operating Cost Reserve Account:	Capitalized operating reserve in the amount of \$165,626 funded at after construction completion anticipated from the third equity installment. The operating reserve will not be held by Minnesota Housing.
Replacement Reserve Account:	Monthly replacement reserve deposits will be required in the amount of \$1,125. The replacement reserve will be held by Minnesota Housing.
Escrows:	Real estate tax escrow and property insurance escrow to be established after completion of construction (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:	<u>Housing Infrastructure Appropriation - Homeless:</u> • 30 units with incomes not exceeding 60% MTSP and rents at 60% MTSP.

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- Commitment to construction period plus 50 years of affordability from the date of loan closing.

HOME Investment Partnerships Program

- 21 units at Low HOME rents, as published by HUD for the HOME program; with Very Low Income limits (50% Area Median Income, as published by HUD for the HOME program).
- 20 years of compliance period is required under the HOME program.

HAP or Other Subsidy Agreement:	Commitment to construction period plus 15 years of affordability from the date of loan closing under the Housing Support Program for 30 units.
Other Occupancy	HIA - Permanent Supportive Housing – Homeless
Requirements:	100% of the units in a project must provide permanent housing for individuals and families who are homeless. Eligible homeless populations include: • 7 units High Priority Homeless (HPH) • 23 units Other Homeless Households under the HIB program
Other Requirements:	The Housing Infrastructure Appropriations 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 April 30, 2025 from the date of this letter or loan closing/end loan commitment.
Additional Terms:	Operating Deficit Reserve- Capitalized operating deficit reserve in the amount of \$333,751 funded after construction completion anticipated to be from the third equity installment. The operating deficit reserve will not be held by Minnesota Housing and is required by the syndicator. Rent up Reserve- Capitalized rent up reserve in the amount of \$82,813 funded after construction completion from the second equity installment. The rent up reserve will not be

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held by Minnesota Housing and is required by the syndicator.

Other Conditions: Not applicable.

Board Approval: Commitment of the Bridge 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.

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 Sarah Foley at sarah.foley@state.mn.us.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'James Lehnhoff', with a long horizontal flourish extending to the right.

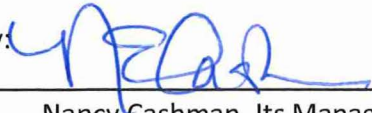
James Lehnhoff
Assistant Commissioner, Multifamily

October 25, 2024

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AGREED AND ACCEPTED BY:

WELCH PLACE, LLLP

By: 

Nancy Cashman, Its Manager

Date Accepted: 11/5/24

Selection Criteria Related to 2023 RFP/2024 HTC Round 1

Project Name: Welch Place Apartments
Project City: Duluth
Property Number (D#): D8560
Project Number: M19259

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.

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	<u>10</u>	10% to 49.99% of the total units, but no fewer than 7 units	<u>10</u>	<u>7</u>

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.

People with Disabilities – Tier 1

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
15% to 25% of the total units, but no fewer than 6 units	<u>10</u>	15% to 25% of the total units, but no fewer than 6 units	<u>10</u>	<u>6</u>

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)
100% of the total units	<u>19</u>	100% of the total units	<u>19</u>	<u>30</u>

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

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 (FRRU)

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
25.1% to 50% of the total units	<u>5</u>	25.1% to 50% of the total units	<u>5</u>	<u>8</u>

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.

Long Term Affordability

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

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	<u>10</u>	Tier 1 Tracts or Cities, and	<u>10</u>

Reservations

Reservations

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	<u>6</u>	Top Job Center or Net Five Year Job Growth Community	<u>6</u>

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 quarter mile of a planned or existing public transportation fixed route stop	<u>2</u>	One quarter mile of a planned or existing public transportation fixed route stop	<u>2</u>

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 70 or more	<u>2</u>	Walk Score of 70 or more	<u>2</u>

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	<u>3</u>	Contributes to active implementation of a Community Development Initiative	<u>3</u>

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 disparities have a role in the project proposal and qualifying stakeholder groups.	<u>3</u>		<u>0</u>

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.

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

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
QCT Community Revitalization Area, Tribal Equivalent Area, or Opportunity Zone	<u>3</u>	QCT Community Revitalization Area, Tribal Equivalent Area, or Opportunity Zone	<u>3</u>

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 non-profit Black-, Indigenous-, People of Color-owned or Women-owned Business Enterprise	<u>4</u>	Owner non-profit Black-, Indigenous-, People of Color-owned or Women-owned Business Enterprise	<u>4</u>

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	<u>4</u>	Two or more entities are Women-owned Business Enterprises or a	<u>4</u>

combination of Black-,
Indigenous-, People of
Color-owned or Women-
owned Business Enterprise

combination of Black-,
Indigenous-, People of
Color-owned or Women-
owned Business Enterprise

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	<u>1</u>		<u>0</u>

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
3.01% to 4.5% of funding secured	<u>6</u>	3.01% to 4.5% of funding secured	<u>6</u>

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
8.1 to 10.0%	<u>8</u>	8.1 to 10.0%	<u>8</u>

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
20.1 to 25%	<u>2</u>	20.1 to 25%	<u>2</u>

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	<u>3</u>		<u>0</u>	

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	<u>1</u>	Smoke Free Buildings	<u>1</u>

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 1: Project includes at least 2x the minimum number of optional criteria points in the Intended Methods	<u>1</u>	Tier 1: Project includes at least 2x the minimum number of optional criteria points in the Intended Methods	<u>1</u>

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: 117 Total Agency Awarded: 110



Item: Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2025 A - Welch Place Apartments

Action Item: 7.B
Date: 11/21/2024
Staff Contacts: Rachel Robinson, 651.297.3125, rachel.robinson@state.mn.us
Debbi Larson, 651.296.8183, debbi.larson@state.mn.us
Matt Dieveney, 651.282.2577, matt.dieveney@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff is requesting authorization to issue fixed rate bonds under the existing Rental Housing Bond Resolution. The bonds will be issued to make a first lien short-term bridge mortgage loan to finance the acquisition and construction of Welch Place Apartments, a 30-unit multifamily housing development in Duluth, MN. The Agency anticipates pricing and issue of the bonds described in the attached Preliminary Official Statement in early 2025.

Fiscal Impact

The Agency will earn an interest rate spread while these bonds are outstanding and will also receive certain fee income as part of the closing of the associated loans.

Agency Priorities

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

Attachments

- Resolution
- Preliminary Official Statement

NEW ISSUE

**Ratings: Moody's: "___"
S&P: "___"**

Minnesota Housing Finance Agency has prepared this Official Statement to provide information about the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series Bonds, a prospective investor should read all of this Official Statement. Capitalized terms used on this cover page have the meanings given in this Official Statement.



\$7,195,000*
MINNESOTA HOUSING FINANCE AGENCY
Rental Housing Bonds, 2025 Series A (Non-AMT)

Dated: Date of Delivery

Due: as shown on inside front cover

Tax Exemption

Interest on the Series Bonds is excludable from gross income for federal income tax purposes, except for interest on any Series Bond for any period during which such Series Bond is held by a "substantial user" of the facilities financed by the Series Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Interest on the Series Bonds is excludable in taxable net income of individuals, trusts and estates for Minnesota income tax purposes. (For additional information, including further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations" herein.)

Redemption

The Agency may redeem all or a portion of the Series Bonds by optional or special redemption as described under "The Series Bonds" herein.

Security

Payment of principal and interest on the Series Bonds is secured, on an equal basis with payment of principal and interest on all Outstanding Bonds that the Agency has issued, and may subsequently issue, under the Bond Resolution, by a pledge of Bond proceeds, Mortgage Loans, Investments, Revenues and other assets held under the Bond Resolution. The Series Bonds are also general obligations of the Agency, payable out of any of its generally available moneys, assets or revenues. THE AGENCY HAS NO TAXING POWER. THE STATE OF MINNESOTA IS NOT LIABLE FOR THE PAYMENT OF THE SERIES BONDS AND THE SERIES BONDS ARE NOT A DEBT OF THE STATE. (See "Security for the Bonds.")

Interest Payment Dates

February 1 and August 1, commencing August 1, 2025.*

Denominations

\$5,000 or any integral multiple thereof.

Closing/Settlement

On or about _____, 2025* through the facilities of DTC in New York, New York.

Bond Counsel

Kutak Rock LLP.

Underwriter's Counsel

Dorsey & Whitney LLP.

Trustee

Computershare Trust Company, National Association, in St. Paul, Minnesota.

Book-Entry-Only System

The Depository Trust Company. (See Appendix E herein.)

The Series Bonds are offered, when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Kutak Rock LLP, Bond Counsel, as to the validity of, and tax exemption of interest on, the Series Bonds.

RBC Capital Markets

The date of this Official Statement is
_____, 2025.

*Preliminary; subject to change.

MATURITY, PRINCIPAL AMOUNT, INTEREST RATE AND PRICE***\$7,195,000* 2025 Series A Bonds**

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP**</u>
August 1, 2027*	\$17,195,000*	____ %	____ %	

*Preliminary, subject to change.

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Neither Minnesota Housing Finance Agency nor the Underwriter has authorized any dealer, broker, salesman or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency since the date of this Official Statement.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, the Program and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of the information.

In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. This stabilizing, if commenced, may be discontinued.

NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

relating to
\$7,195,000*

MINNESOTA HOUSING FINANCE AGENCY Rental Housing Bonds, 2025 Series A (Non-AMT)

This Official Statement (which includes the Appendices) provides certain information concerning the issuance and sale by Minnesota Housing Finance Agency (the “Agency”) of its Rental Housing Bonds, 2025 Series A in the principal amount of \$7,195,000* (the “Series Bonds”). The Agency is issuing the Series Bonds pursuant to Minnesota Statutes, Chapter 462A, as amended (the “Act”), a resolution of the Agency adopted February 25, 1988 (as amended and supplemented in accordance with its terms, the “Bond Resolution”), and a series resolution of the Agency adopted November 21, 2024 (the “Series Resolution”). (The Bond Resolution and the Series Resolution are herein sometimes referred to as the “Resolutions.”)

The Rental Housing Bonds Outstanding in the aggregate principal amount of \$153,860,000 as of October 31, 2024, the Series Bonds and any additional Rental Housing Bonds issued pursuant to the Bond Resolution (collectively referred to as the “Bonds”), are and will be equally and ratably secured under the Bond Resolution.

The Resolutions should be referred to for the definitions of capitalized terms used herein, some of which are reproduced in this Official Statement. The summaries and references herein to the Act, the Resolutions and other documents are only brief outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references herein to the Act, the Bond Resolution and the Series Resolution are qualified in their entirety by reference to the Act and the Resolutions, copies of which are available from the Agency, and all references to the Series Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolutions.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State of Minnesota. The Act authorizes the Agency to issue bonds for the purpose, among other purposes, of making mortgage loans to sponsors of residential housing for occupancy by persons and families of low and moderate income if the Agency determines that those loans are not otherwise available from private lenders with equivalent terms and conditions.

Since its creation in 1971, the Agency has issued bonds to purchase single family mortgage loans, to purchase home improvement loans and to finance multifamily developments. In addition to financing loans through the issuance of debt, the Agency finances grants and loans through State and federal appropriations and its Alternative Loan Fund in the Residential Housing Finance Bond Fund. Please refer to the information in the notes to the financial statements included in Appendix B-1 to this Official Statement at pages [69 and 70] under the heading “Net Position — Restricted by Covenant.”

The Agency uses proceeds of Bonds it issues pursuant to the Bond Resolution to finance a portion of the activities undertaken pursuant to the Rental Housing Program (the “Program”). The multifamily division of the Agency administers the Program. The purpose of the Program is to increase the supply of, and to maintain and improve, the rental housing stock in Minnesota that is affordable to low and moderate income households. The Program has also provided financing for nonprofit group homes for the developmentally disabled. Through the use of bond financing and other funding sources, the Agency intends that the Program will provide both short-term and long-term, fixed rate, first lien (or second lien if the Agency also holds the first lien) mortgage loans (“Mortgage Loans”), and, under certain circumstances, subordinate mortgage loans (“Subordinate Mortgage Loans”), to finance the

*Preliminary, subject to change.

construction, acquisition, rehabilitation or refinancing of multifamily rental housing and group home developments (the “Developments”). The Bond Resolution authorizes, upon conditions set forth therein, the issuance of additional series of Bonds on a parity with the Outstanding Bonds, including the Series Bonds.

In recognition of certain risks inherent in mortgage lending, the Agency has adopted policies and review procedures for detailed evaluation of the Developments that it finances prior to making Mortgage Loan commitments. To assure completion of rehabilitation, construction and proper maintenance, the Agency has established reserve and escrow requirements and procedures for regulating and monitoring operations with respect to the Developments. The procedures the Agency presently uses to reduce those risks are described more fully herein under the heading “The Rental Housing Program.”

The Agency intends to use the proceeds of the Series Bonds to fund a short-term first lien mortgage loan to a private owner that will finance a portion of the costs of acquisition and construction of a multifamily housing development in Duluth, Minnesota. (See “The Development.”) The Series Bonds are general obligations of the Agency payable from any of its moneys, assets or revenues, subject to the provisions of other resolutions and indentures now or hereafter pledging particular moneys, assets or revenues, to particular notes or bonds, and federal or State laws heretofore or hereafter enacted appropriating funds to the Agency for a specified purpose. The net position of the General Reserve and the Alternative Loan Fund are legally available if needed to pay debt service on any obligations of the Agency, including the Series Bonds. (For purposes of the Resolutions, the General Reserve is designated as the General Reserve Account.) (See “The Agency — Net Position Restricted By Covenant and Operations to Date — General Reserve; Alternative Loan Fund.”)

The Agency has further pledged as security for the payment of the Series Bonds (on an equal basis with the Outstanding Bonds issued and that may be issued under the Bond Resolution) amounts on deposit and investments in certain accounts and funds established pursuant to the Resolutions, including the Debt Service Reserve Fund established pursuant to the Bond Resolution in accordance with the Act. Under the Act, upon certification by the Agency, the State Legislature may, but is not required to, appropriate amounts that may be necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. (See “Security for the Bonds.”)

Although the State has appropriated amounts to the Agency for various specific purposes (see “The Agency — State Appropriations”), the Agency generally pays its general and administrative expenses from certain interest earnings and fees charged in connection with its bond-funded programs. For programs funded through State appropriations, the Agency recovers the costs of administering the programs only to the extent of interest earnings on the appropriations. The appropriations are not available to pay debt service on the Bonds.

The Agency has no taxing power. Neither the State of Minnesota nor any political subdivision thereof is or will be obligated to pay the principal or redemption price of, or interest on, the Series Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to that payment.

THE AGENCY

Purpose

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building industry and the investment industry to produce that housing without assistance and resulted in a failure to provide sufficient long-term mortgage financing for that housing.

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed and qualified. The Chair of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

The present members of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

John DeCramer, Chair — Term expires January 2028, Marshall, Minnesota – Magnetics Engineer

The Honorable *Julie Blaha* — *Ex officio*, St. Paul, Minnesota – State Auditor

Melanie Benjamin, Member — Term expires January 2025, Onamia, Minnesota – Consultant

Eric Cooperstein, Member — Term expires January 2027, Edina, Minnesota – Attorney

Stephanie Klinzing, Member — Term expires January 2027, Elk River, Minnesota – Writer and Publisher

Stephen Spears, Member — Term expires January 2026, Plymouth, Minnesota – Banker

Terri Thao, Vice Chair — Term expires January 2028, St. Paul, Minnesota – Program Director

Staff

The staff of the Agency presently consists of approximately 310 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint the permanent and temporary employees as the Commissioner deems necessary subject to the approval of the Commissioner of Management and Budget.

The principal officers and staff related to the Program are as follows:

Jennifer Ho — Commissioner-Designee, appointed effective January 2019. When Governor Tim Walz took office on January 7, 2019, Ms. Ho was appointed Commissioner and has all of the powers and will perform all of the duties of the office. The appointment of Ms. Ho as Commissioner may be confirmed or rejected by the advice and consent of the state of Minnesota Senate. Prior to her appointment, Ms. Ho was the Senior Policy Advisor for Housing and Services at the U.S. Department of Housing and Urban Development during the Obama Administration. Prior to that, she served as deputy director at the United States Interagency Council on Homelessness (USICH), shepherding the creation of Opening Doors, the nation's first-ever comprehensive federal plan to prevent and end homelessness. Ms. Ho worked with former First Lady Michelle Obama to launch the Mayors Challenge to End Veteran Homelessness that resulted in reducing the number of veterans experiencing homelessness on any night by nearly half. In 1999, as Executive Director of Hearth Connection, a Minnesota non-profit, she began her work to end homelessness by managing a nationally-recognized demonstration project on supportive housing and long-term homelessness for single adults, youth and families in Ramsey and Blue Earth counties. Ms. Ho oversaw the replication of that project in 34 additional counties in partnership with the Fond du Lac, Bois Fort and Grand Portage Tribal Bands. She has served on the Boards of Directors for West Side Community Health Services in St. Paul, and nationally for the Corporation for Supportive Housing and the Melville Charitable Trust. Ms. Ho received a Bachelor of Arts Degree in philosophy from Bryn Mawr College.

Rachel Robinson — Deputy Commissioner, appointed effective March 2019 and acting Chief Financial Officer effective August 2024. Prior to this position, Ms. Robinson was Fund Manager for the NOAH Impact Fund,

a subsidiary of the Greater Minnesota Housing Fund, a certified Community Development Financial Institution, from 2016 to 2019, responsible for securing investment commitments, structuring transactions, developing investor and partner relations, and ensuring that social impact goals and compliance requirements were met. She has worked in affordable housing development and finance for over 15 years, including with CommonBond Communities from 2011 to 2015, where as Vice President she developed and led enterprise asset management systems, and as Senior Housing Development Manager from 2008 to 2011. Ms. Robinson was also Director of Property Development at Artspace Projects, Inc. from 2015 to 2016. She holds a Master's degree in Urban and Regional Planning from the University of Minnesota Humphrey School of Public Affairs and a Bachelor of Arts degree in Urban Studies from Macalester College, St. Paul, Minnesota.

Debbi Larson — Director of Finance appointed effective December 2019. Ms. Larson was Controller and Director of Financial Operations for the Agency from August 2015 to December 2019. Prior to that position, she was Director of Finance and Information Technology for a subsidiary of Taylor Corporation and responsible for domestic and international locations and, prior to that, was the Chief Financial Officer for a division of the Minnesota Department of Corrections. Ms. Larson previously held various accounting positions of increasing responsibility. Ms. Larson holds a Bachelor of Science degree with a concentration in Accounting from the University of Phoenix, and an MMBA (accelerated MBA program) Executive Leadership certification from the University of St. Thomas.

Irene Kao — General Counsel, appointed effective November 2022. Prior to this position, Ms. Kao was the Intergovernmental Relations Counsel at the League of Minnesota Cities where she served as legislative legal counsel and lobbyist representing cities on issues related to land use and zoning, data practices, Open Meeting Law, procurement, and civil liability. She also serves as adjunct faculty at Mitchell Hamline School of Law. Ms. Kao earned a law degree from Mitchell Hamline School of Law, a Master of Arts degree in College Student Personnel from the University of Maryland College Park and a Bachelor of Arts degree in English and Psychology from the University of Minnesota Twin Cities.

James Lehnhoff — Assistant Commissioner, Multifamily, appointed effective March 2019. Mr. Lehnhoff was most recently the Director of Portfolio Strategy at CommonBond Communities. He has more than 16 years of local government, municipal finance, and real estate development experience, including extensive work in affordable housing development, Pro Forma analysis, land use planning, economic development, community engagement, and project management. Mr. Lehnhoff has successfully implemented complex and nationally recognized affordable housing development projects to advance community goals. Prior to joining CommonBond, he was a municipal advisor at Ehlers & Associates from October 2016 to September 2018, served as the Vice President of Real Estate at Aeon from August 2010 to October 2016, and was the Community Development Director for the City of Arden Hills from January 2006 to August 2010. Mr. Lehnhoff earned a Master's degree in Urban and Regional Planning from the University of Minnesota Hubert H. Humphrey School of Public Affairs and a Bachelor of Arts degree in Geography from the University of Minnesota Duluth.

The Agency's offices are located at 400 Wabasha Street North, St. Paul, Minnesota 55102, and its general telephone number is (651) 296-7608. The Agency's website address is <http://www.mnhousing.gov>. No portion of the Agency's website is incorporated into this Official Statement.

Independent Auditors

The financial statements of the Agency as of and for the year ended June 30, 2024, included in this Official Statement as Appendix B-1, have been audited by RSM US LLP, independent auditors, as stated in their report appearing herein. RSM US LLP has not been engaged to perform, and has not performed, any procedures on the financial statements after June 30, 2024. RSM US LLP also has not performed any procedures relating to this Official Statement.

Financial Statements of the Agency

The Agency financial statements included in this Official Statement as Appendix B-1 as of and for the fiscal year ended June 30, 2024 are presented in combined "Agency-wide" form followed by "fund" financial statements presented for its major funds in order to comply with the requirements of Statement No. 34 of the Governmental Accounting Standards Board ("GASB").

Information regarding the Minnesota State Retirement System (“MSRS”), to which the Agency contributes, is included in Appendix B-1 in the Notes to Financial Statements at pages [71 through 74] under the heading “Defined Benefit Pension Plan.” The Agency’s allocable portion of net pension liability reported at June 30, 2024, with respect to MSRS was \$6.694 million. The Agency’s total net pension liability and post-employment benefits liability was \$8.963 million as of June 30, 2024.

In Appendix B-2 to this Official Statement, the Agency has included certain unaudited financial statements of the Agency (excluding State Appropriated and Federal Appropriated Funds) as of and for the three months ended September 30, 2024. The Agency has prepared the information in Appendix B-2 and, in the opinion of the Agency, that information reflects all normal recurring adjustments and information necessary for a fair statement of the financial position and results of operations of the Agency (excluding State and Federal Appropriated Funds) for the period, subject to year-end adjustments. The information in Appendix B-2 is not accompanied by a statement from the independent auditors.

Disclosure Information

The Agency will covenant in a Continuing Disclosure Undertaking for the benefit of the Owners and Beneficial Owners (as defined in Appendix C hereto) of the Series Bonds to provide annually certain financial information and operating data relating to the Agency (the “Agency Annual Report”) and to provide notices of the occurrence of certain enumerated events. (There is no other obligated person under the Continuing Disclosure Undertaking.) The Agency must file the Agency Annual Report no later than 120 days after the close of each fiscal year, commencing with the fiscal year ended June 30, 2025, with the Municipal Securities Rulemaking Board, at its EMMA internet repository. The Agency also must file notices of the occurrence of the enumerated events, if any, with EMMA. (See “Appendix C — Summary of Continuing Disclosure Undertaking.”)

During the prior five years, the Agency failed to file with EMMA within 10 business days of the occurrence of a May 22, 2023, downgrade of the short-term rating by S&P of the Agency’s Residential Housing Finance Bonds, 2019 Series H. The Agency did not receive any notice from S&P of that downgrade, which was triggered by the downgrade by S&P of the liquidity provider for those bonds. Upon discovery of the downgrade on July 6, 2023, the Agency that same day posted notice with EMMA of both the downgrade and failure to file to CUSIP 60416SP61. Also, on June 29, 2023, and July 27, 2023, the Agency entered into derivative agreements with The Bank of New York Mellon in connection with the Agency’s Residential Housing Finance Bonds, 2023 Series I, with an issuance date of July 26, 2023, and Residential Housing Finance Bonds, 2023 Series K, with an issuance date of August 24, 2023, respectively. On August 23, 2023, the day after the Agency discovered that it had failed to file event notices regarding each of these financial obligations within 10 business days of their respective incurrence, the Agency posted notice of both the incurrence of those financial obligations and its failure to file to all CUSIPS of its bonds for which it had an obligation to report these events.

The specific nature of the information to be contained in the Agency Annual Report or the notices of events, and the manner in which these materials are to be filed, are summarized in “Appendix C — Summary of Continuing Disclosure Undertaking.” The Agency has made these covenants to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the “Rule”).

In addition to the information required by the Continuing Disclosure Undertaking, the Agency also uses its best efforts to prepare a semiannual disclosure report for the Bond Resolution and a quarterly disclosure report for its single family bond resolutions. Recent reports are available at the Agency’s website at <http://www.mnhousing.gov/investors/disclosure.html>, but no information on the Agency’s website is incorporated into this Official Statement. The Agency is also committed to providing appropriate credit information as requested by any rating agency rating the Bonds at the Agency’s request.

Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund

In addition to its bond funds pledged to the payment of particular bonds by bond resolutions of the Agency, the Agency has also established certain other funds that it has restricted by covenant. Currently, the restricted funds are the General Reserve and the Alternative Loan Fund. The General Reserve contains the Housing Endowment Fund (also referred to as “Pool 1”) and the Agency’s net investment in capital assets. The Alternative Loan Fund, which is held under the Residential Housing Finance Bond Resolution but is not pledged to pay bonds issued thereunder, comprises the Housing Investment Fund (also referred to as “Pool 2”) and the Housing Affordability Fund (also referred to as “Pool 3”). The net position of the General Reserve and the Alternative Loan Fund is not pledged to the payment of the Bonds or any other debt obligations of the Agency but, to the extent funds are available therein, are generally available to pay any debt obligations of the Agency, including the Bonds.

Subject to the restrictions in the Bond Resolution and its other bond resolutions, the Agency may withdraw excess assets from bond funds held thereunder. To the extent the Agency withdraws excess assets from bond funds, the Agency has pledged to deposit those excess assets in the General Reserve or the Alternative Loan Fund, except for any amounts as may be necessary to reimburse the State for money appropriated to restore a deficiency in any debt service reserve fund.

The Agency has further covenanted that it will use the money in the General Reserve and the Alternative Loan Fund only to administer and finance programs in accordance with the policy and purpose of the Act. This includes creating reserves for the payment of bonds and for loans made from the proceeds thereof, and accumulating and maintaining a balance of funds and investments as will be sufficient for that purpose. To ensure that assets available in the General Reserve and the Alternative Loan Fund provide security for the Agency’s bondowners as covenanted in the bond resolutions, the Agency has established investment guidelines for Pools 1 and 2. The investment guidelines are subject to change by the Agency from time to time in its discretion.

Under the net position requirements and investment guidelines effective January 23, 2014, the required size of Pool 1 (which is intended to be a liquidity reserve) is 1 percent of gross loans receivable (excluding mortgage-backed securities, appropriated loans and loans credited to Pool 3) and the required size of Pool 2 is an amount that would cause the combined net position (exclusive of unrealized gains and losses resulting from marking to market investment securities, including mortgage-backed securities, and swaps entered into by the Agency for which the unrealized loss or gain will not be realized if the security or swap is held to maturity or its optional termination date; and realized gains and losses resulting from the purchase and sale of investment securities between Agency funds) in the General Reserve, in Pool 2, and in the funds pledged under bond resolutions to be at least equal to the combined net position of the same funds as of the immediately preceding fiscal year end. Currently, this amount is \$[492.196] million, representing the combined net position of these funds so calculated as of June 30, 2023. Pool 2 is intended to comprise amortizing interest-bearing housing loans or investment grade securities. Pool 1 and Pool 2 represent, with assets pledged to pay bonds of the Agency, the sustainable lending operations of the Agency. Pool 3 represents the more mission-intensive operations of the Agency and is intended to comprise deferred, zero percent and low interest-rate loans and grants and, for unapplied funds, investment grade securities. Pool 3 is not subject to the investment guidelines. Loan activity related to loans financed by funds in Pool 2 and Pool 3 is recorded as part of the Alternative Loan Fund. The Agency approves all interfund transfers. A further discussion of Pools 1, 2 and 3 and the amounts credited thereto as of June 30, 2024 appears in the Notes to Financial Statements of the Agency included in Appendix B-1 to this Official Statement at pages [69 and 70] under the heading “Net Position — Restricted by Covenant.”

The following summary indicates the revenues earned, the expenses paid, and funds transferred to and from the General Reserve (which contains Pool 1 and net investment in capital assets), for the two most recent audited fiscal years of the Agency and for the three-month period ended September 30, 2024 (unaudited) (in thousands):

	Three months Ended September 30, 2024 (unaudited)	Fiscal Year Ended June 30, 2024	Fiscal Year Ended June 30, 2023
Operating revenues			
Fees earned and other income ⁽¹⁾		\$16,673	\$14,901
Administrative reimbursement ^{(2), (3)}		<u>53,341</u>	<u>34,949</u>
Total operating revenues		70,014	49,850
Operating expenses			
Salaries and benefits		40,708	29,219
Other general operating expenses		<u>6,058</u>	<u>5,574</u>
Total operating expenses		<u>46,766</u>	<u>34,793</u>
Operating income (loss)		23,248	15,057
Nonoperating revenues (expenses)			
Interest earned on investments other		1,219	823
Interest		<u>(297)</u>	<u>(359)</u>
Total nonoperating revenues (expenses)		922	464
Income (loss) before transfers and contributions		24,170	15,521
Non-operating transfer of assets and program contributions between funds ⁽⁴⁾		(23,328)	(14,363)
Non-operating expenses		<u>-----</u>	<u>(599)</u>
Change in net position		842	599
Net position beginning of period		<u>9,490</u>	<u>8,891</u>
Net position end of period		<u>\$10,332</u>	<u>\$9,490</u>

-
- (1) Fees earned consist primarily of fees collected in conjunction with the administration of the low income housing tax credit program and HUD contract administration of certain non-Agency financed Section 8 developments.
- (2) The Agency transfers bond funds to the General Reserve for administrative reimbursement in accordance with the Agency's Affordable Housing Plan based on the adjusted assets of the bond funds. Adjusted assets are defined generally as total assets (excluding the reserve for loan loss), unrealized gains or losses on investments (including mortgage-backed securities and interest rate swap agreements), deferred loss on interest rate swap agreements and assets relating to escrowed debt.
- (3) Reimbursement from appropriated accounts consists of the portion of direct and indirect costs of administering the programs funded by the appropriations. The Agency recovers costs associated with administering state appropriations only to the extent of interest earnings on the appropriations. Costs associated with administering federal appropriations generally are recovered from the appropriations.
- (4) The Agency may transfer excess assets from bond funds to the General Reserve to the extent permitted by the resolution or indenture securing bonds of the Agency. In addition, the Agency may transfer funds in excess of the requirement for Pool 1 from the General Reserve to the Alternative Loan Fund. See the comments under the headings "Interfund Transfers" and "Net Position Restricted by Covenant" in the Notes to Financial Statements of the Agency in Appendix B-1 to this Official Statement for additional information.

State Appropriations

Over the years, the State Legislature has appropriated funds to the Agency to be used for low interest loans, grants, programs for low and moderate income persons and families and other housing related program costs. The Agency generally does not pay its general or administrative expenses from appropriated funds, although it can recover its allocable costs of administering State appropriations from investment earnings thereon. The State Legislature has appropriated funds to the Agency for its programs in every biennium since 1975. The Agency has expended or committed most of the appropriations.

Over the biennial periods ended June 30, 2015, through June 30, 2023, the total appropriations to the Agency aggregated approximately \$562.15 million. For the biennial period ending June 30, 2025, the Legislature has appropriated approximately \$1.075 billion to the Agency.

The appropriations are not available to pay debt service on the Bonds.

Agency Indebtedness

The principal amount of general obligation bonds and notes of the Agency that are outstanding at any time (excluding the principal amount of any refunded bonds and notes) is limited to \$9,000,000,000 by State statute. The following table lists the principal amounts of general obligation indebtedness of the Agency outstanding as of October 31, 2024:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds.....	13	2066	\$ 154,710	\$ 153,860
Residential Housing Finance Bonds.....	103	2055	5,692,745	4,162,210
Homeownership Finance Bonds.....	59	2052	2,674,572	918,870
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	12,200
General Purpose Bonds.....	1	2039	60,000	60,000
Totals.....	177		\$8,597,027	\$5,307,140

*Does not include series of bonds or the original principal amount of any bonds that had been, as of October 31, 2024, defeased or paid in full, whether at maturity or earlier redemption.

The payment of principal of and interest on general obligations of the Agency as shown above may be made, if necessary, from the General Reserve or the Alternative Loan Fund. (See “Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund” above.)

The Agency has entered into liquidity facilities and interest rate swap agreements in respect of its outstanding Residential Housing Finance Bonds that bear interest at a variable rate or floating rate and may be subject to optional and mandatory tender. Certain information related to those variable rate demand bonds, floating rate term bonds, liquidity facilities and swap agreements is included in the Notes to Financial Statements contained in Appendix B-1 to this Official Statement and in the unaudited financial statements contained in Appendix B-2 to this Official Statement. The Agency does not make any representation as to the creditworthiness of any provider or counterparty on facilities and agreements relating to its variable rate bonds.

Certain of the swap agreements obligate the Agency to make periodic fixed rate payments and entitled the Agency to receive periodic payments based on the United States dollar-denominated London Interbank Offered Rate (“USD LIBOR”); as of July 1, 2023, all of such swap agreements have been amended in accordance with industry protocols to replace USD LIBOR with the secured overnight financing rate (“SOFR”), a rate published by the Federal Reserve Bank of New York, but otherwise retaining the same computational periods.

In 2009, the Agency issued \$13,270,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2009, to finance permanent supportive housing in two different multifamily housing

developments. In 2011, the Agency issued \$21,750,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2011, to finance permanent supportive housing in five additional multifamily housing developments. Both series of bonds were issued under a separate indenture of trust, are not general obligations of the Agency and are not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008.

From time to time, beginning in 2012, the Legislature has authorized the Agency to issue housing infrastructure bonds (the “Housing Infrastructure Bonds”) for various purposes payable, like the Nonprofit Housing Bonds, solely from a standing appropriation from the State General Fund and not from any other funds or assets of the Agency. The aggregate principal amount of Housing Infrastructure Bonds that the Agency may issue is \$565,000,000. The Agency has issued 33 series of its State Appropriation Bonds (Housing Infrastructure) in 2013 through 2024 in an aggregate principal amount of \$511,090,000 under a separate indenture of trust.

On December 23, 2021, the Agency issued its Third Amended and Restated Bank Note (the “Amended Bank Note”) to Royal Bank of Canada (the “Bank”), pursuant to a Revolving Credit Agreement dated as of June 1, 2018, as amended by a First Amendment to Revolving Credit Agreement dated as of October 28, 2019, a Second Amendment to Revolving Credit Agreement dated as of November 22, 2019, a Third Amendment to Revolving Credit Agreement dated as of November 12, 2020, a Fourth Amendment to Revolving Credit Agreement dated as of February 25, 2021, a Fifth Amendment to Revolving Credit Agreement dated as of December 23, 2021, a Sixth Amendment to Revolving Credit Agreement dated as of December 14, 2022 and a Seventh Amendment to Revolving Credit Agreement dated as of December 22, 2023 (the “Amended Revolving Credit Agreement”), and as further amended from time to time, for the purpose of preserving current private activity bond volume cap by refunding the maturing principal or redemption price, as the case may be, of portions of Homeownership Finance Bonds and Residential Housing Finance Bonds previously issued by the Agency (collectively, the “Single Family Housing Bonds”). Upon the refunding of Single Family Housing Bonds with amounts advanced to the Agency pursuant to the Amended Revolving Credit Agreement as evidenced by the Amended Bank Note, funds representing prepayments and repayments of mortgage loans financed with Single Family Housing Bonds, and other amounts available under the applicable bond resolution for the payment of those Single Family Housing Bonds, will be deposited into a cash collateral fund established under a separate amended and restated indenture of trust, as amended (the “2018 Revolving Credit Indenture”), between the Agency and Computershare Trust Company, National Association, as successor trustee, as security for the repayment of the principal amount of the Amended Bank Note that has been advanced to the Agency. The Bank agrees to make advances until December 27, 2024, a later date if extended by the Bank or an earlier date upon an event of default or a termination pursuant to the terms of the Amended Revolving Credit Agreement or if the Agency elects an earlier termination. The amount of the advances outstanding and not repaid with respect to the Amended Bank Note bear interest at a variable interest rate equal to the forward looking Term SOFR Reference Rate for the following one month interest period plus a spread (currently 0.65%) and may not exceed \$75,000,000 at any time, and the cumulative amount of the advances made may not exceed \$1,700,000,000. The obligation of the Agency to pay the interest on, but not the principal of, the Amended Bank Note is a general obligation of the Agency. The Agency has requested advances in the aggregate principal amount of \$[1,296,079,719; \$28,735,035] of which is outstanding.

Agency Continuity of Operations Plan

Certain external events, such as pandemics, natural disasters, severe weather, technological emergencies, riots, acts of war or terrorism or other circumstances, could potentially disrupt the Agency’s ability to conduct its business. A prolonged disruption in the Agency’s operations could have an adverse effect on the Agency’s financial condition and results of operations. To plan for and mitigate the impact such an event may have on its operations, the Agency has developed a Continuity of Operations Plan (the “Plan”). The Plan is designed to (i) provide for the continued execution of the mission-essential functions of the Agency and minimize disruption if an emergency threatens, interrupts or incapacitates the Agency’s operations, (ii) provide Agency leadership with timely direction, control and coordination before, during and after an emergency or similar event, and (iii) facilitate the return to normal operating conditions as soon as practical based on the circumstances surrounding any given emergency or similar event. No assurances can be given that the Agency’s efforts to mitigate the effects of an emergency or other event will be successful in preventing any and all disruptions to its operations.

Cybersecurity

The Agency relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the Agency faces multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware, phishing, business email compromise, and other attacks on computers and other sensitive digital networks, systems, and assets. Housing finance agencies and other public finance entities have been targeted by outside third parties, including technologically sophisticated and well-resourced actors, attempting to misappropriate assets or information or cause operational disruption and damage. Further, third parties, such as hosted solution providers, that provide services to the Agency, could also be a source of security risk in the event of a failure of their own security systems and infrastructure.

The Agency uses a layered approach that employs sound operational strategies and security technology solutions to secure against, detect, and mitigate the effects of cyber threats on its infrastructure and information assets. The Agency conducts regular information security and privacy awareness training that is mandatory for all Agency staff. The Agency's Business Technology Support group has management responsibility for all information technology and leads the efforts of the Agency to keep its cyber assets secure. The Agency's Business Technology Support group and contracted services from the Office of MN.IT Services, an agency of the executive branch of the State, regularly conduct risk assessments, audits and tests of the Agency's cybersecurity systems and infrastructure.

Despite its efforts, no assurances can be given that the Agency's security and operational control measures will be successful in guarding against any and each cyber threat and attack, especially because the techniques used by perpetrators are increasingly sophisticated, change frequently, are complex, and are often not recognized until launched. To date, cyber attacks have not had a material impact on the Agency's financial condition, results or business; however, the Agency is not able to predict future attacks or their severity. The results of any attack on the Agency's computer and information technology systems could impact its operations for an unknown period of time, damage the Agency's digital networks and systems, and damage the Agency's reputation, financial performance, and customer or vendor relationships. Such an attack also could result in litigation or regulatory investigations or actions, including regulatory actions by state and federal governmental authorities. The costs of remedying any such damage could be substantial and such damage to the Agency's reputation and relationships could adversely affect the Agency's ability to conduct its programs and operations in the future.

THE DEVELOPMENT

The Development

The Agency intends to use the proceeds of the Series Bonds to make a short-term first lien Mortgage Loan that will finance a portion of the costs of the acquisition and construction of a multifamily housing development. The Development, preliminarily to be known as Welch Place, will be the acquisition and construction of a three-story elevator building, located in Duluth, Minnesota. The Development will have 30 residential units. The total development cost is estimated to be approximately \$14.896 million. The Development is expected to be completed by January 2026. The Development will be acquired and constructed by Welch Place, LLLP, a Minnesota limited liability limited partnership.

The Agency expects to use the proceeds of the Series Bonds to be deposited in the Mortgage Loan Account to make a non-amortizing first lien bridge Mortgage Loan with respect to the Development on the date of issuance of the Series Bonds. That bridge Mortgage Loan, in the total principal amount of \$7.195 million,* will mature in full on January 1, 2027 and will be secured in part by a guaranty from Center City Housing Corp., a Minnesota nonprofit corporation. The Agency will also make two zero percent deferred payment loan in the aggregate principal amount of \$9.238 million for the benefit of the Development. The bridge Mortgage Loan is expected to be repaid from a portion of those loans together with equity contributions from the tax credit investor.

As a result of the issuance of the Series Bonds, all of the dwelling units in the Development will be eligible for low income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended. Occupancy in all of those dwelling units will be limited to households with incomes at initial occupancy at or below 60 percent of the area median income, adjusted for household size, for a period of 50 years.

All of the units of the units in the Development will be benefited by Housing Support rental assistance renewed annually for 15 years, provided through St. Louis County.

Estimated Sources and Uses of Series Bond Proceeds and Agency Funds

The estimated sources and uses of proceeds of the Series Bonds and funds to be provided by or through the Agency are as follows:

Sources:

Principal Amount of Series Bonds	\$7,195,000*
Funds Available to the Agency	_____
Total Sources of Funds.....	<u>\$_____.</u>

Uses:

Series A Mortgage Loan Account	\$7,195,000*
Revenue Fund	_____
Costs of Issuance	_____
Total Uses of Funds	<u>\$_____.</u>

THE SERIES BONDS

The Series Bonds will be fully registered bonds initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”) which will act as securities depository for the Series Bonds. Computershare Trust Company, National Association, St. Paul, Minnesota, serves as successor Trustee under the Bond Resolution.

The Series G-1 Bonds will be issued as term bonds in the denominations of \$5,000 or any integral multiple thereof each of a single stated maturity. The Series G-2 Bonds will be issued as bonds of a single stated maturity in the denominations of \$5,000 or any integral multiple thereof. The Series Bonds mature, subject to redemption as herein described, on the dates and in the amounts set forth on the inside front cover hereof.

Each series of the Series Bonds bears interest from their dated date, payable semiannually on February 1 and August 1 of each year, commencing August 1, 2025,* at the respective rates set forth on the inside front cover hereof until payment of the principal or redemption price of those Series Bonds. As long as a series of the Series Bonds is in book-entry form, interest on those Series Bonds will be paid by moneys wired by the Trustee to DTC, or its nominee, as registered owner of the Series Bonds, and DTC will redistribute that interest. (See Appendix E – “Book-Entry-Only System.”)

For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to that exchange or transfer.

Special Redemption at Par

The Agency may redeem the Series Bonds, at its option, in whole or in part on any date, at a redemption price equal to the principal amount thereof plus accrued interest, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with amounts allocable to the Development on deposit in the Debt Service Reserve Fund; and (ii) in the event the Agency receives or recovers Recovery Payments (as defined in Appendix D) relating to the Development. The Agency will apply any unexpended proceeds or Recovery Payments to the redemption of Series Bonds, as determined by the Agency. If Recovery Payments are not sufficient to redeem

*Preliminary, subject to change.

all Outstanding Series Bonds, the Agency may apply other funds to redeem the Series Bonds in addition to the Recovery Payments.

Optional Redemption

The Agency may redeem the Series Bonds at its option, in whole or in part, on any date on or after August 1, 2026,* in amounts as the Agency may designate, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

General Redemption Provisions

Any Series Bonds to be redeemed other than upon mandatory sinking fund redemption will be redeemed only upon receipt by the Trustee of a certificate signed by an authorized officer of the Agency stating the series and principal amount of the Series Bonds to be redeemed. If less than all Series Bonds of a series are to be redeemed, the Series Bonds to be redeemed are to be selected in \$5,000 principal amounts at random by the Trustee. The Agency will not at any time cause Series Bonds to be optionally redeemed if this would have any material adverse effect on its ability to pay when due the principal of and interest on the Bonds Outstanding after the redemption.

The Trustee is required to mail a copy of the notice of redemption to the registered owner of any Series Bond called for redemption at least 30 days prior to the redemption date. Any defect in or failure to give the required mailed notice of redemption will not affect the validity of any proceedings for the redemption of Series Bonds not affected by that defect or failure.

SECURITY FOR THE BONDS

Outstanding Bonds, including the Series Bonds, are secured as provided in the Bond Resolution by a pledge and a grant of a security interest in (a) all proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of outstanding bonds and notes), (b) all Mortgage Loans and Investments made or purchased from the proceeds, (c) all Revenues as defined in the Bond Resolution, and (d) money, Investments, and other assets and income held in and receivables of Funds established by or pursuant to the Bond Resolution. The Bonds, including the Series Bonds, are also general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds, and federal or State laws heretofore or hereafter enacted pledging particular funds for a specified purpose. The pledge and security interests granted by the Bond Resolution are for the equal benefit, protection and security of Holders of all Bonds, including the Series Bonds.

The Agency has no taxing power. The State of Minnesota is not liable for the payment of the Bonds, including the Series Bonds, and the Series Bonds are not a debt of the State.

Mortgage Loans

The Bond Resolution requires, except in certain circumstances hereinafter described, that each Mortgage Loan be secured by a first mortgage lien (subject to permitted encumbrances) on the real property, or leasehold interest of the Mortgagor in the real property under a lease with a term at least twice the length of the term of the Bonds, that is the site of the Development financed by that Mortgage Loan, and all improvements thereon. At the initial closing for each Development, the Agency receives a recorded Mortgage and a mortgagee's title insurance policy in the amount of the Mortgage Loan. The Agency may also participate with other parties in the making of a Mortgage Loan if the Agency's mortgage lien, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Bond Resolution also permits the Agency, if it holds a Mortgage that constitutes a first mortgage lien on a Development, to make an additional Mortgage Loan for the Development and secure the additional Mortgage Loan by a Mortgage on a parity with or junior and subordinate to the first lien Mortgage held by the Agency. In addition, the Bond Resolution allows the Agency to make Subordinate Mortgage Loans with respect to a Development upon the terms and conditions as the Agency may deem appropriate, but solely from amounts that would otherwise be available to be removed by the Agency from the lien of the Bond Resolution.

Under the Bond Resolution, there will at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution that, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from the calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that this covenant is met, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions must be based upon the Agency's reasonable expectations as of the date of the determination. The Agency may forgive a portion of the interest on any Mortgage Loan provided that, after giving effect to the reduction and all similar reductions then in effect, the Agency continues to comply with the covenant.

The scheduled payments of the Principal Installments of and interest on the Bonds are generally based on the receipt of scheduled payments by the Agency on the Mortgage Loans and any Subordinate Mortgage Loans, together with capitalized interest and estimated investment income of certain Funds and Accounts established by the Bond Resolution, to the extent provided therein. The ability of the Mortgagors to make scheduled payments to the Agency depends, among other things, on the Developments achieving and sustaining occupancy and rental levels necessary to generate rental income that, together with any applicable subsidies, the Agency expects will be sufficient to meet the required loan payments, to fund required reserves and escrows and to meet operating expenses. Under the Bond Resolution, the Agency (unless otherwise required by any agency of the United States guaranteeing, insuring or otherwise assisting in the payment of the Mortgage Loan or Subordinate Mortgage Loan) may give its consent to Prepayment of a Mortgage Loan or Subordinate Mortgage Loan only if certain conditions as described under the caption "Summary of Certain Provisions of the Bond Resolution — Mortgage Provisions and Conditions — Prepayments" in Appendix D hereto have been met. If any Mortgage Loan or Subordinate Mortgage Loan goes into default or investment income differs from the amounts estimated to be received, the amount of money available for the payment of Principal Installments of and interest on the Bonds may be adversely affected; however, as is described elsewhere in this Official Statement, moneys may be available from other sources, including the Debt Service Reserve Fund.

Appendix A to this Official Statement contains a brief description of the Mortgage Loans outstanding as of June 30, 2024 that have been financed by Bonds or that have been pledged as additional security under the Bond Resolution for the payment of Outstanding Bonds.

Debt Service Reserve Fund

No funds will be credited to the Debt Service Reserve Fund with respect to the Series Bonds (and the Debt Service Reserve Requirement in respect of the Series Bonds will be \$0.00), since, in addition to the other security provided pursuant to the Bond Resolution, payment of principal with respect to the Mortgage Loan funded by the Series Bonds will be secured as described under "The Development."

Upon issuance of the Series Bonds, the aggregate Debt Service Reserve Requirement for the Bond Resolution will be approximately \$_____ and the value of the investments in the Debt Service Reserve Fund as calculated under the Bond Resolution will not be less than the aggregate Debt Service Reserve Requirement. The Debt Service Reserve Fund secures all Bonds issued under the Bond Resolution, including the Series Bonds, on an equal basis.

The Act provides that the Agency may create and establish one or more debt service reserve funds for the security of its bonds. The Agency will use moneys held in or credited to a debt service reserve fund solely for the payment of principal of bonds of the Agency as the same mature, the purchase of those bonds, the payment of interest thereon or the payment of any premium required when the bonds are redeemed before maturity, provided that the moneys in that fund must not be withdrawn therefrom at any time in an amount as would reduce the amount reasonably necessary for the purposes of the fund, except for the purpose of paying principal and interest due on the bonds secured by the fund for the payment of which other moneys of the Agency are not available. The Agency may not issue any additional bonds or notes that are secured by a debt service reserve fund if the amount in that debt service reserve fund or any other debt service reserve fund at the time of that issuance does not equal or exceed the minimum amount required by the resolution creating that fund unless the Agency deposits in each fund at the time of the issuance from the proceeds of the bonds or otherwise an amount that, together with the amount then in the fund, will be no less than the minimum amount so required. The Act further provides that:

In order to assure the payment of principal and interest on bonds and notes of the agency and the continued maintenance of all debt service reserve funds created and established therefor, the agency shall annually determine and certify to the governor, on or before December 1, (a) the amount, if any, then needed to restore each debt service reserve fund to the minimum amount required by the resolution or indenture establishing the fund, not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes which are then outstanding and secured by such fund; and (b) the amount, if any, determined by the agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all then outstanding bonds and notes secured by a debt service reserve fund the amount of which is then less than the minimum amount agreed. The governor shall include and submit to the legislature, in the budget for the following fiscal year, or in a supplemental budget if the regular budget for that year has previously been approved, the amounts certified by the agency

....

In the opinion of Bond Counsel and counsel to the Agency, the Legislature is legally authorized, *but not legally obligated*, to appropriate those amounts to the Debt Service Reserve Fund.

Additional Bonds

The Bond Resolution permits the Agency to issue additional Bonds, upon the adoption of a series resolution, to provide funds for the purpose of financing the making of Mortgage Loans for Developments, or financing Mortgage Loans previously made from moneys in the Housing Investment Fund, under the Agency's programs of making Mortgage Loans and, in addition, to refund outstanding Bonds or other obligations issued to finance Mortgage Loans, upon certain conditions contained therein (see Appendix D – "Summary of Certain Provisions of the Bond Resolution—Additional Bonds"), without limitation as to amount except as may from time to time be provided by law. Any additional Bonds issued under the Bond Resolution will be secured on an equal basis with the Series Bonds and the Outstanding Bonds and entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

Nothing in the Bond Resolution prohibits the financing of other multifamily housing developments under other bond resolutions.

State Pledge Against Impairment of Contracts

The State in the Act has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency to fulfill the terms of any agreements made with them or in any way impair the rights and remedies of the Bondholders until the Bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of those Holders, are fully met and discharged.

THE RENTAL HOUSING PROGRAM

The Bond Resolution is currently the primary source of funds borrowed by the Agency to fund its multifamily housing programs. The proceeds of Bonds issued under the Bond Resolution are lent by the Agency to for-profit, nonprofit and limited profit sponsors that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families with low and moderate incomes.

The precise nature of the multifamily housing programs financed under the Bond Resolution has varied over the years and is expected to continue to vary based on the housing needs of the State of Minnesota and resources available to address those needs. There follows a description of the housing programs for which there are loans outstanding that were either funded from Bond proceeds under the Bond Resolution or are pledged as additional security under the Bond Resolution. All of the Developments financed under the Bond Resolution in recent years have been processed under the Low and Moderate Income Rental Program, either as long-term loans or as bridge loans. Recently originated loans have included the acquisition and construction of rental properties that will be eligible for

federal low-income housing tax credits and loans for the preservation of existing federal subsidies under the Section 8 program.

The existing Developments financed by Outstanding Bonds have been originated under the following programs:

- Low and Moderate Income Rental Program (including HUD Risk-Sharing Program)
- Section 8 Housing Assistance Payment New Construction/Substantial Rehabilitation Program (Uninsured Developments)/Asset Management Program

In addition to the programs listed above, loans contributed as additional security under the Bond Resolution have been financed under the following program:

- Market Rate Mortgage Loan Program

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The following table provides summary data regarding the outstanding loans financed or pledged as a portion of the security for the Rental Housing Bond Resolution as of June 30, 2024 for the programs as listed above:

Rental Housing Program Mortgage Loan Program Summary as of June 30, 2024

Program	<u>Number of Loans</u>	<u>Number of Units</u>	<u>Outstanding Loan Amount</u>	<u>Percentage of Total Amount</u>
Section 8 Housing Assistance Payments/Asset Management Program*	8	619	\$ 16,855,841	9.68%
Low and Moderate Income Rental Program**	60	3,865	155,976,605	89.63
Market Rate Mortgage Loan Program ...	<u>2</u>	<u>163</u>	<u>1,194,231</u>	<u>0.69</u>
	<u>70</u>	<u>4,647</u>	<u>\$174,026,677</u>	<u>100.00%</u>

*Includes six HUD Risk-Sharing loans for Developments originally financed with loans originated under this program with 493 aggregate units and an aggregate outstanding loan amount of \$15,889,777.

**Includes 38 HUD Risk-Sharing loans for Developments with 2,577 aggregate units and an aggregate outstanding loan amount of \$80,927,439, including one loan for a Development with 30 units and an aggregate outstanding loan amount of \$1,757,440 that was a refinance of an existing third-party loan, and seven bridge loans for Developments with 444 units and an aggregate outstanding loan amount of \$53,670,000, including one bridge loan for a Development with 52 units and an aggregate outstanding loan amount of \$10,640,000 that is not bridging a Low and Moderate Income end loan.

Low and Moderate Income Rental Program

The Low and Moderate Income Rental Program (the “LMIR Program”) is the program under which the Agency is currently making loans funded from the proceeds of Bonds issued under the Bond Resolution. Some of the loans involve the preservation of existing federal housing subsidies. The federal housing subsidies preserved in connection with loans under the LMIR Program have included Section 8 project-based assistance; this subsidy program is described below. Most recent developments financed under this program have also benefited from the receipt of federal low-income housing tax credits.

In the LMIR Program, which is administered by the Multifamily Division of the Agency, the Agency uses the proceeds of Bonds issued under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The Agency, under the LMIR Program, may also use other available funds to provide permanent and construction loan financing for the acquisition/rehabilitation, refinance/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds or other available funds are lent by the Agency to nonprofit or limited profit entities that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. Several of the loans made under the LMIR Program have been insured under the FHA Section 223(a)(7) and 241 insurance programs. Generally, loans to Developments financed under the LMIR Program also receive one or more low- or non-interest bearing, non-amortizing subordinate loans that facilitate keeping rents below market rate levels and reduce the amount of amortizing debt.

In the Agency’s administration of its LMIR Program, the Agency has made Mortgage Loans of up to 100 percent of total development costs. Mortgage Loans for Developments are generally made for terms of 30 to 40 years or are made as short-term loans payable when construction or rehabilitation is completed.

HUD Risk-Sharing Program

As part of the LMIR Program under the Bond Resolution, the Agency has made and expects to make Mortgage Loans under the Department of Housing and Urban Development Housing Finance Agency Risk-Sharing

Program for Insured Affordable Multifamily Project Loans (“HUD Risk-Sharing Program”). Section 542(c) of the Housing and Community Development Act of 1992, as amended (the “Risk-Sharing Act”) authorized the Secretary of the Department of Housing and Urban Development (“HUD”) to enter into risk-sharing agreements with qualified state or local housing finance agencies (“HFAs”) to enable those HFAs to underwrite and process loans for which HUD, acting through the Federal Housing Administration (“FHA”), will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Part 266 (the “Regulations”) pursuant to the Risk-Sharing Act. The HUD Risk-Sharing Program allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, and provides for reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect.

The HUD Risk-Sharing Program requires that an interested HFA first be approved as a qualified housing finance agency. Upon notification of approval as a qualified HFA, the HFA must execute a risk-sharing agreement between the Commissioner of FHA and the HFA. The risk-sharing agreement must state the agreed upon risk apportionment between HUD and the HFA, the number of units allocated to the HFA, a description of the HFA’s standards and procedures for underwriting and servicing loans, and a list of HFA certifications designed to assure its proper performance.

Projects eligible to be insured under the HUD Risk-Sharing Program include projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers, and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program.

The Agency has been designated by HUD as a “qualified HFA” under the Risk-Sharing Act. The Agency has entered into a risk-sharing agreement with HUD dated as of May 3, 1994 (the “Risk-Sharing Agreement”) which sets out the terms for the Agency’s participation in the HUD Risk-Sharing Program. The Agency has a “Level I” and “Level II” approval under the regulations, which means the Agency agrees to reimburse HUD for 50 percent, or from 10 percent to 50 percent, of any losses incurred as a result of a default under a HUD Risk-Sharing Program loan. “Level I” approval permits the Agency to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application) to underwrite and approve loans with review and approval by the local HUD office. Most of the Developments committed to be financed to date under the HUD Risk-Sharing Program have been insured based upon a 50/50 split of any losses.

Prior to funding of a Mortgage Loan by the Agency, HUD issues a Risk-Sharing Firm Approval Letter under which it agrees to endorse the Mortgage Note either at closing (in which case all advances are insured) or upon completion of construction and satisfaction of various conditions relating to the Mortgage Loan, including funding of all anticipated sources of funds. If the Mortgage Note is not endorsed until completion of construction, HUD is not obligated to reimburse the Agency for any losses that occur as a result of a default under the loan documents prior to completion of construction and endorsement of the Mortgage Note for insurance by HUD.

A mortgagee under an FHA-insured mortgage is entitled to receive the benefits of insurance after the mortgagor has defaulted and that default continues for a period of 30 days. If the default continues to exist at the end of the 30-day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after that grace period and monthly thereafter, unless waived by HUD, until the default has been cured or the Agency has filed an application for an initial claim payment. Unless a written extension is granted by HUD, the Agency must file an application for initial claim payment (or, if appropriate, for partial claim payment) within 75 days from the date of default unless extended at the request of the HFA. The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim payment. HUD must make all claim payments in cash. The initial claim payment is equal to the initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessment under the Regulations. Within 30 days of the initial claim payment, the HFA must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms and must also issue to HUD a debenture, payable in five years unless extended, in an amount equal to the amount of the initial claim payment, representing the HFA’s reimbursement obligation to HUD under its Risk-Sharing Agreement.

The Regulations provide that not later than 30 days after either (1) foreclosure sale or sale after acceptance of a deed-in-lieu of foreclosure or (2) expiration of the term of the HFA debenture, loss on the mortgaged property is

determined and allocated between HUD and the HFA in accordance with their respective percentages of risk specified in the Mortgage Note and the Risk-Sharing Agreement.

The Agency Regulatory Agreement

The uninsured Section 8-assisted Developments and Developments financed under the LMIR and HUD Risk-Sharing Programs are all subject to regulatory agreements with the Agency regulating their rents, distributions, occupancy, management and operation. The regulatory agreements are in effect during the entire term of the Mortgage Loan. Under the regulatory agreements, a limited-profit or nonprofit owner may not make distributions to its partners or members in any one year in excess of a percentage of its initial equity in a Development. The allowable percentage of equity ranges from 6 percent to 15 percent, depending on the program under which the Mortgage Loan was financed.

Section 8 Program

General Description

Under the Section 8 Program, HUD provides for the payment of a subsidy for the benefit of low income families, which are defined generally as those families whose incomes do not exceed 80 percent of the median income for the area, as determined by HUD. Until recent years, almost all of the Developments with Section 8 subsidies financed by the Agency were financed from a set-aside from HUD under which the Developments were underwritten and financed by the Agency. The Agency entered into Traditional Contract Administration (“TCA”) Annual Contributions Contracts (“ACC”s) with HUD and Section 8 Housing Assistance Payments Contracts (“HAP Contracts”) with owners under which the subsidy payments were made on behalf of tenants in the Developments. Pursuant to the ACC for each Development, HUD committed funding through the entire term of the HAP Contract. The Agency receives monthly subsidy payments with respect to each assisted dwelling unit, and then in turn disburses or credits monthly housing assistance payments to the owner of the Development under the HAP Contract. In addition, several of these Developments also received an Agency first mortgage loan, some of which were insured under an FHA insurance program. After the initial contract expiration, many of these HAP Contracts have been renewed for a period of 20 years. The owner has the option to renew for a shorter term. It is anticipated, but not assured, that HUD will continue to provide the opportunity for owners to renew expiring HAP Contracts under the provisions of Section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended. In recent years, the Agency has provided new financing (deferred or amortizing) to Developments with HAP Contracts, many in conjunction with a Declaration of Covenants, Conditions and Restrictions pursuant to which the owner has agreed to continuously renew the HAP Contract through the maturity date of the Agency’s Mortgage Loan. It is anticipated, but not assured, that the federal government will continue to provide these owners with the option to renew their HAP Contracts upon expiration. Renewals of HAP Contracts beyond the expiration of the initial contract term are subject to annual appropriations and spending authority in the federal budget. Contracts to convert tenant-based HUD vouchers or certificates into project-based assistance (as described below) are also subject to annual appropriation and spending authorization in the federal budget.

HAP Contract Term for State Agency Set-Aside Program

Under HUD regulations, the initial terms of the HAP Contracts for uninsured Developments financed under the state agency set-aside program were for either 30 or 40 years, with provisions for renewal for five-year periods within the 30- or 40-year term. The term of the initial ACC is the same as the initial HAP Contract term. Nonrenewal of the Section 8 HAP Contract under federal law and Minnesota state statutes requires proper notification to the residents, the applicable city, the Metropolitan Council Housing and Redevelopment Authority, the Agency and HUD. This nonrenewal (opt-out) of the HAP Contract is independent of the Development’s existing first mortgage financing. (See “Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.”) Although the Section 8 housing assistance payments are made to the owner and in effect represent rental income, the HAP Contract may, with HUD’s consent, be assigned as security by the owner to the first mortgage lender for the Development. All of the Developments with HAP Contracts within the Agency’s first mortgage loan portfolio are assigned to the Agency as security for the Mortgage Loan. HAP Contracts may not be terminated by HUD if the Mortgage Loan on the Development goes into default, so long as the owner has not breached any of the owner’s obligations under the HAP Contract. In the event of a breach of the HAP Contract by the owner, HUD may abate subsidy payments or terminate the HAP Contract after giving the owner reasonable opportunity to comply with the requirements of the HAP Contract. Under HUD regulations, the HAP Contract may be assigned to a new owner of the

Development. HUD may also determine that the HAP Contract may be terminated or may reassign the Section 8 housing assistance payments subsidy to another development. If the Section 8 subsidy is assigned to another development, the HAP Contract and the ACC will continue in effect and housing assistance payments will continue in accordance with the terms of the HAP Contract. (See “Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.”)

Certain Information Regarding Housing Assistance Payment Contracts

General

The following discussion provides certain information with regard to the Section 8 program and HAP Contract requirements that may affect payments made by HUD pursuant to the HAP Contracts. That information is not comprehensive or definitive and, as appropriate, is qualified in its entirety by reference to the United States Housing Act of 1937, as amended (the “Housing Act”), and HUD Section 8 Program Guidebooks, Handbooks, Notices, and Memoranda.

Adjustments in Contract Rents

The HAP Contract defines the type of contract rent adjustment that the Development can request. For HAP Contracts in the Agency’s Traditional Contract Administration portfolio that are in their original term, owners can request an Annual Adjustment Factor Rent Adjustment based on the annual adjustment factor published by HUD. Interim revisions may be made where market conditions warrant. The annual adjustment factor is applied on the anniversary date of each HAP Contract to contract rents, resulting in upward adjustment. Pursuant to federal legislation enacted in 1997, if the contract rents for a Development exceed the applicable HUD fair market rents, then contract rents may not be increased beyond comparable market rents (plus the initial differential between the initial contract rents and the comparable rents). The comparable rents are determined by independent appraisals of Developments in the form of a Rent Comparability Study submitted by the owner. In addition, special additional adjustments may be granted to reflect increases in the actual and necessary expenses of owning and maintaining a Development resulting from substantial “and general increase in real property taxes, assessments, utility rates and hazard insurance increases, where the increased cost is not sufficiently covered by the annual AAF adjustment.” HUD Notice H 2002-10. Adjustments may not result in material differences between rents charged for assisted units and unassisted units of similar quality and age in the same market area, except to the extent of the initial difference at the time of contract execution. Under current law, “[t]he Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under this section, unless the project has been refinanced in a manner that reduces the periodic payments of the owner.” 42 U.S.C. § 1437f(c)(1)(C). There can be no assurance that increases in contract rents will result in revenues sufficient to compensate for increased operating expenses of the Developments. There can be no assurance that there will not be a decrease in contract rents. A rent decrease may affect the ability of the owners of the Developments to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds with amounts pledged under the Bond Resolution. (See “Certain Recent Developments.”)

Limitations on Increases in Housing Assistance Payments

An increase in contract rents, because of the application of an annual adjustment factor or a special additional adjustment, will normally result in an increase in Housing Assistance Payments payable to the owner under the HAP Contract. The annual maximum housing assistance payments are initially limited to the initial contract rents. A project account is required to be established and maintained by HUD, in an amount determined by HUD, and the account must be established and maintained consistent with its responsibilities under the Housing Act. Whenever the estimated annual housing assistance payment exceeds the annual maximum housing assistance commitment and would cause the amount in the project account to be less than 40 percent of that maximum commitment, HUD is required to take additional steps authorized by Section 8(c)(6) of the Housing Act to assure that housing assistance payments will be increased on a timely basis. Section 8(c)(6) of the Housing Act authorizes “the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts.” Based on this guidance, HUD does not increase annual contributions contract authority until the project account has been exhausted.

Certain Recent Developments

In July 2002, HUD announced an interpretation of its Office of General Counsel with respect to the form of HAP Contract in use prior to 1979 (the “Old Regulation HAP Contract”). This interpretation provides that the HAP Contract terminates upon any prepayment of the original permanent financing of the related development, including any refinancing that included prepayment of the first Mortgage Loan. HUD also stated that it would agree to amend any HAP Contract to eliminate that termination. All of the first mortgage loans with this form of HAP Contract in the Agency’s TCA portfolio were provided by the Agency. There are many Developments with Agency mortgage loans that have been prepaid where HUD has continued to make payments under the HAP Contracts during the years since the Agency loans were prepaid. It is the Agency’s understanding that current HUD practice is to approve the continuation of HAP Contracts upon payment of the original financing when the owner has elected to remain in the Section 8 program. In 2015, HUD issued the final version of the Section 8 Renewal Policy Guide Book. Chapter 16 of the Guide Book reiterates the Office of General Counsel interpretation of the Old Regulation HAP Contract and gives prepaying owners the option to amend the HAP Contract to extend the term to the originally scheduled maturity date, renew the HAP contract under the Multifamily Assisted Housing Reform and Affordability Act (“MAHRA”), or opt out of the Section 8 program. Contracts that are subject to Chapter 16 will be renewed and amended as outlined in the newly revised chapter. At this time, the Agency cannot predict the potential risk for opt-outs under the provisions of Chapter 16; however, the Agency handles potential opt-outs proactively to support the Agency’s priority for preservation of federally assisted housing.

In recent years, there have been numerous pronouncements from HUD officials and various elected officials as to the future of HUD and the Section 8 program. The scope of these pronouncements has ranged from a total elimination of HUD and the Section 8 program to a restructuring of HUD and the reduction in funding of the Section 8 program. In addition, the consolidation and alignment of HUD’s programs and the transfer of certain administrative responsibilities for HUD programs to contract administrators, state and local governments and other entities continue to be proposed. (Note that HUD has contracted project-based Section 8 program administration services to state and local governments and other entities since 1999.) Furthermore, Congress continues to propose reductions in all federal spending, including funding for HUD and its programs.

HUD officials have from time to time proposed to Congress that it repeal the provision of the Housing Act prohibiting the Secretary of HUD from reducing contract rents below the current contract rents in effect as of April 15, 1987. (See “Adjustments in Contract Rents.”) It is not clear whether such a repeal would withstand a constitutional challenge. The effect of repealing those provisions would be to permit HUD to reduce the contract rents for Section 8 Developments to “market rents,” but not lower than the initial contract rents, plus the initial difference, approved by HUD for the Development. Reductions in current contract rents have occurred and continue to occur due to HUD’s changes to its Section 8 Renewal Policy Guide Book and its 4350.1 Handbook (Chapter 7).

At this time, the Agency cannot predict the terms of the legislation, if any, that may be enacted with respect to HUD. Legislation could significantly change HUD’s structure, its administration and its programs (including the Section 8 program), and the funding of HUD and its programs. The Agency also cannot predict whether any legislation, if enacted, would adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds (including the Series Bonds) with amounts pledged under the Resolutions.

Over the years, there have been several court decisions with respect to the Section 8 program and HAP Contracts. The United States Supreme Court, in its 1993 decision, *Cisneros v. Alpine Ridge Group*, held that HAP Contracts between private landlords and HUD did not prohibit the use of comparability studies with private market rents to impose an independent cap on formula-based rent adjustments. In a January 1997 decision, *National Leased Housing Association v. United States*, the United States Court of Appeals for the Federal Circuit upheld a decision of the Court of Claims that the “overall limitation” provision contained in the rent adjustment section in HAP Contracts (which states, in effect, that notwithstanding any other provision of the HAP Contract, adjustments provided for in that section of the HAP Contract must not result in material differences between the rents charged for assisted and comparable unassisted units except to the extent that differences existed with respect to the contract rents set at contract execution or cost certification, as applicable) permits HUD to use comparability studies to decrease contract rents to eliminate material differences between rents charged for assisted and comparable unassisted units that are greater than the initial difference. In addition, the Court of Appeals affirmed the decision of the Court of Claims that HAP Contracts permit HUD to reduce rents below a previous year’s rent levels through the use of comparability studies, and that the “initial difference” referred to in the HAP Contract is determined by the initial dollar amount and not by a percentage of the initial rents. Based on guidance in HUD’s Section 8 Renewal Policy Guidebook, issued in 2000, as amended,

HAP Contracts that are renewed under MAHRA may have their contract rents reduced to “market rents.” This Guidebook also provides the opportunity for debt restructuring by HUD’s Office of Affordable Housing Preservation in conjunction with the reduction in contract rents if a property is eligible.

At this time, the Agency is unable to predict what additional actions, if any, HUD or Congress will take in the future with respect to rent adjustments. Future policy changes for rent adjustments may be impacted by federal budget constraints. Beginning in federal fiscal year 2012, HUD implemented three primary cost cutting measures that affect all New Regulation (i.e., post-1979) HAP Contracts. These cost cutting measures, which have been continued for federal fiscal year 2015, include using residual receipts in lieu of rent increases, using residual receipts in lieu of subsidy payments, using the lesser of budget-based or Operating Cost Adjustment Factor (“OCAF”) rent adjustments, offering automatic OCAF rent adjustments that are limited to market rents including option 4 multi-year annual renewals, and short funding HAP Contracts. Old Regulation HAP Contracts that have not initially renewed under MAHRA have not been affected by the cost cutting measure of using residual receipts in lieu of subsidy payments. As noted above under “Adjustments in Contract Rents,” Congress has passed legislation and HUD has implemented procedures to restrict Annual Adjustment Factor rent increases above fair market rents for the 1997 and subsequent federal fiscal years for contracts that are in their original 20-, 30- or 40-year term. Upon initial renewal of the HAP Contract, the Development generally is not eligible for Annual Adjustment Factor rent adjustments under MAHRA, but is eligible for budget based, Operating Cost Adjustment Factor, mark-up-to-market, and mark-to-market (mark down to market) rent adjustments. HUD’s Section 8 Renewal Policy Guide Book, as amended, and its Handbook 4350.1, Chapter 7 do not allow for the use of initial differences, Financing Adjustments, or Financing Adjustment Factors when determining these rent adjustments; they are excluded from rent adjustment calculations. Also, HUD has proposed additional changes to the Section 8 HAP Contracts that include provisions around combining HAP Contracts and risk-based monitoring. Currently, guidance for combining HAP Contracts has been issued through a HUD memorandum. The Agency has not seen this tool leveraged by owners; however, the potential does exist. This measure would reduce the number of on-site inspections and the number of financial statements that owners must submit, as well as allow properties to share income and operating expenses. The 2014 cost cutting measures remain in effect. Actions by HUD that limit options for contract renewals and restrict the definition of market rents in many cases result in a decrease in contract rents, which could negatively impact the ability of owners to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds from the amounts pledged under the Bond Resolution.

Project-Based Vouchers

Recently, the Agency has been working with local housing and redevelopment authorities and public housing authorities to provide for project-based Section 8 Housing Choice Vouchers for a portion of the units in a Development financed under the LMIR Program. Under this program, approximately 20 percent of the units in a Development receive year-to-year project-based Housing Choice Vouchers with the rents set at the Section 8 Existing Housing Fair Market Rent (“FMR”) or payment standard. The Agency has found that the HUD-published FMR or payment standard is typically less than the market rent that could be charged without the subsidy; therefore, staff considers there to be minimal risk in the event of nonrenewal of the year-to-year ACC.

Section 8 Contract Administration

In 2000, the Agency was awarded an Annual Contributions Contract (“ACC”) with HUD as a Performance-Based Contract Administrator (“PBCA”) for the contract administration of a portion of HUD’s project-based Section 8 portfolio. Under the ACC, HUD partners with qualified entities for the administration of Section 8 HAP Contracts made directly between HUD and owners of the affected developments. In 2011, HUD held a national competitive rebid to qualified entities for the work performed under the ACC. The Agency was one of 11 states that had only one bid and were awarded a contract uncontested. As a result, the Agency was awarded a new two-year PBCA contract for the State of Minnesota, which was originally set to expire on September 30, 2013. The Agency has been granted extensions of its ACC since September 30, 2013. The most recent extension is in effect through [January 31, 2025]. The 2011 national rebid process resulted in a number of bid protests. As a result of those protests and the resultant litigation, the U.S. Court of Appeals for the Federal Circuit ruled that the PBCA ACCs should be awarded through the federal procurement process rather than the Notice of Funding Availability and cooperative agreements that HUD used in making its 2011 contract awards. The Supreme Court declined to review the ruling.

HUD issued two draft Request for Funding Proposals (“RFPs”) that encapsulated the work conducted under the PBCA program in late 2017. The draft RFPs contemplated significant program changes, including dividing the

work between a national contract and multiple regional contractors. In March of 2018, HUD cancelled the RFPs in light of the extensive comments that were submitted regarding the drafts. The cancellation notices indicate that HUD plans to undertake additional due diligence and expects to issue new RFPs at some point in the future. It is unclear when HUD may issue any more RFPs related to the work conducted under the PBCA program. Depending on the form and content of any RFPs, there may be bid protests and litigation with respect to the RFPs and any new awards of the PBCA contracts that result from the RFPs. The Agency intends to seek to retain the PBCA work in the State of Minnesota. There is, however, significant uncertainty in this area as it is unknown when HUD will release any subsequent RFPs, what the terms of those RFPs will be, and what impact any bid protests or litigation may have on the process. HUD reserved the right to terminate the ACC with 120 days' notice if HUD completes or anticipates completing the RFP solicitation process before the end of the extension term.

Market Rate Mortgage Loan Program

In its Market Rate Mortgage Loan Program, which is administered by the Multifamily Division of the Agency, the Agency issues Bonds under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds are lent by the Agency to nonprofit or limited profit sponsors that agree to construct the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. The Agency is not presently making any new Mortgage Loans pursuant to this Program.

Monitoring of Developments

In an attempt to minimize the risk inherent in long-term Mortgage Loans, the Agency has established the following guidelines for the monitoring of Developments:

- The Agency's Accounting Division is responsible for monthly billing of principal and interest and escrows, and for paying insurance, property taxes and other expenses in a timely manner.
- The Agency's Multifamily Asset Management Section is responsible for the supervision of all Developments, beginning with the feasibility processing. Prior to loan closing the Asset Management Section works with the sponsors and their marketing and management agents to review marketing and management plans. The management plan of a Development includes information on the management agent's proposed method of operating the Development. That information relates to the organizational structure and on-site duties and staffing of the management agent, initial and on-going marketing plans, contents of an orientation handbook for residents and requirements for reporting operating expenses, budget and energy conservation information. Upon completion of construction or rehabilitation, the Asset Management Section begins to monitor the implementation of the management plan, rent up and ongoing occupancy and reviews periodic submissions of income and expense data.

The Asset Management Section generally monitors the operations of Developments on an ongoing basis in generally the following ways:

- *On-Site Inspections.* After initial marketing has been completed, on-site inspections are periodically made to check on management performance. Reports summarizing findings of inspections are submitted to the owner and management agent along with a timetable for correcting deficiencies, if necessary.
- *Reporting Requirements.* Management agents for each Development are required to submit regular accounting and occupancy reports to the Agency's Asset Management Section. Smaller, non-subsidized Developments have proven to be erratic in meeting the Agency's reporting requirements. The reports are reviewed by the Housing Management Officer assigned to each Development in order to identify significant deviations from the operating budget or change in occupancy.

The Agency generally receives the following financial information related to each Development:

- (i) Monthly Operating Report—due the 15th day of the following month;

- (ii) Analysis of Accounts Payable and Receivable—due the 15th day of the month following the end of each quarter;
- (iii) Analysis of Reserve Accounts—prepared monthly by Asset Management staff;
- (iv) Annual Budget—due 60 days prior to the beginning of the fiscal year to which the budget relates; and
- (v) Annual Audited Financial Statements—due not more than 90 days (60 days for HUD Risk Share) following the end of each fiscal year.

For seasoned, well-maintained, financially sound Developments, the Agency may only require annual operating reports in the future.

- *Training Sessions.* The Agency provides technical assistance when needed for new management agents and the on-site resident manager to acquaint them with Agency and HUD procedures and requirements. Technical assistance is provided, as needed, throughout the life of the Mortgage Loan.

Applicable Federal Law Requirements

Applicable federal tax law imposes significant limitations on the financing of Mortgage Loans for Developments with the proceeds of qualified residential rental property bonds, such as the Series Bonds. (See “Tax Exemption and Related Considerations.”)

OTHER PROGRAMS

In addition to the Program funded from the proceeds of the Bonds, the Agency finances other housing programs that provide loans for the purchase or improvement of single family housing and the acquisition, construction or rehabilitation of multifamily rental housing in the State of Minnesota. The assets devoted to these programs are briefly described in the notes to the Financial Statements in Appendix B-1.

TAX EXEMPTION AND RELATED CONSIDERATIONS

Series Bonds – Federal Tax Matters

General. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series Bonds is excludable from gross income for federal income tax purposes, except for interest on any Series Bond for any period during which such Series Bond is held by a “substantial user” of the facilities financed by the Series Bonds or a “related person” within the meaning of Section 147(a) of the Code, and interest on the Series Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Series Bonds may affect the federal alternative minimum tax imposed on certain corporations. The opinion described above assumes the accuracy of certain representations and compliance by the Issuer and the Borrower with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series Bonds. Failure to comply with such requirements could cause interest on the Series Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series Bonds. The Issuer and the Borrower have covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series Bonds.

The accrual or receipt of interest on the Series Bonds may otherwise affect the federal income tax liability of the owners of the Series Bonds. The extent of these other tax consequences will depend on such owners’ particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series Bonds, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America, and certain corporations subject to the alternative minimum tax imposed on corporations), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase

or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series Bonds.

A copy of the form of opinion of Bond Counsel is attached hereto as Appendix F.

State Tax Matters

In addition, in the opinion of Bond Counsel, interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Interest on the Series Bonds is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Interest on the Series Bonds is not includable in the Minnesota alternative minimum taxable income of individuals, estates and trusts.

Backup Withholding.

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Series Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding, or selling tax-exempt obligations.

Changes in Federal and State Tax Law.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX EXEMPTION AND RELATED CONSIDERATIONS" or adversely affect the market value of the Series Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives, or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE SERIES BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES BONDS.

LITIGATION

There is not now pending or, to the best knowledge of the officers of the Agency, overtly threatened any litigation against the Agency seeking to restrain or enjoin the sale, issuance, execution or delivery of the Series Bonds or in any manner questioning or affecting the validity of the Series Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

The Agency is a party to various litigation arising in the ordinary course of business. While the ultimate effect of those actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

LEGAL MATTERS

The validity of the Series Bonds and the tax exemption of interest thereon are subject to the legal opinion of Kutak Rock LLP, Bond Counsel. A copy of the opinion of said firm, substantially in the form set forth in Appendix F hereto, will be available at the time of delivery of the Series Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Dorsey & Whitney LLP.

FINANCIAL ADVISOR

CSG Advisors Incorporated (the “Financial Advisor”) is serving as financial advisor to the Agency with respect to the planning, structuring and sale of the Series Bonds. The Financial Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the issuance and sale of the Series Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

RATINGS

The Series Bonds are rated “___” by Moody’s Investors Service, Inc., and “___” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC. The ratings reflect only the views of the applicable rating agency, and an explanation of the significance of that rating may be obtained only from the rating agency and its published materials. The ratings described above are not a recommendation to buy, sell or hold the Series Bonds. The Agency cannot give any assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Therefore, after the date of this Official Statement, investors should not assume that the ratings are still in effect. A downward revision or withdrawal of either rating is likely to have an adverse effect on the market price and marketability of the Series Bonds. The Agency has not assumed any responsibility either to notify the owners of the Series Bonds of any proposed change in or withdrawal of any rating subsequent to the date of this Official Statement, except in connection with the reporting of events as provided in the Continuing Disclosure Undertaking (see Appendix C to this Official Statement), or to contest any revision or withdrawal.

TRUSTEE

Computershare Trust Company, National Association (the “Trustee”), a national banking association, serves as successor Trustee under the Bond Resolution to Wells Fargo Bank, National Association (“WFBNA”). The Trustee also serves as bond trustee for other outstanding bonds of the Agency. As part of the sale of WFBNA’s corporate trust services to the Trustee, virtually all corporate trust services employees of WFBNA along with most existing corporate trust services systems, technology and offices, transferred to the Trustee, together with all duties, obligations and rights of WFBNA under the Bond Resolution.

Pursuant to the Bond Resolution, any successor Trustee, including a successor by sale or transfer of the corporate trust business, must be a bank or trust company or national banking association having trust powers and combined capital and surplus aggregating at least \$75,000,000.

UNDERWRITING

RBC Capital Markets, LLC (the “Underwriter”) will purchase the Series Bonds. The Underwriter is to be paid a fee of \$_____ with respect to its purchase of the Series Bonds. The Underwriter may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

The Underwriter is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal

investment, hedging, financing and brokerage activities. The Underwriter may have, from time to time, performed and may in the future perform, various investment banking services for the Agency, for which it may have received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Underwriter may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in those securities and instruments. Those investment and securities activities may involve securities and instruments of the Agency.

The Underwriter is a subsidiary of Royal Bank of Canada.

MISCELLANEOUS

This Official Statement is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. Any statement made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or holders of any of the Series Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

MINNESOTA HOUSING FINANCE AGENCY

_____, 2024.

By _____
Commissioner

APPENDIX A

**DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS
PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS, AND MORTGAGE LOANS AND
DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY
UNDER THE RENTAL HOUSING BOND RESOLUTION,
INCLUDING THOSE INTENDED TO BE FINANCED
WITH PROCEEDS OF THE SERIES BONDS**

APPENDIX B-1

**AUDITED FINANCIAL STATEMENTS OF THE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

APPENDIX B-2

**FINANCIAL STATEMENTS OF CERTAIN FUNDS OF THE AGENCY
(EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS)
AS OF SEPTEMBER 30, 2024
AND FOR THE THREE MONTHS THEN ENDED (UNAUDITED)**

APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

The following statements are extracted provisions of the Continuing Disclosure Undertaking to be executed by the Agency in connection with the issuance of the Series Bonds.

Purpose

This Disclosure Undertaking is executed and delivered by the Agency for the benefit of the holders and owners (the “Bondholders”) and the Beneficial Owners of the Series Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. There is no obligated person other than the Agency that is a party to the Disclosure Undertaking.

Definitions

In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

“*Annual Financial Information*” means the following financial information and operating data (in addition to Audited Financial Statements): information about the Mortgage Loans and Developments of a type substantially similar to that in Appendix A in the Official Statement.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under the caption “Annual Financial Information Disclosure” herein.

“*Audited Financial Statements*” means the audited financial statements of the Agency, prepared pursuant to the standards and as described under the caption “Annual Financial Information Disclosure.”

“*Beneficial Owners*” means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

“*Commission*” means the Securities and Exchange Commission.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Financial Obligation*” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

“*Listed Event*” means the occurrence of any of the events with respect to the Series Bonds set forth below:

1. Principal and interest payment delinquencies;
2. Nonpayment-related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);
13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Agency, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Agency, any of which reflect financial difficulties.

“*Listed Events Disclosure*” means dissemination of a notice of a Listed Event as described under the heading “Listed Events Disclosure” in this Appendix C.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“Rule” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“Undertaking” means the obligations of the Agency described under the headings “Annual Financial Information Disclosure” and “Listed Events Disclosure” in this Appendix C.

Annual Financial Information Disclosure

The Agency shall disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below) for each fiscal year of the Agency, commencing with the fiscal year ended June 30, 2025, by one of the following methods: (i) the Agency may deliver such Annual Financial Information and the Audited Financial Statements to the MSRB within 120 days of the completion of the Agency’s fiscal year or (ii) delivery of an Official Statement of the Agency to the MSRB within 120 days of the completion of the Agency’s fiscal year, but only to the extent such Official Statement includes such Annual Financial Information and Audited Financial Statements.

The Agency is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Agency will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 120 days after the last day of the Agency’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the Agency, the Agency will disseminate a notice to the MSRB of such change in Prescribed Form.

Listed Events Disclosure

The Agency hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Resolution.

Consequences of Failure of the Agency To Provide Information

The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondholder or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of this Disclosure Undertaking, the Agency may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

- (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Agency or type of business conducted;
- (ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondholders of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Resolution at the time of the amendment; or
- (iv) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

The Undertaking of the Agency shall be terminated when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

Additional Information

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

Beneficiaries

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondholders and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

Recordkeeping

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Bond Resolution contains various covenants and security provisions, certain of which are summarized below. The summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Bond Resolution, to which reference is hereby made, copies of which are available from the Agency or the Trustee.

Resolution Constitutes Contract with Trustee and Bondholders

Upon acceptance by the Trustee of the trusts created in the Bond Resolution and upon the purchase of Bonds by a Holder thereof, the Bond Resolution and applicable Series Resolution shall constitute a contract of the Agency with the Trustee and the Bondholders. The pledge made and security interests granted in the Bond Resolution are for the equal benefit, protection and security of all such Bondholders; all Bonds shall be of equal rank without preference, priority or distinction except as expressly provided or permitted in the Bond Resolution. The Agency covenants that it will cause to be deposited with the Trustee all proceeds of Bonds, all Mortgages, Mortgage Loans, and other securities purchased from Bond Proceeds and all income thereon. The pledge of the Agency is valid and binding from the time when made and all Mortgages, Mortgage Loans, securities and income thereon pledged and received by the Agency shall be subject to the lien thereof. The Agency pledges its full faith and credit for payment of principal, interest, and premium, if any, on the Bonds; the Bonds are a general obligation of the Agency. The State has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency nor impair the rights or remedies of the Bondholders until the Bonds, together with interest due, are fully paid.

Definitions

The following are definitions of certain terms used in the Bond Resolution and in this Official Statement (but not otherwise defined herein).

Accreted Value: for any Capital Accumulator Bond or Bonds, as of any date, the value (which may be rounded to the nearest dollar) resulting from the compounding of interest on the original principal amount and accretion thereof to principal on each prior Interest Payment Date at the approximate yield expressed in the Bond and provided in the applicable Series Resolution.

Agency Hedge Payment: a payment due to a Hedge Counterparty from the Agency pursuant to the applicable Hedge Agreement (excluding, however, payments in respect of any early termination of such Hedge Agreement).

Alternative Loan Fund: The fund so designated in the RHFB Resolution that is maintained pursuant to Section 4.12 of the RHFB Resolution.

Bond Requirement: as of any particular date of calculation, the sum of (i) that amount of the interest to become due on each Series of Outstanding Bonds at its next Interest Payment Date the deposit of which, once each month between that and the last such Interest Payment Date (or if none, since the Issue Date), would produce a sum sufficient to pay such interest, (ii) that amount of the Principal Installment due on each Series of Outstanding Bonds at its next Principal Installment Date, the deposit of which, once each month between that and the last such Principal Installment Date (or if none, once each month for a period of twelve months prior to the next Principal Installment Date), would produce a sum sufficient to pay such Principal Installment; (iii) any amount referred to in clause (i) and (ii) which has not been deposited in the Bond Fund in any month preceding the date of calculation; (iv) any Principal Installment and interest due and unpaid before the date of calculation; and (v) interest accrued on any such Principal Installment and (to the extent lawful) on any such interest, at the same rate as that borne by the Principal Installment before its maturity; provided that if, as of the date of calculation, the interest rate on any Variable Rate Bonds cannot be determined for any period before the next Interest Payment Date therefor, the interest rate for such period shall be assumed to be the Maximum Rate for such Variable Rate Bonds.

Capital Accumulator Bond: any Bond the interest on which is not currently payable on Interest Payment Dates during each year of its term (or portion of its term) but accrues and is accreted to principal on each Interest Payment Date and is payable as part of the Accreted Value of the Bond at maturity, or at a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Current Interest Bond: any Bond the interest on which is payable on Interest Payment Dates during each year of its term (or portion of its term), or to a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Debt Service Reserve Requirement: as of any particular date of computation, an amount of money (or cash equivalent available under a letter of credit, insurance policy, surety bond or similar security instrument issued by an institution whose debt obligations at the time of such issuance are rated as high as or higher than the Bonds by a nationally recognized bond rating agency) equal to the sum of amounts computed for each Series of Outstanding Bonds, each in accordance with the applicable Series Resolution.

Development: a specific improvement or structure constituting residential housing as defined in the Act, containing units for possession pursuant to a leasehold estate or cooperative ownership, and financed in whole or in part by the issuance of Bonds or Notes.

Escrow Payment: any payment made in order to obtain or maintain mortgage insurance and fire and other hazard insurance, including payments for any Federal, state, local or private program intended to assist in providing Mortgages, and any payments required to be made with respect to Mortgages for taxes or other governmental charges or other similar charges to a Mortgagor customarily required to be escrowed, and payments or charges constituting construction or operating contingency, performance or completion or replacement reserves required pursuant to the applicable Mortgage Loan or any Subordinate Mortgage Loan.

Expense Requirement: such amount of money as may from time to time by Series Resolution or Supplemental Bond Resolution of the Agency be determined to be necessary for the payment of costs and expenses of the Agency pursuant to the Program (other than costs and expenses properly payable from a Cost of Issuance Account), and including any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds.

Hedge Agreement: a payment exchange agreement, swap agreement, forward agreement or any other hedge agreement between the Agency and a Hedge Counterparty, as amended or supplemented, providing for payments between the parties based on levels of, or changes in, interest rates or other indices, including, without limitation, interest rate exchange agreements, floors or caps, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to any Bonds outstanding or proposed to be issued and which is entered into in accordance with the requirements described under the subheading “Hedge Agreements.”

Hedge Counterparty: any person or entity with whom the Agency shall from time to time enter into a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Hedge Counterparty Guarantee: a guarantee in favor of the Agency given in connection with the execution and delivery of a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Housing Investment Fund: The portion of the Alternative Loan Fund, designated by the Net Asset Requirements Resolution as Pool 2 (Housing Investment Fund).

Interest Payment Date: each date on which interest on any Series of Bonds is required to be paid under the applicable Series Resolution.

Investment Obligation: any of the following, including puts and call options in future contracts traded on a contract market designated and regulated by a federal agency, which at the time are legal investments for Fiduciaries under the laws of the State for moneys held hereunder which are then proposed to be invested therein: (i) direct general obligations of the United States of America; (ii) obligations the payment of the principal of and interest on which, in the opinion of the Attorney General of the United States, is unconditionally guaranteed by the United States;

(iii) bonds, debentures, participation certificates, notes or other debt issued by any of the following: Bank for Cooperatives, Federal Financing Bank, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal National Mortgage Association, Export Import Bank of the United States, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Government National Mortgage Association, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof or sponsored thereby; (iv) direct and general obligations of any state within the United States or of any political subdivision of the State of Minnesota, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (v) interest bearing deposit accounts in savings and loan associations or in state, national or foreign banks (including the Trustee and any Paying Agent), provided that either said deposits are insured by the Federal Deposit Insurance Corporation, are secured by obligations described in clauses (i) through (iii) above, or at the time the purchase is made the debt obligations of the depository are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vi) bankers' acceptances drawn on and accepted by commercial banks whose debt obligations at the time the purchase is made are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vii) commercial paper issued by United States corporations or their Canadian subsidiaries rated at the time the purchase is made in the highest rating category for commercial paper by each Rating Agency providing a Rating on Outstanding Bonds and maturing in 270 days or less; (viii) repurchase agreements and reverse repurchase agreements with banks which (1) are members of the Federal Deposit Insurance Corporation and (2) are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (i) through (iii) of this sentence; (ix) guaranteed investment contracts or similar deposit agreements with insurance companies with a claims paying rating from each Rating Agency providing a Rating on Outstanding Bonds at the time the contract or agreement is made at least equal to the respective Rating of the Bonds by the related Rating Agency, or with other financial institutions or corporations provided, at the time the contract or agreement is made, the debt obligations of any such financial institution or corporation are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds or such contracts or agreements are secured by obligations described in clauses (i), (ii), (iii) and (viii) above; (x) shares in an investment company registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933, or shares of a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least \$50,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, and whose only investments are qualified investments described in clauses (i), (ii), (iii) and (viii) above; (xi) notes, bonds, debentures or other debt issued or guaranteed by domestic corporations, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (xii) notes, bonds, debentures or other debt issued by the World Bank or the Inter-American Development Bank, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; and (xiii) any other investment that as of the date made does not impair the Rating of any Outstanding Bonds.

Maximum Rate: in respect of any Variable Rate Bonds, the maximum interest rate that such Bonds may bear as specified in the Series Resolution authorizing the issuance of the Variable Rate Bonds.

Mortgage: a mortgage deed, deed of trust, or other instrument, which, except as otherwise provided in the Bond Resolution, shall constitute a first lien in the State on improvements and real property in fee simple, or on a leasehold under a lease having a remaining term which, at the time the Mortgage is acquired, does not expire for at least that number of years beyond the maturity date of the Mortgage Loan or Subordinate Mortgage Loan secured by such Mortgage which is equal to the number of years remaining until the maturity date of the Mortgage Loan or Subordinate Mortgage Loan.

Mortgage Loan: a loan by the Agency to a Mortgagor for the financing and/or refinancing of a Development for the purposes set forth in Section 101 of the Bond Resolution, secured by a Mortgage on the Development.

Mortgagor: a natural person, a public or private corporation, a partnership, a joint venture or other organization or entity, to the extent permitted by the Act and the rules of the Agency thereunder (including the Agency or any corporation, agency or instrumentality created or controlled by the Agency) .

Net Asset Requirements Resolution: Resolution No. MHFA 07-16 entitled “Resolution Amending Resolution No. MHFA 88-7 Regarding Net Asset Requirements and Investment Guidelines for General Reserve Account Assets” adopted April 26, 2007, as subsequently amended by Resolution No. MHFA 09-55 adopted September 24, 2009.

Outstanding: a reference as of any particular time to all Bonds theretofore delivered except (i) any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Agency or by any other Fiduciary, at or before that time, and (ii) any Bond for the payment or redemption of which either (a) money equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, or (b) Investment Obligations or money in the amounts, or the maturities and otherwise as described and required under the provisions of paragraph (B) or (D) of Section 1201 of the Bond Resolution, has been deposited with one or more Fiduciaries in trust (whether upon or prior to the maturity or redemption date of the Bond) and except in the case of a Bond to be paid at maturity, of which notice of redemption has been given or provided for in accordance with Article VII therein, and (iii) any Bond in lieu of or in substitution for which another Bond has been delivered pursuant to Section 605, 607 or 906 of the Bond Resolution.

Prepayment: any money received from a payment of principal on a Mortgage Loan or Subordinate Mortgage Loan in excess of the scheduled payments of principal then due, or from the sale of a Mortgage Loan or Subordinate Mortgage Loan pursuant to Section 313 of the Bond Resolution, other than money constituting a Recovery Payment.

Principal Installment: as of any particular date of calculation, an amount equal to the sum of (i) the principal amount of Outstanding Current Interest Bonds which mature on a single future date, reduced by the aggregate amount of any Sinking Fund Installments payable before that date toward the retirement of such Outstanding Current Interest Bonds, plus (ii) the amount of any Sinking Fund Installment payable on said future date toward the retirement of such Outstanding Current Interest Bonds, plus (iii) the Accreted Value, as of the same future date, of Capital Accumulator Bonds which mature or are required to be redeemed as a Sinking Fund Installment on such date.

Program: the Agency’s program of making Mortgage Loans, including the payment when due of principal of and redemption premium, if any, and interest on Notes, for the purposes specified in Section 101 of the Bond Resolution.

Rating: with respect to any Bonds and as of any date, the rating issued by a Rating Agency then in force and prior to a proposed action to be taken by the Agency. An action does not “impair” the Rating with respect to any Bonds if the action will not cause the Rating Agency to lower or withdraw the rating it has assigned to such Bonds.

Record Date: for (i) payment of principal of and interest on the Bonds shall be the 15th day (whether or not a business day) of the month immediately preceding the payment date and (ii) for purposes of giving notice of redemption or other notice pursuant to the provisions of the Bond Resolution or Series Resolution, the last business day of the month preceding the month in which such notice is mailed.

Recovery Payment: any money received or recovered by the Agency, in excess of the expenses necessarily incurred by the Agency in collection thereof, from (i) the sale or other disposition of a Development acquired by the Agency, or (ii) condemnation of a Development or part thereof, or (iii) other proceedings taken in the event of default by the Mortgagor, or (iv) the sale or other disposition of a Mortgage in default for the purpose of realizing on the Agency’s interest therein, or (v) mortgage insurance or guaranty or hazard insurance.

Redemption Price: when used with respect to a Bond or portion thereof, the principal amount of a Current Interest Bond or the Accreted Value of a Capital Accumulator Bond or any portion thereof plus the applicable premium, if any, payable upon redemption thereof in accordance with its terms.

Revenues: all payments, proceeds, rents, charges and other income derived by or for the account of the Agency from or related to the Program, including without limitation the scheduled amortization payments of principal of and interest on Mortgages (whether paid by or on behalf of the Mortgagor or occupants of the Development subject to the Mortgage) and any Counterparty Hedge Payments payable by or received from or on behalf of any Hedge Counterparty pursuant to a Hedge Agreement or a Hedge Counterparty Guarantee, but not including Prepayments, Recovery Payments or Escrow Payments, and not including inspection, financing, application, commitment or similar fees or charges of the Agency which are included in the original principal amount of a Mortgage.

RHFB Resolution: Resolution No. MHFA 95 82, adopted August 24, 1995 (which amended and restated in whole Resolution No. MHFA 76 32, adopted July 27, 1976, as amended), together with any amendments or supplements heretofore or hereafter adopted from time to time as permitted therein.

Sinking Fund Installment: any amount of money required by or pursuant to a Series Resolution as referred to in Section 202 of the Bond Resolution to be paid on a specified date by the Agency toward the retirement of any particular Term Bonds before their maturity.

Sinking Fund Installment Date: the date on which a Sinking Fund Installment is payable.

Subordinate Mortgage Loan: a Mortgage Loan, which may be junior and subordinate to other mortgage liens on a Development, made by the Agency pursuant to the authorization contained in Section 308 of the Bond Resolution.

Variable Rate Bonds: any Bonds the interest rate on which varies periodically such that the interest rate at a future date cannot be determined as of the date of calculation.

Authorization of Bonds

In order to provide sufficient funds for the Program, Bonds of the Agency designated as Rental Housing Bonds are authorized by the Bond Resolution to be issued from time to time without limitation as to amount except as provided in the Bond Resolution or as may be limited by law, and shall be issued subject to the terms, conditions and limitations established in the Bond Resolution. The full faith and credit of the Agency is pledged for the security of the Bonds, including interest and redemption premiums thereon, and the Bonds are general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of any other resolutions, indentures or state laws now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds.

Other Obligations

(A) Except as provided in Article II of the Bond Resolution, the Agency covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge or lien on the Revenues or will be payable from any of the Funds or Accounts established and created by or pursuant to the Bond Resolution, including the Debt Service Reserve Fund. The foregoing provision shall not be construed as prohibiting the Agency from entering into hedging transactions, such as interest rate swaps, in connection with the issuance of any Series of Bonds, or in connection with the payment of any Series of Outstanding Bonds.

(B) The Agency expressly reserves the right to adopt one or more additional bond or note resolutions and reserves the right to issue other obligations so long as they are not a charge or lien prohibited by paragraph (A) of this Section of the Bond Resolution.

Pledge of the Resolution

The Agency in the Bond Resolution covenants that it will cause to be paid to and deposited with the Trustee, or to its credit with Depositories designated by the Agency, and pledges and grants to the Trustee a security interest in, all proceeds of Bonds, all Mortgages and Mortgage Loans and other securities made and purchased from such proceeds (or from the proceeds of Notes paid from the proceeds of Bonds), and all income and receipt therefrom. This pledge is intended to be valid and binding from the time when made, and the Bond proceeds, Mortgages, Mortgage Loans, other securities, income and receipts pledge and hereafter received by the Agency are immediately to be subject to the lien thereof without any physical delivery or further act, and the lien of such pledge is intended to be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, whether or not such parties have notice thereof.

Custody and Application of Bond Proceeds

Each Series Resolution authorizing the issuance of a Series of Bonds is required to specify the purposes for which the proceeds of such Series of Bonds may be used and to provide for the disposition of the proceeds thereof. Purposes for which Bonds may be issued are (a) the making of Mortgage Loans, (b) the financing of Mortgage Loans

previously made from the proceeds of Notes, moneys in the Housing Investment Fund or moneys otherwise available to the Agency for purposes of making Mortgage Loans, (c) the refunding of Outstanding Bonds, and (d) incident to these purposes, the deposit of amounts determined by or pursuant to the Bond Resolution to be credited and paid into the Funds and Accounts referred to in the Bond Resolution.

Note Accounts. Money in any Note Account shall be held by the Trustee and applied as directed by the applicable Series Resolution to the payment of Notes upon receipt of an Officer's Certificate identifying them by title, date of issuance and maturity or redemption, interest rate and the person to whom payment is to be made and the amount thereof. All interest and other income received from the deposit and investment of money in the Note Account pending application to the payment of Notes, unless otherwise directed by the applicable Series Resolution, shall be transferred as received to the Revenue Fund. Upon receipt of evidence satisfactory to the Trustee that such Notes have been paid and canceled, the Trustee shall transfer any balance remaining in the Note Account to the appropriate Project Account.

Project Account and Mortgage Loan Accounts. Money in each Project Account and Mortgage Loan Account shall be held by the Trustee or a Depository as directed by an Officer's Certificate. The Trustee shall create specific Mortgage Loan Accounts within the Project Account to finance specific Developments and the Trustee shall from time to time pay out or permit the designated Depository to pay out money in any Mortgage Loan Account held for the purpose of making a Mortgage Loan, upon receipt by the Trustee (or by the Depository with a copy to the Trustee) of an Officer's Certificate as to each payment or withdrawal, stating:

- (i) the name of the Mortgagor to, and Development for, which the payment is to be made;
- (ii) the amount to be paid; and
- (iii) that this amount, together with all prior withdrawals from said Mortgage Loan Account and all prior advances made by the Agency to the Mortgagor on account of the Mortgage Loan, will not exceed in the aggregate the authorized amount of the Mortgage Loan.

All interest and other income from time to time received from the deposit and investment of money in the Project Account or any Mortgage Loan Accounts shall be transferred as received to the Trustee for deposit in the Revenue Fund.

Promptly upon the fulfilling of its commitment to make a Mortgage Loan to a Mortgagor, or upon revocation of the commitment before any substantial disbursement of funds thereunder, the Agency will deliver to the Depository and the Trustee an Officer's Certificate stating such fact and the amount of money, if any, remaining in the applicable Mortgage Loan Account, and directing this amount to be transferred by the Depository to the Trustee and deposited by the Trustee in a designated Project Account or in one or more designated Mortgage Loan Accounts or the Redemption Fund.

Mortgage Provisions and Conditions

Each Mortgage Loan financed from the proceeds of Bonds or of Notes paid from the proceeds of Bonds or from amounts made available from the Redemption Fund, and the Mortgage securing it, shall conform to the following terms, conditions, provisions and limitations as well as those stated in "Program Covenants" herein, except to the extent, if any, that a variance therefrom is required by an agency or instrumentality of the United States guaranteeing, insuring, or otherwise assisting in the payment of the Mortgage Loans. In addition, the Agency may, solely from Excess Revenues under the Bond Resolution which could otherwise be withdrawn therefrom pursuant to Section 404(5) thereof, make Subordinate Mortgage Loans with respect to a Development upon such terms and conditions as the Agency may deem appropriate, and without regard to the following provisions.

Lien. With respect to each Mortgage Loan, the Mortgage and complementary financing statements and other necessary documents shall be executed, recorded and filed in accordance with the requirements of existing laws, so as to create and constitute a valid first mortgage lien on the real property or leasehold interest in real property of the Mortgagor which is the site of the Development and improvements thereon for which the Mortgage Loan is made, and a valid security interest in all personal property acquired with proceeds of the Mortgage Loan and attached to or used in the operation of the Development.

Title. Before the disbursement of Bond proceeds to make the Mortgage Loan or to pay Notes the proceeds of which were used to make it, the Mortgagor shall have acquired marketable title in fee simple to the site of the Development, or a leasehold interest therein sufficient as the subject of a Mortgage as defined in Section 103 of the Bond Resolution, subject only to liens and encumbrances which in the reasonable judgment of the Agency do not materially affect its value or usefulness for the intended use; and there shall be deposited with the Trustee, or with an agent (which may be the Agency) authorized by the Trustee to receive on its behalf and transmit to the Trustee, (i) the Mortgage; (ii) the note evidencing the Mortgage Loan; (iii) an acceptable title opinion or title insurance policy; and (iv) originals or photocopies of all other agreements and certificates of the Mortgagor relating to the Development.

Participation. The Agency may participate with another party or parties in the making of a Mortgage Loan for various purposes as set forth in the Resolution, if its mortgage lien and security interests, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Agency may make an additional Mortgage Loan in certain circumstances on a parity of lien with the Mortgage then held by the Agency or subordinate thereto (but not junior or subordinate to a mortgage held by any other party unless permitted by the Resolution).

Prepayments. With respect to each Mortgage Loan, the Mortgage shall not permit a Prepayment of the Mortgage Loan without the consent of an Authorized Officer of the Agency, unless required by an agency of the United States as contemplated in this section; but the Agency may undertake in the Mortgage to give its consent if the following conditions with respect to Prepayment exist:

- (a) the amount to be paid prior to satisfaction of the Mortgage equals, as of the date of the Prepayment:
 - (i) the unpaid principal balance of the Mortgage Loan: plus
 - (ii) accrued interest to the date of the Prepayment; plus
 - (iii) unless waived or modified by the Agency, a prepayment penalty calculated in accordance with the terms of the Mortgage; and
- (b) an Authorized Officer determines that after such Prepayment (whether total or partial), the Agency will remain in compliance with its Revenue Covenant.

The Agency may consent to the Prepayment of any Subordinate Mortgage Loan upon such terms as it, in its sole discretion, deems appropriate.

Insurance and Escrow. With respect to each Mortgage Loan, the Mortgage or an accompanying document shall require the Mortgagor:

- (a) to procure and maintain fire and extended coverage insurance on the Development in amount as determined by the Agency, payable to the Agency as its interest may appear;
- (b) to pay all taxes, special assessments and other lawful governmental charges with respect to the Development before they become delinquent, and all claims for work done and materials furnished with respect thereto before they are filed as liens on the Development, except during any period for which payment of part or all thereof may be deferred, with the written consent of and upon such terms as are specified by an Authorized Officer, for the purpose of contesting the same; and
- (c) to make monthly Escrow Payments to the Agency or a Servicer or a Depository sufficient to accumulate funds for taxes and other governmental charges and insurance premiums.

Disbursements. Before the disbursements of a Mortgage Loan from Bond proceeds the Mortgagor shall have completed the Development and paid all costs thereof in a manner approved by an Authorized Officer, or shall have:

- (a) obtained all governmental approvals required by law for the acquisition and construction of the Development;

(b) obtained written approval by an Authorized Officer of final plans and specifications for the Development and provided, if required, assurance and documentation of a nature and in an amount sufficient in the opinion of an Authorized Officer, securing performance of the work in accordance therewith, provided that no disbursement of construction costs shall be made until such approval is given and such assurance furnished;

(c) deposited with the Trustee or a Depository cash or an irrevocable letter of credit or other valuable consideration satisfactory to an Authorized Officer, in any amount by which the cost of the Development as estimated by the Agency exceeds the authorized amount of the Mortgage Loan.

The Agency may impose additional disbursement requirements, or modify the foregoing requirements, to the extent required to comply with the rules, regulations or procedures of any agency or instrumentality of the United States guaranteeing, insuring or otherwise participating in the making of a Mortgage Loan or the repayment thereof.

Alienation. Except as provided below, with respect to each Mortgage Loan, the Mortgage shall not permit the sale, lease or encumbrance of the Development without the written consent of the Agency, by its Authorized Officer, which consent may be given (but need not be given) only in the cases of:

(a) receipt of full Prepayment conforming to the requirements stated below;

(b) grant of easements, licenses or rights-of-way over, under or upon the site of the Development which, in the opinion of the Officer, do not destroy or diminish its usefulness for the purpose intended;

(c) lease of the Development or a part thereof to a third party for the purpose of operation, provided that such lease is permitted by law and is subject to all of the terms, provisions and limitations of the Mortgage;

(d) sale or exchange of any improved or unimproved land which in the opinion of an Authorized Officer is not needed for the efficient operation of the Development, provided that an appraisal acceptable to the Agency is received showing that the Development, subsequent to such release, has an appraised value not less than 110% of the outstanding principal balance of the Mortgage;

(e) sale to another eligible Mortgagor approved by resolution of the Agency, who assumes all obligations of the original Mortgagor under the Mortgage and accompanying documents; in which case the Agency may release the original Mortgagor unless otherwise provided in the Mortgage;

(f) grant of a parity mortgage lien on the Development or a portion thereof if such parity mortgage lien is given to secure financing for the expansion, improvement or renovation of the Development or portion thereof; or

(g) grant of a subordinate mortgage lien on the Development or a portion thereof.

Enforcement. The Agency shall diligently enforce, and take all reasonable steps, actions and proceeding necessary for the enforcement, of all terms, covenants and conditions of Mortgages securing Mortgage Loans made by the Agency, including the prompt collection of Mortgage repayments and fees and charges and other Revenues.

Whenever it shall be necessary in order to protect and enforce the rights of the Agency under a Mortgage securing a Mortgage Loan and to protect and enforce the rights and interests of Bondholders under the Bond Resolution, the Agency shall commence foreclosure proceedings against each Mortgagor in default under the provisions of a Mortgage, shall bid for and purchase the Development covered by such Mortgage at the foreclosure or other sale thereof and shall acquire and take possession of such Development.

Upon foreclosure of a Mortgage securing a Mortgage Loan, or upon acquisition of the Development in lieu of foreclosure of a Mortgage in default, and so long as the Agency shall have title to or be in possession of the Development, the Agency shall, as the case may be, construct, operate and administer such Development in the place and stead of the Mortgagor in such manner as the Agency reasonably determines is in the best interests of the Bondholders. In so doing, the Agency, to the extent it may have money available for such purpose, including any

money on deposit in the Mortgage Loan Account relating to the Development, may complete the construction and development thereof if not already completed in such manner as the Agency reasonably determines is in the best interests of the Bondholders. From money provided by the Agency from the ownership and operation of the Development, to the extent such money is sufficient for the following purposes, the Agency shall first pay or make provision for payment of the costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses required to preserve or acquire unencumbered title to the Development, and after providing currently for these expenses shall pay the cost and expenses of operating the Development, including the repayments which the Mortgagor was obligated to pay pursuant to the terms and provisions of the Mortgage. The Trustee or other Depository of the Mortgage Loan Account established with respect to any Development foreclosed or otherwise acquired by the Agency prior to its completion shall be authorized to pay to the Agency upon its requisition any amount on deposit in the Mortgage Loan Account, upon receipt of an Officer's Certificate that such amount is required to pay an item that would have been included in the cost of the Development had the Agency not acquired the same. If the Agency determines that completion of the Development is not in the best interests of the Bondholders, the remaining funds in any such Mortgage Loan Account shall be disposed of in the same manner as set forth in the Bond Resolution for funds remaining in a Mortgage Loan Account upon completion of a Development or cancellation of a commitment to make a Mortgage Loan for a Development.

Upon or after foreclosure of a Development under a Mortgage securing a Mortgage Loan, or acquisition thereof from the Mortgagor in lieu of foreclosure:

- (a) the Agency may resell the Development to an eligible Mortgagor and make a Mortgage Loan with respect thereto as if such eligible Mortgagor were the original Mortgagor, subject to all of the terms, provisions, conditions and limitations contained in this section and "Program Covenants" below; or the Agency may sell the Development to a party other than an eligible Mortgagor;
- (b) the Agency shall not resell the Development for a price less than its fair market value as reasonably determined by the Agency through a solicitation of bids for the purchase of the Development or by an appraiser or other real estate consultant selected by the Agency and acceptable to the Trustee;
- (c) subsequent to such sale the Agency must remain in compliance with its Revenue Covenant under the Bond Resolution; and
- (d) all proceeds from the sale of any Development shall be considered a Recovery Payment and shall be deposited in the Suspense Account in the Redemption Fund.

The foregoing provisions regarding foreclosure of mortgages shall not apply to Mortgages securing Subordinate Mortgage Loans, and the Agency may proceed to protect and enforce the rights of the Agency under a Mortgage securing a Subordinate Mortgage Loan in such manner as the Agency, in its sole discretion, deems appropriate.

Modification. Except as otherwise permitted by the terms of the Bond Resolution, the Agency shall not consent to the modification of the security for or any terms or provisions of any Mortgage Loan or the Mortgage securing the same in a manner materially detrimental to Bondholders. No reduction in the interest rate or schedule of payments will be made which would result in a failure by the Agency to comply with its Revenue Covenant. Notwithstanding the foregoing, the Agency may consent to the modification of the terms of any Subordinate Mortgage Loan or Mortgage securing such loan in any manner and to any extent the Agency, in its sole discretion, deems appropriate.

Sale. The Agency may sell any Mortgage or other obligation securing a Mortgage Loan provided that after such sale an Authorized Officer determines the Agency will remain in compliance with its Revenue Covenant. The Agency may sell any Mortgage or other obligation securing a Subordinate Mortgage Loan upon such terms and conditions as the Agency, in its sole discretion, deems appropriate.

Program Covenants—Revenue Covenant

The Agency shall from time to time, with all practical dispatch and in a sound economical manner consistent in all respects with the Act as then amended and in effect and with the provisions of the Bond Resolution, use and

apply the proceeds of the Bonds, to the extent not required by the Bond Resolution for other Program purposes, to make Mortgage Loans pursuant to the Act and the Bond Resolution, and shall do all such acts and things as are necessary to receive and collect Revenues, Prepayments, Recovery Payments and Escrow Payments, consistent with sound practices and principles, and shall diligently enforce and take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of the Mortgage Loans. The Agency shall also take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of Subordinate Mortgage Loans.

There shall at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution which, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from such calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that the Agency is in compliance with this covenant, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such determination.

The Agency reserves the right:

- (a) at the time of issuance of any Series of Bonds for the purpose of repaying notes or Bonds the proceeds of which were used to make a Mortgage Loan, to consent to a reduction of the interest on that Mortgage Loan, provided that the Agency will then be in compliance with the preceding paragraph;
- (b) at any time, to forgive a portion of the interest on a Mortgage Loan by consenting to the establishment of scheduled payments of principal and interest lower than those required to amortize the Mortgage Loan during its then remaining term at the agreed interest rate, provided that (i) the scheduled payments of principal and interest on all Mortgage Loans, giving effect to that and all similar reductions then in effect, will in the aggregate be sufficient to comply with the preceding paragraph, and (ii) if it is subsequently determined by an Authorized Officer that such aggregate scheduled principal and interest payments will or may be insufficient for such compliance, such forgiveness may be terminated in whole or in part with respect to subsequent payments on that Mortgage Loan; and
- (c) to consent to any modifications to a Subordinate Mortgage Loan, including forgiving all or a portion of principal thereof or interest thereon, as the Agency may determine in its sole discretion. The Agency reserves the right to withdraw any amount from its General Reserve Account and deposit it in the Bond Fund in payment and satisfaction of a corresponding amount of the scheduled principal or interest payments on any Mortgage Loan. The Agency shall be entitled to recover from the Mortgagor any amounts so advanced, together with interest thereon at the rate payable on the Mortgage Loan, or to enforce its right to such recovery under the Mortgage, but only after all other defaults thereunder have been cured.

Deposit of Revenues and Other Money

The Agency will collect and deposit or will require a Servicer to collect and deposit with the Trustee or a Depository, on the date of receipt so far as practicable, all Revenues, Prepayments, Recovery Payments and Escrow Payments receivable from Mortgagors, and will forward or require the Depository to forward promptly to the Trustee statements of each amount deposited except Escrow Payments. The Trustee shall be accountable only for moneys actually so deposited, other than Escrow Payments. All moneys so deposited shall be apportioned by the Agency or Servicer and paid into and credited on the books of the Depository and the Trustee as follows:

- (a) Revenues to the Revenue Fund:
- (b) Prepayments and Recovery Payments to the Redemption Fund; and
- (c) Each Escrow Payment to an Escrow Account separately held by the Depository or the Agency.

Revenue Fund

As of the first and on or before the tenth day of each month after the first delivery of Bonds, on any Interest Payment Date or on any date as further provided in clause (d) below, from any moneys in the Revenue Fund then held by the Trustee and Depositories, the Trustee shall withdraw and pay into each of the following Funds the amount indicated in the following tabulation, or so much thereof as remains after first crediting to each Fund preceding it in the tabulation the full amount indicated for that Fund:

(a) to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Bond Requirement;

(b) to the Debt Service Reserve Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Debt Service Reserve Requirement;

(c) to an Account in the Revenue Fund held by the Trustee at its Principal Office, the additional amount needed to make each of the payments which will be required under the foregoing clauses (a) and (b) to be made as of the first day of the following month:

(d) if payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) equal or exceed the Requirements applicable thereto, to the Expense Fund, the amount then required to increase the balance therein to the Expense Requirement (provided that the Agency may elect to receive the Expense Requirement from time to time by payment directly from the Revenue Fund upon providing the Trustee with an Officer's Certificate as provided in the Bond Resolution); and

(e) when authorized by an Officer's Certificate, the Trustee may credit Revenues to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions) upon receipt, up to the amount of the current Bond Requirement, and in excess of that requirement if the current Debt Service Reserve and Expense Requirements, if any, have been met.

In the event that on any Interest Payment Date, after payment of all interest and Principal Installments then due, the amounts in all Funds and Accounts referred to in clauses (a) to (d) equal or exceed the Requirements applicable thereto, any amount then on hand in the Revenue Fund and any Revenues thereafter received in excess of the current requirements of all of said Funds and Accounts may be transferred to the Agency's General Reserve Account, and shall be so transferred upon request in writing by an Authorized Officer; provided that no such transfer shall be made unless, after giving effect to such transfer, total assets of the Bond Resolution shall exceed total liabilities, determined in accordance with generally accepted accounting principles and evidenced by an Officer's Certificate.

The Agency reserves the right, in its sole and absolute discretion, to deliver to the Trustee from time to time funds not constituting Revenues or otherwise subject to the pledge of the Bond Resolution and an Officer's Certificate directing the Trustee to credit such funds to one or more Funds or Accounts hereunder, and the Trustee is authorized to credit such funds in accordance with the directions of the Officer's Certificate and such funds shall thereupon become subject to the lien and provisions of the Bond Resolution, as applicable.

Bond Fund

(a) The Trustee shall withdraw from the Bond Fund, prior to each Interest Payment Date an amount equal to the unpaid interest due on the Outstanding Bonds on or before that date, and shall cause it to be applied to the payment of said interest when due, or shall transmit it to one or more Paying Agents who shall apply it to such payment as provided in Series Resolutions.

(b) If the withdrawals required under (a) above on the same and every prior date have been made, the Trustee shall withdraw from the Bond Fund, prior to each Principal Installment Date and Sinking Fund Installment Date, an amount equal to the principal amount or Accreted Value of the outstanding Bonds, if any, maturing or subject to mandatory redemption on or before that date and shall cause it to be applied to the payment of the principal or Accreted Value of said Bonds when due or transmit it to Paying Agents who shall apply it to such payment.

(c) Each withdrawal from the Bond Fund under (a) and (b) above shall be made not earlier than five (5) days prior to the Interest Payment or Principal Installment Date or Sinking Fund Installment Date to which it relates, and the amount so withdrawn shall be deemed to be part of the Bond Fund until the Interest Payment Date or Principal Installment Date or Sinking Fund Installment Date.

(d) The Trustee shall apply money in the Bond Fund to the purchase or the redemption of Outstanding Term Bonds subject to mandatory redemption in the manner provided in this paragraph and Section 702 of the Bond Resolution, provided that no such Bond shall be purchased during the period of thirty (30) days next preceding the Date of a Sinking Fund Installment established for such Bonds. The price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased pursuant to this paragraph shall not exceed the Redemption Price applicable on the next date on which such Bond could be redeemed in accordance with its terms as part of a Sinking Fund Installment. Subject to the limitations set forth and referred to in this paragraph, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Agency may determine in an Officer's Certificate furnished to the Trustee.

(e) As soon as practicable after the forty-fifth and before the thirtieth day prior to the Date of each Sinking Fund Installment, unless a different notice period is required by the applicable Series Resolution, the Trustee shall call for redemption on that date the principal amount or Accreted Value of the remaining Bonds entitled to said Installment, and on that date the Trustee shall apply the money in the Bond Fund to the payment of the Redemption Price of the Bonds so called for redemption.

(f) If, on any Interest Payment Date for Bonds that are subject to a Hedge Agreement, payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) under the heading "Revenue Fund" equal or exceed the Requirements applicable thereto, then any amounts on hand in the Bond Fund in excess of the Bond Requirement on such date shall be transferred to the Expense Fund upon the written request of an Authorized Officer if required to increase the balance therein to the Expense Requirement in respect of Agency Hedge Payments and credit or liquidity support or remarketing fees then owing.

(g) No amount is to be withdrawn or transferred from or paid out of the Bond Fund except as described in this Section.

Debt Service Reserve Fund

(a) If at any time there is not a sufficient amount in the Bond Fund to provide for the payment when due of Principal Installments of and interest on the Outstanding Bonds, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Bond Fund the amount of the deficiency then remaining. The Trustee shall notify the Agency in writing ten (10) days prior to any such withdrawal from the Debt Service Reserve Fund.

(b) In addition to the payments made into the Debt Service Reserve Fund pursuant to Section 404 of the Bond Resolution or otherwise, the Agency shall deposit in the Debt Service Reserve Fund any money appropriated and paid to the Agency by the State pursuant to the Act for the purpose of restoring the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

(c) If as of the first day of any month the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, the Trustee within ten (10) days thereafter shall withdraw any amount therein in excess of the Debt Service Reserve Requirement, and pay the same into the Revenue Fund.

(d) The Agency shall at all times maintain the Debt Service Reserve Fund and will do and perform or cause to be done and performed each and every act and thing with respect to the Debt Service Reserve Fund provided to be done or performed by or on behalf of the Agency or the Trustee under the terms and provisions of Article IV of the Bond Resolution and of the Act.

(e) In order to better secure the Bonds and to make them more marketable and to maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement, and in accordance

with the provisions of Section 22, Subdivision 8 of the Act, the Agency shall cause the Chairperson, annually, on or before December 1 of each year, to make and deliver to the Governor of the State a certificate stating (a) the amount, if any, that is necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement (but not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all Bonds and Notes which are then Outstanding and secured by the Debt Service Reserve Fund) and (b) the amount, if any, determined by the Agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received into the Revenue Fund during that year, for the payment of the principal and interest due and payable in that year on all then Outstanding Bonds and Notes secured by the Debt Service Reserve Fund. All moneys received by the Agency from the State in accordance with the provisions of Section 22, Subdivision 8 of the Act pursuant to any such certification shall be paid to the Trustee for deposit in and credit to the Debt Service Reserve Fund or Revenue Fund, as provided in the Bond Resolution.

(f) No amount is to be withdrawn from or paid out of the Debt Service Reserve Fund except as described in this Section.

Expense Fund

(a) Money deposited in the Expense Fund, if any, shall be disbursed for the payment of continuing expenses of the Program (including operating and maintenance expenses of Developments in the possession of the Agency), any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds upon receipt of an Officer's Certificate stating the name of the party to be paid, the amount to be paid and the purpose of the payment.

(b) Income received or other money held in the Expense Fund in excess of the Expense Requirement shall be credited by the Trustee to the Revenue Fund.

(c) No amount is to be withdrawn, transferred or paid out of the Expense Fund except as described in this Section.

Redemption Fund

(a) The Trustee shall establish a Suspense Account in the Redemption Fund, to which it shall credit all Prepayments and Recovery Payments, and all surplus amounts transferred from Mortgage Loan Accounts under Section 307(G) of the Bond Resolution; each of which shall be used and applied as directed by an Officer's Certificate, either (i) to provide additional funds to a Mortgage Loan Account for an increase in the amount of a Mortgage Loan authorized by the Agency, or (ii) for the establishment of one or more Mortgage Loan Accounts for new Mortgage Loans made by the Agency, or (iii) for the purchase or redemption of Outstanding Bonds, or (iv) if no Bonds of a Series are Outstanding and Prepayments have been received from one or more Mortgage Loans financed by Bonds of the Series, any such remaining Prepayments, for the payment of any Agency Hedge Payments under, or any amounts payable by the Agency upon early termination of, a Hedge Agreement relating to such Series of Bonds; provided that as of the first day of each month while any Prepayment or Recovery Payment is held in the Suspense Account, the Trustee shall transfer from that Account to the Bond Fund the scheduled monthly payment of principal of the Mortgage Loan with respect to which the Prepayment or Recovery Payment was received, less the amount of any payment of principal actually received with respect to such Mortgage Loan, if such transfer is required in order to meet the Bond Requirement.

(b) By Officer's Certificate the Agency may authorize the increase of any Mortgage Loan or the making of a new Mortgage Loan as contemplated above, and for that purpose may appropriate any money at the time available in or transferred to the Redemption Fund in accordance with the provisions of Article IV of the Bond Resolution to one or more designated Mortgage Loan Accounts for disbursement pursuant to Section 307 of the Bond Resolution. Upon the filing with the Trustee of the Officer's Certificate, the Trustee shall withdraw from the Redemption Fund and deposit the amount authorized in each Mortgage Loan Account designated in the Certificate.

(c) Upon receipt of the Officer's Certificate referred to in Section 702 of the Bond Resolution, the Trustee shall apply money in the Redemption Fund not otherwise applied in accordance with paragraphs (a) and (b) above to the purchase of Bonds designated in the Certificate at the most advantageous price obtainable with due diligence. Bonds not so purchased may be redeemed at a Redemption Price determined by Series Resolution at the time and in the manner provided in Article VII of the Bond Resolution. Bonds shall not be purchased pursuant to this paragraph during the period of forty-five (45) days next preceding a redemption date from money to be applied to the redemption of Bonds on such date.

(d) Notwithstanding the foregoing, any Prepayment or Recovery Payment received with respect to a Subordinate Mortgage Loan may be used and applied, as directed by an Officer's Certificate, in such manner as the Agency, in its sole discretion, may determine.

(e) Income from the investment of the Redemption Fund shall be credited as received to the Revenue Fund.

(f) No amount is to be withdrawn or transferred from or paid out of the Redemption Fund except as described above.

Escrow Accounts

Escrow Payments received by the Agency or a Servicer, whether separately or as part of some other payment, shall be deposited in an Escrow Account and shall be promptly applied by the Agency or Servicer to the purpose for which such payments were received, and any such payments received by the Trustee or a Depository, whether separately or as part of some other payment, shall immediately be paid to the Agency and applied by the Agency to the purpose for which they were received.

General Reserve Account

All amounts authorized in Article IV of the Bond Resolution to be withdrawn from the Revenue Fund and deposited in the General Reserve Account of the Agency shall be free and clear of any lien or pledge created by the Bond Resolution and may be used for any purpose authorized by the Act, subject to the provisions of Section 102, clauses (6) and (7) of the Bond Resolution.

Investment and Deposit of Funds

(a) Subject to instructions from time to time received from an Authorized Officer (which need not be in writing), and with the objective of assuring the maximum yield reasonably possible on money held in each Fund, each Fiduciary shall keep all money held by it invested and reinvested, as continuously as reasonably possible, in Investment Obligations defined in Section 103 of the Bond Resolution (including interest-bearing time deposits and certificates of deposit). All Investment Obligations shall mature or be redeemable (at the option of the holder) and bear interest payable at the times and in the amounts estimated to be necessary to provide funds for Mortgage Loan disbursements and for the payment of the principal and Accreted Value of and interest and premium, if any, on Bonds when due or when scheduled for redemption pursuant to applicable Series Resolutions. The maturity date of a security purchased under a repurchase agreement shall be deemed to be the agreed repurchase date. The maturity date of a time deposit or certificate of deposit shall be deemed to be any date on which, with such notice as may be required, the deposit may be withdrawn without loss of interest.

(b) Money in separate Funds may be commingled for the purpose of investment or deposit, subject to instructions from an Authorized Officer, to the extent possible in conformity with the provisions of paragraph (a) of this Section. Moneys in separate funds or series accounts may be invested in common trust funds or pools of which such money forms a part pursuant to the terms of which each Fund or series account is allocated a share of a pooled security proportionate to the amount contributed to the purchase price of the pooled security, subject to the provisions of paragraph (a) of this Section and to the restrictions on Investment Obligations imposed by each Series Resolution. Investments shall be sold at the best price obtainable, and amounts held in certificates of deposit or time deposits shall be withdrawn, whenever necessary in order to make any disbursement or repurchase of Mortgage Loans, payment of expenses of debt

service. Investment Obligations need not be disposed of to make required transfers from one Fund or Account to another, but one or more Investment Obligations or portions thereof may be transferred in lieu of cash.

(c) Subject to approval by an Authorized Officer, the Trustee or another Fiduciary may apply money pertaining to any Fund or Account created by or pursuant to the Bond Resolution to the purchase of Investment Obligations owned by it or its individual capacity, and may sell to itself in its individual capacity Investment Obligations held by it in any such Fund or Account as such Fiduciary.

Additional Bonds

The Bond Resolution provides that after authorization by a Series Resolution and compliance with such requirements as are set forth therein, Bonds of any Series may be delivered upon the following, among other, conditions:

The Agency shall furnish to the Trustee:

(a) copies of the Bond Resolution and the applicable Series Resolution, certified by an Authorized Officer;

(b) a Counsel's Opinion that:

(i) the Bond Resolution and the applicable Series Resolution have been duly adopted by the Agency and are valid and binding upon it and enforceable in accordance with their terms;

(ii) the Bond Resolution creates the valid pledge which it purports to create; and

(iii) the principal amount of the Bonds to be issued and other obligations theretofore issued by the Agency does not exceed any legal limitation;

(c) an Officer's Certificate stating:

(i) the amounts to be deposited in all Funds and Accounts;

(ii) that the issuance of the Bonds will have no material adverse effect on the ability of the Agency to pay the Principal Installments of and interest on all Bonds (including the Outstanding Bonds and the Bonds then to be issued);

(iii) that after such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of Notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all Funds and Accounts created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on the Bonds then Outstanding and the additional Series of Bonds on their Principal Installment and Interest Payment Dates (excluding from such calculations the amounts to be received by the Agency pursuant to any Subordinate Mortgage Loans); provided that, in making such statement the Authorized Officer may set forth the assumptions upon which the statement is based (including, without limitation, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such Officer's Certificate; and

(iv) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by the additional Bonds); and

(d) if the Bonds to be issued are Variable Rate Bonds or are the subject of a Hedge Agreement, written confirmation from each Rating Agency that the issuance of such Bonds will not impair the Rating on any Bonds then Outstanding.

The Trustee shall determine and certify:

- (a) that it has received the documents listed above; and
- (b) that the amount of Bond proceeds or other funds of the Agency to be deposited in the Debt Service Reserve Fund is sufficient to increase the amount in the Fund to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

Hedge Agreements

The Agency may from time to time enter into one or more Hedge Agreements with respect to any Series of Bonds outstanding or proposed to be issued on the terms and conditions and subject to the limitations set forth in this section and elsewhere in the Bond Resolution. The Agency shall not enter into a Hedge Agreement unless (1) as of the date the Agency enters into the Hedge Agreement, either the Hedge Counterparty or the person or entity executing a Hedge Counterparty Guarantee relating thereto has outstanding unsecured long-term debt obligations rated by, or other applicable rating given by, as high as or higher than the Rating on the Outstanding Bonds; and (2) if the Hedge Agreement relates to Outstanding Bonds, the Trustee receives written confirmation from each Rating Agency that the execution and delivery of the Hedge Agreement by the Agency will not impair the Rating on any Bonds then Outstanding. To secure its obligation to make Agency Hedge Payments to a Hedge Counterparty pursuant to a Hedge Agreement, the Agency may grant to the Hedge Counterparty a subordinate and junior pledge and security interest (subordinate and junior to the pledge and security interest granted to the Bondholders) in all or any of the Revenues, Prepayments, Recovery Payments or any other moneys, securities, Funds or Accounts hereunder; provided, however, that the payment of Agency Hedge Payments shall not be secured by the Debt Service Reserve Fund. Nothing in this Section 205 is intended to prohibit the Agency from securing any payments it is obligated to make in respect of the early termination of a Hedge Agreement by the full faith and credit of the Agency, by amounts to be transferred to the General Reserve Account pursuant to the last sentence of the first paragraph under the heading "Revenue Fund" or by other moneys, assets or revenues of the Agency not pledged to the payment of Outstanding Bonds under the Bond Resolution.

Amendments of the Bond Resolution

Amendments of or supplements to the Bond Resolution may be made by a Supplemental Bond Resolution (a "Supplemental Resolution").

Supplemental Resolutions may become effective upon filing with the Trustee if they add restrictions on the Agency, add covenants by the Agency, surrender privileges of the Agency, authorize additional Bonds and fix the terms thereof or affect only Bonds not yet issued.

Supplemental Resolutions become effective upon consent of the Trustee if they concern only curing or clarifying an ambiguity, omission, defect or inconsistency, or make any other change which, in the judgment of the Trustee, is not prejudicial to the Trustee and which does not adversely affect the interests of Bondholders. Other Supplemental Resolutions become effective only with consent of the Holders of at least a majority in principal amount and Accreted Value of the Outstanding Bonds affected thereby.

However, no amendment shall permit a change in the terms of redemption or maturity of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or Accreted Value thereof or the Redemption Price thereof or the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentage of the Holders the consent of which is required to effect any such amendment, without unanimous consent of the Bondholders.

Any amendment may be made with unanimous consent of the Bondholders, except that no amendment shall change any of the rights or obligations of any Fiduciary without the consent of the Fiduciary.

Defeasance

If the Agency shall pay or cause to be paid to the Holders of the Bonds, the principal, Accreted Value and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, then, unless there shall be an Officer's Certificate delivered to the Trustee to the contrary, the pledge of the Revenues, Prepayments, Recovery Payments and other moneys, securities and funds pledged by the Bond Resolution and the covenants, agreements and other obligations of the Agency to the Bondholders thereunder shall be discharged and satisfied.

Bonds and interest thereon for the payment or redemption of which moneys shall have been deposited with the Trustee shall be deemed to have been paid, provided that, if any of such Bonds are to be redeemed prior to the maturity thereof, provision satisfactory to the Trustee shall have been made for the giving of notice of redemption thereof. Moneys so held by the Trustee shall be invested by the Trustee, as directed by the Agency, in Investment Obligations which are direct obligations of the United States or guaranteed by the United States. If the maturing principal of such Investment Obligations and the interest to fall due thereon at least equal the amount of money required for the payment on any future date of the interest on and principal of or Redemption Price on such Bonds, the Bonds shall be deemed to have been paid.

Events of Default

Each of the following shall constitute an event of default under the Bond Resolution: (a) interest on any of the Bonds is not paid on any date when due, or the principal, Accreted Value or Redemption Price of any of the Bonds is not paid at maturity or at a Redemption Date at which the Bonds have been called for redemption; (b) Bonds subject to redemption by operation of Sinking Fund Installments shall not have been redeemed and paid in the amount required in the applicable Series Resolution on any date; (c) a default shall be made in the observance or performance of any covenant, contract or other provision in the Bonds, the Bond Resolution, or applicable Series Resolution contained and such default shall continue for a period of ninety (90) days after written notice to the Agency from a Bondholder or from the Trustee specifying such default and requiring the same to be remedied; or (d) certain acts of bankruptcy, insolvency or reorganization by the Agency.

Remedies

Upon the happening and continuance of an event of default, the Trustee may, and shall upon the request of the Holders of twenty-five percent (25%) in principal amount and Accreted Value of the Bonds then Outstanding affected by an event of default described in clause (a) or (b) of "Events of Default" above, or twenty-five percent (25%) in principal amount and Accreted Value of all Bonds then Outstanding if the event of default is one described in clauses (c) or (d) of "Events of Default" above, proceed to protect and enforce the rights of the Bondholders under the laws of the State of Minnesota or under the Bond Resolution. No Bondholder shall have the right to institute any proceedings for any remedy under the Bond Resolution unless the Trustee, after being so requested to institute such proceedings and offered satisfactory indemnity, shall have refused or neglected to comply with such request within a reasonable time and unless the proceeding is brought for the ratable benefit of all Holders of all Bonds. However, nothing in the Bond Resolution contained is intended to affect or impair the right of any Bondholder to enforce the payment of the principal or Accreted Value of and interest on his Bonds at the time and place expressed in the Bonds.

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

General

The Depository Trust Company, New York, New York (“DTC”), is to act as securities depository for the Series Bonds. The ownership of one fully registered Series Bond for the Series Bonds in the aggregate principal amount of that series will be registered in the name of Cede & Co., DTC’s partnership nominee. *So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Series Bonds, references herein to the Bondholders, Holders or registered owners of Series Bonds will mean Cede & Co. or the other nominee and will not mean the Beneficial Owners (as hereinafter defined) of the Series Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of beneficial ownership interests in the Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Bonds, except in the event that use of the Book-Entry System for the Series Bonds is discontinued as described below.

To facilitate subsequent transfers, all Series Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or another name as may be requested by an authorized representative of DTC. The deposit of Series Bonds with DTC and their registration in the name of Cede & Co. or other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts the Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. For every transfer and exchange of beneficial ownership in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor other DTC nominee) will consent or vote with respect to any Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the bond issuer as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series Bonds are credited on the Record Date.

Payment of the principal, redemption price, and interest on the Series Bonds will be made to Cede & Co., or another nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the bond issuer or trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price, and interest to Cede & Co. (or other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of payments to Direct Participants will be the responsibility of DTC, and disbursement of payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under the Resolutions, payments made by or on behalf of the Agency to DTC or its nominee satisfy the Agency's obligations to the extent of the payments so made.

The above information contained in this section "Book-Entry-Only System" is based solely on information provided by DTC. No representation is made by the Agency or the Underwriter as to the completeness or the accuracy of that information or as to the absence of material adverse changes in that information subsequent to the date hereof.

The Agency, the Underwriter and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Agency, the Underwriter nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Resolutions to be given to Holders of Series Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (6) any consent given or other action taken by DTC as a Bondholder.

Discontinuation of Book-Entry System

DTC may discontinue its book-entry services with respect to the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under those circumstances, the Series Bonds are required to be delivered as described in the Resolutions. The Beneficial Owner, upon registration of Series Bonds held in the Beneficial Owner's name, will become the Bondholder.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for the Series Bonds. In that event, the Series Bonds are to be delivered as described in the Resolutions.

APPENDIX F
FORM OF OPINION OF BOND COUNSEL

_____, 2025

Minnesota Housing Finance Agency
St. Paul, Minnesota 55102

Minnesota Housing Finance Agency
Rental Housing Bonds
2025 Series A

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the “Agency”) in connection with the authorization, issuance and delivery by the Agency of its Rental Housing Bonds, 2025 Series A, in the aggregate principal amount of \$ _____ (the “2025 Series A Bonds”), which are issuable only as fully registered bonds of single maturities in denominations of \$5,000 or any integral multiple thereof.

The 2025 Series A Bonds are dated, mature on the dates, bear interest at the rates and are payable as provided in the Series Resolution referenced below. The 2025 Series A Bonds are subject to optional, mandatory and special redemption prior to maturity, including special redemption at par, as provided in the Series Resolution referenced below.

As bond counsel, we have examined certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency’s Bond Resolution adopted February 25, 1988, as amended and supplemented (the “Bond Resolution”), and the Series Resolution relating to the 2025 Series A Bonds adopted November 21, 2024 (the “Series Resolution”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

From such examination, and assuming continuing compliance by the Agency and the owner of the Development financed by the 2025 Series A Bonds with the covenants contained in the Bond Resolution, the Series Resolution and the loan documentation relating to the Development, it is our opinion that, under existing law as of the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution and Series Resolution have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Mortgage Loans, Revenues, moneys, securities and other Funds held and to be set aside under the Bond Resolution and Series Resolution; (3) the 2025 Series A Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Bond Resolution and Series Resolution, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, and federal or state laws heretofore enacted appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2025 Series A Bonds are not a debt of the State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2025 Series A Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to

Minnesota Housing Finance Agency

_____, 2024

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this amount for inclusion in the next budget submitted to the Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to such Debt Service Reserve Fund; and (5) the interest payable on the 2025 Series A Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; provided, however, interest on any 2025 Series A Bond is not excluded from gross income for federal income tax purposes of any holder of such bonds who is a “substantial user” of a development financed by such 2025 Series A Bond or a “related person” thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”).

Interest on the 2025 Series A Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals; however, interest on the 2025 Series A Bonds is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on such corporations. Interest on the 2025 Series A Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the 2025 Series A Bonds. All owners of 2025 Series A Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations, applicable corporations as defined in Section 59(k) of the Code relating to the alternative minimum tax imposed on corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the 2025 Series A Bonds.

Noncompliance by the Agency or the owner of the Development financed by the 2025 Series A Bonds with their covenants in the Bond Resolution, Series Resolution or applicable loan documentation relating to the Development may result in inclusion of interest in federal gross income and Minnesota taxable net income retroactive to the date of issuance of the 2025 Series A Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2025 Series A Bonds, the Bond Resolution and the Series Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully yours,

RESOLUTION NO. MHFA 24-076

RESOLUTION RELATING TO RENTAL HOUSING BONDS; AUTHORIZING THE ISSUANCE AND SALE THEREOF FOR A MULTIFAMILY HOUSING DEVELOPMENT IN DULUTH, MINNESOTA

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Section 1. Background and Recitals. By Resolution No. MHFA 88-12, adopted February 25, 1988, as heretofore amended and supplemented (as so amended and supplemented and as from time to time hereafter amended or supplemented in accordance with its terms, the “Bond Resolution”), the Agency has provided the terms and conditions for the issuance and the covenants and agreements for the security of its Rental Housing Bonds to be issued for the purposes of its Program of making or purchasing Mortgage Loans to finance the acquisition, construction, rehabilitation and betterment of rental housing intended for occupancy primarily by persons of low and moderate income. It is now determined to be necessary and desirable to provide for the issuance of a series of Bonds pursuant to the Bond Resolution and Minnesota Statutes, Chapter 462A, as amended, to be used to finance one Mortgage Loan (the “Mortgage Loan”) to a Mortgagor (the “Mortgagor”) for the purposes of financing the acquisition and construction of the multifamily housing development (the “Development”) described in Exhibit A hereto (which is hereby incorporated herein and made a part hereof). All terms defined in the Bond Resolution are used with like meaning in this resolution. This resolution is referred to herein as the “Series Resolution.” The Mortgage Loan to the Mortgagor shall be evidenced by a Mortgage Note to be executed by the Mortgagor to the Agency and a Mortgage to be entered into between the Mortgagor and the Agency and certain other documents referred to in the Mortgage (collectively, the “Loan Documents”).

Section 2. Authorization of Series Bonds.

(a) *Purpose.* To provide sufficient funds to be used and expended for the purposes set forth in Section 1, it is now determined to be necessary to issue one series of Bonds pursuant to the Bond Resolution, which is designated as “Rental Housing Bonds, 2025 Series,” in the principal amount to be determined pursuant to Section 2(E) (the “Series Bonds”). The “2025” in the designation of the Bonds may be changed to “2026” and “Series” followed by an uppercase letter, each as an Authorized Officer of the Agency (as hereinafter defined) shall so designate. Proceeds of the Series Bonds are to be used:

- (i) For the financing of the Mortgage Loan to the Mortgagor; and
- (ii) Incident to this purpose, for the funding of the deposit of amounts determined by and pursuant to Section 303 of the Bond Resolution to be paid into the Funds and Accounts referred to in Sections 302 and 402 thereof.

(b) *Single Issue.* Pursuant to the provisions of Section 1.150-1(c)(1) of the Income Tax Regulations (the “Regulations”), the Agency may treat the Series Bonds, together with any other Bonds issued or to be issued pursuant to the Bond Resolution which may be sold by the Agency less than fifteen days apart from the date of sale of the Series Bonds, as a single issue of bonds. The Series Bonds and such other Bonds are herein collectively referred to as the “Issue.”

(c) *Pledge.* The pledge made and security interests granted in the Bond Resolution and all covenants and agreements made by the Agency therein, are made and granted for the equal benefit, protection and security of the Holders of all of the Series Bonds and other Outstanding Bonds issued and to be issued thereunder, without preference, priority or distinction of one Bond over any other of any Series, except as otherwise expressly provided for therein.

(d) *Debt Service Reserve Requirements.* Upon issuance of the Series Bonds, the Debt Service Reserve Requirement for the Series Bonds shall be as established in the Officer’s Certificate delivered by an Authorized Officer to the Trustee pursuant to Sections 5 and 6 of this Series Resolution.

(e) *Sale and Offering Documents.* The Agency hereby authorizes the issuance and sale of the Series Bonds for the purposes described in Section 2(a). It is acknowledged that the final terms of the Series Bonds have not been determined as of this date.

The Series Bonds may be offered for sale by negotiating for the sale of the Series Bonds to RBC Capital Markets, LLC, as underwriter (the “Underwriter”) pursuant to a preliminary official statement and a bond purchase agreement.

The Agency has received and examined a draft of the form of a Preliminary Official Statement (the “Preliminary Official Statement”), containing information relating to the Agency, the Bond Resolution, the Series Resolution, the Development, and the Series Bonds. Any of the Chair, the Commissioner, the Chief Financial Officer, or the Finance Director (each an “Authorized Officer”) is hereby authorized to finalize the Preliminary Official Statement and establish the date of sale of the Series Bonds.

Following a negotiated sale of the Series Bonds to the Underwriter, preparation and distribution of an Official Statement, substantially in the form of the Preliminary Official Statement, except for revisions required or approved by counsel for the Agency, and insertion of the final terms of such Series Bonds, is approved and the final Official Statement is authorized to be signed by the Chair or the Commissioner, and furnished to the Underwriter in a reasonable quantity for distribution to investors.

The Agency has received and examined a draft of the form of the bond purchase agreement (the “Bond Purchase Agreement”). An Authorized Officer is authorized to execute and deliver in the name and on behalf of the Agency the Bond Purchase Agreement with the Purchaser reflecting the terms of sale authorized pursuant to this Section 2(e) and subsection (f) below.

(f) *Series Bond Parameters.* Any Authorized Officer is hereby authorized to approve the final terms of the Series Bonds as follows, subject to the following parameters (the “Series Bonds Parameters”):

- (i) the principal amount of the Series Bonds; provided that the principal amount of the Series Bonds is not in excess of \$7,195,000;
- (ii) the maturity date of the Series Bonds; provided that the Series Bonds mature at any time or times in such amount or amounts not later than 3 years from the Issue Date thereof;
- (iii) the interest rate borne by the Series Bonds; provided that the interest rate on the Series Bonds shall not exceed 6.00%; and
- (iv) the commission payable to the Underwriter of the Series Bonds; provided that the commission shall not exceed three percent of the principal amount of the Series Bonds.

Such approval shall be conclusively evidenced by the execution of the Bond Purchase Agreement with the Underwriter (the “Purchaser”) by such Authorized Officer. The terms of the Series Bonds, including the purchase price, shall be set forth in the Officer’s Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof.

(g) *Approval of Continuing Disclosure Undertaking.* The Agency has also examined the form of a Continuing Disclosure Undertaking relating to the Series Bonds, wherein the Agency will covenant for the benefit of the beneficial owners of the Series Bonds to provide annually certain financial information and operating data relating to the Agency and to provide notices of the occurrence of certain enumerated events. The Continuing Disclosure Undertaking is approved substantially in the form submitted and is authorized to be signed on behalf of the Agency by an Authorized Officer.

Section 3. Forms.

(a) *Generally.* The Series Bonds shall be issuable only in the form of fully registered Bonds, subject to transfer, re-registration and exchange as provided in Article VI of the Bond Resolution. The Series Bonds shall be numbered serially and no Series Bonds, whether issued initially or upon re-registration, transfer or exchange, shall bear the same number as any other Series Bond of the same series which is contemporaneously outstanding.

(b) *Form of Series Bonds.* The Series Bonds shall be in substantially the form of Exhibit B hereto (which is hereby incorporated herein and made a part hereof), with such additions, deletions or modifications as are permitted or required by the Bond Resolution or this Series Resolution, including but not limited to changes required as a result of the sale of the Series Bonds in accordance with Section 2(e)-(f) and the spacing and rearrangement of the text to facilitate machine entry of data upon registration, transfer and exchange.

Section 4. Terms of Series Bonds.

(a) *Issue Date, Denominations, and Interest Payment Dates.* The Issue Date of the Series Bonds shall be the date of original delivery of the Series Bonds or such other date as shall be approved by an Authorized Officer and as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof. The Series Bonds shall be issued in denominations of \$5,000 principal amount or any integral multiple thereof, not exceeding the principal amount maturing on any maturity date. Interest on the Series Bonds shall be payable each February 1 and August 1, commencing August 1, 2025, or a subsequent February 1 or August 1 as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be.

(b) *Maturities, Interest Rates and Redemption.* The Series Bonds shall mature on the date or dates and in the principal amounts, shall bear interest at the rate or rates per annum, and shall be subject to redemption as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be, all subject to the limitations in Section 2(f).

(c) *Procedure for Redemption.* All actions taken by the Agency and the Trustee in the redemption of Series Bonds shall conform to the provisions of Article VII of the Bond Resolution, save and except as otherwise expressly provided in this paragraph. Upon selection of a Series Bond or Bonds or portions thereof to be redeemed, the Trustee shall give notice, in the name of the Agency, of the redemption of such Bonds, which notice shall contain the information required by Section 702 of the Bond Resolution. The Trustee shall mail such notice, postage prepaid, not less than thirty (30) days before the redemption date, to the registered Holder of any Series Bond all or a portion of which is to be redeemed, at the Holder's last address appearing on the registry books as of the Record Date. Notice having been so mailed, the Series Bond or Bonds or portion thereof therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

(d) *Trustee.* The principal amount of and interest and any redemption premium on the Series Bonds shall be payable in lawful money of the United States by check drawn to the order of the registered owner, or other agreed means of payment, by Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee and Paying Agent under the Bond Resolution, or its successor, and shall be payable to the registered owner as shown on the registry books as of the Record Date. The principal amount of and any redemption premium on a Series Bond shall be payable only upon surrender of the Series Bond at the Principal Office of the Trustee (subject to the provisions of Section 607 of the Bond Resolution in the case of Bonds which are mutilated, destroyed, stolen, or lost), except as otherwise provided in Section 5(b) herein.

(e) *Record Date.* For purposes of this Series Resolution, where the Trustee is required to establish a Record Date hereunder, said Record Date for (i) payment of principal of and interest on the Series Bonds shall be the fifteenth (15th) day (whether or not a business day) of the month immediately preceding the payment date and (ii) for purposes of giving notice of redemption or other notice pursuant to the provisions of the Bond Resolution or Series Resolution, the last business day of the month preceding the month in which such notice is mailed.

Section 5. Issuance and Delivery.

(a) *Preparation and Execution.* The Series Bonds shall be prepared in substantially the form incorporated herein, in denominations requested by the Purchaser, and shall be executed in the manner provided in Article VI of the Bond Resolution, by the facsimile signatures of the Chair and Commissioner of the Agency and shall be authenticated by the Trustee by manual signature of an authorized representative and shall be delivered to the Purchaser after compliance with the conditions set forth in this Section and upon deposit of the proceeds with the Trustee.

(b) *Securities Depository.*

(i) For purposes of this section the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Series Bond, the person in whose name such Series Bond is recorded as the beneficial owner of such Series Bond by a Participant on the records of such Participant, or such person’s subrogee.

“Cede & Co.” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series Bonds.

“Participant” shall mean any broker-dealer, bank or other financial institution for which DTC holds Series Bonds as securities depository.

(ii) The Series Bonds shall be initially issued as separately authenticated fully registered bonds, and one Series Bond shall be issued in the principal amount of each stated maturity of the Series Bonds. Upon initial issuance, the ownership of the Series Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Trustee and the Agency may treat DTC (or its nominee) as the sole and exclusive owner of the Series Bonds registered in its name for the purposes of payment of the principal of, premium, if any, and interest on the Series Bonds, selecting the Series Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Series Bonds under the Bond Resolution or this Series Resolution, registering the transfer of Series Bonds, and for all other purposes whatsoever, and neither the Trustee nor the Agency shall be affected by any notice to the contrary. Neither the Trustee nor the Agency shall have any responsibility or obligation to any Participant, any person or entity claiming a beneficial ownership interest in the Series Bonds under

or through DTC or any Participant, or any other person or entity which is not shown on the bond register as being a registered owner of any Series Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of, premium, if any, and interest on the Series Bonds, with respect to any notice which is permitted or required to be given to owners of Series Bonds under the Bond Resolution or this Series Resolution, with respect to the selection by DTC or any Participant of any person or entity to receive payment in the event of a partial redemption of the Series Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Series Bonds. So long as any Series Bond is registered in the name of Cede & Co., as nominee of DTC, the Trustee shall pay all principal of, premium, if any, and interest on such Series Bond, and shall give all notices with respect to such Series Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the principal of, premium, if any, and interest on the Series Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Series Bonds will be transferable to such new nominee in accordance with subsection (4) hereof.

(iii) In the event the Agency determines to discontinue the book-entry-only system through DTC with respect to the Series Bonds, the Agency may notify DTC and the Trustee, whereupon DTC shall notify the Participants of the availability through DTC of Series Bonds in the form of certificates. In such event, the Series Bonds will be transferable in accordance with subsection (iv) hereof. DTC may determine to discontinue providing its services with respect to the Series Bonds at any time by giving notice to the Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Series Bonds will be transferable in accordance with subsection (iv) hereof.

(iv) In the event that any transfer or exchange of Series Bonds is permitted under subsection (ii) or (iii) hereof, such transfer or exchange shall be accomplished upon receipt by the Trustee of the Series Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of the Bond Resolution and this Series Resolution. In the event Series Bonds in the form of certificates are issued to registered owners other than Cede & Co., its successor as nominee for DTC as registered owner of all the Series Bonds, or another securities depository as registered owner of all the Series Bonds, the provisions of the Bond Resolution and this Series Resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Series Bonds in the form of bond certificates and the method of payment of principal of, redemption premium, if any, and interest on such Series Bonds.

(c) *Opinion and Officer's Certification.* The Trustee has been furnished a copy of the Bond Resolution. Before delivery of the Series Bonds, the Agency shall furnish to the Trustee a certified copy of this Series Resolution, together with an Opinion of Counsel

to the Agency and an Officer's Certificate executed by an Authorized Officer, in form and substance as required in Section 203 of the Bond Resolution and Sections 2(f), 4(a), 4(b) and 6 of this Series Resolution, and shall obtain from the Trustee the certification required in Section 203(C) of the Bond Resolution.

Section 6. Application of Proceeds; Funds and Accounts. Proceeds of the Series Bonds, and funds of the Agency, if required, shall be deposited to accounts in the Bond Fund relating to such Series Bonds, and to the Cost of Issuance Account and Project Account relating to such Series Bonds, or used to reimburse the Agency for funds it advances pursuant to Section 11, all as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) of this Series Resolution.

Section 7. General Tax Covenant. The Agency will not take, or permit or cause to be taken, any action that would adversely affect the exclusion from federal gross income of the interest on any Series Bonds, nor otherwise omit to take or cause to be taken any action necessary to maintain such exclusion from gross income and, if it should take or permit, or omit to take or cause to be taken, as appropriate, any such action, the Agency shall take all lawful actions necessary to rescind or correct such actions or omissions promptly upon having knowledge thereof.

Section 8. Specific Tax Covenants relating to the Development. In fulfillment of the general covenant set forth in Section 7, the Agency represents as follows:

(a) The Development financed will be acquired and constructed for the purpose of providing multifamily residential rental property and will constitute a "qualified residential rental project," as such phrase is used in Sections 142(a)(7) and 142(d) of the Code.

(b) At least forty percent (40%) of the completed units in the Development shall be occupied (or treated as occupied) by Qualifying Tenants. "Qualifying Tenants" shall mean those persons and families (treating all occupants of a unit as a single family) who shall be determined from time to time by the Mortgagor to be eligible as "individuals whose income is sixty percent (60%) or less of area median gross income" within the meaning of Section 142(d)(2)(B) of the Code. The term of the foregoing restrictions shall commence on the date of issuance of the Series Bonds and shall end on the latest of the following: (i) the date which is 15 years after the date on which at least 50% of the units in the Development were first occupied; or (ii) the first day on which none of the Series Bonds are Outstanding; or (iii) the termination date of any Housing Assistance Payments Contract relating to the Development under Section 8 of the United States Housing Act of 1937, including the initial term and any renewal thereof.

(c) Each unit in the Development will be rented or available for rental to members of the general public on a continuous basis for the longer of (i) the period during which any of the Series Bonds remain Outstanding or (ii) the term of the restrictions set forth in subsection (a) of this Section 8.

(d) At no time will either the Mortgagor or any related party be permitted to occupy a unit in the Development other than units occupied or to be occupied by agents,

employees or representatives of the Mortgagor and reasonably required for the proper maintenance or management of the Development. In the event a unit within the Development is occupied by the Mortgagor, the Development will include no fewer than four units not occupied by the Mortgagor.

(e) The Development consists of a single “development” and, for this purpose, proximate buildings or structures are part of the same development only if owned for federal income tax purposes by the same person or entity and if the buildings are financed pursuant to a common plan; buildings or structures are proximate if they are all located on a single parcel of land or several parcels of land which are contiguous except for the interposition of a road, street, stream or similar property.

(f) None of the units in the Development will at any time be utilized on a transient basis, or used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium or rest home.

(g) The Mortgagor shall not restrict Qualifying Tenants (as defined in the Loan Documents) from the enjoyment of unrestricted access to all common facilities and common areas of the Development.

(h) The Mortgagor shall not discriminate on the basis of race, creed, color, sex, or national origin in the lease, use or occupancy of the Development or in connection with the employment or application for employment of persons for the operation and management of the Development.

(i) No portion of the Development is presently used for purposes other than residential rental purposes and the Agency will not permit any other use unless it first obtains an opinion of bond counsel that such use will not impair the exclusion from federal gross income for interest payable on the Series Bonds.

Section 9. Additional Federal Tax Covenants Relating to the Development Financed and the Series Bonds. In furtherance of the general tax covenant made in Section 7 above, the Agency further represents as follows:

(a) All proceeds of the Series Bonds lent to the Mortgagor will be used to finance costs properly chargeable to the capital account of the Development within the meaning of Section 142(d) and functionally related and subordinate property thereto.

(b) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to provide any airplane, skybox, or other private luxury box, health club facility, facility primarily used for gambling or liquor store.

(c) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to acquire (i) property to be leased to the government of the United States of America or to any department, agency or instrumentality of the government of the United States of America, or (ii) any property not part of the Development.

(d) No portion of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land (or an interest therein) to be used for farming purposes, and less than twenty-five percent (25%) of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land to be used for purposes other than farming purposes.

(e) [Reserved].

(f) The average reasonably expected economic life of the Development within the meaning of Section 147(b) of the Code is not less than 25 years.

(g) In order to qualify the Mortgage Note and Mortgage received from the Mortgagor as “program investments” within the meaning of Section 1.148-1(b) of the Treasury Regulations, the Agency will not permit the Mortgagor (or any “related person” thereto within the meaning of Section 147(a) of the Code) to take any action the effect of which would be to disqualify the Mortgage Note and Mortgage as part of a “program” under said Section 1.148-1(b), including, but not limited to, entering into any arrangement, formal or informal, with the Mortgagor or any related party to purchase bonds or notes of the Agency in an amount related to the amount of the Mortgage Note and Mortgage.

(h) In accordance with the requirements of Section 147(f) of the Code, the Agency has held a public hearing on the issuance of the Series Bonds after published notice as required by the Regulations and will obtain the approval of the Governor of the State for the issuance of the Series Bonds.

(i) Not more than 2% of the proceeds of the Series Bonds will be applied to the payment of Costs of Issuance, and all Costs of Issuance in excess of that amount, if any, will be paid by the Agency from funds other than proceeds of the Series Bonds.

(j) No obligations the interest on which is excludable from gross income for federal income tax purposes have been or will be issued which were sold at substantially the same time as the Issue, sold pursuant to the same plan of financing as the Issue and which are reasonably expected to be paid from substantially the same source of funds as the Issue.

(k) The Series Bonds will not be hedge bonds since the Agency reasonably expects to use at least 85% of the spendable proceeds of the Issue to make or purchase Mortgage Loan within three years after the date of issue of the Issue and not more than 50% of the proceeds of the Issue will be invested in nonpurpose investments having a substantially guaranteed yield for four years or more.

(l) The Series Bonds shall be counted against the unused volume cap of the Agency under the provisions of Section 146 of the Code and applicable state law. The Agency has unused volume cap in excess of the amount of the Series Bonds and shall take all necessary action to allocate the required portion of its unused volume cap to the Series Bonds.

(m) None of the proceeds of the Series Bonds will be used by the Agency to reimburse itself or a Mortgagor for any expenditure with respect to the Development which the Agency or the Mortgagor paid or will have paid more than 60 days prior to the issuance of the Series Bonds unless, with respect to such prior expenditures, the Agency shall have made a declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations; provided that this certification shall not apply (i) with respect to certain de minimis expenditures, if any, with respect to the Development meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to “preliminary expenditures” for the Development as defined in Section 1.150-2(f)(2) of the Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the “issue price” of the Series Bonds.

Section 10. Arbitrage. The Agency covenants that it will not use the proceeds of the Series Bonds in such a manner as to cause the Series Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations. The Agency will take all actions as may be prescribed in the future by regulations or rulings of the Internal Revenue Service to assure that the Series Bonds will meet the requirements of Section 148 of the Code relating to arbitrage, to-wit:

(a) The effective rate of interest on the Mortgage Loan purchased in whole or in part from the proceeds of the Series Bonds may not exceed the yield on the Issue, computed in accordance with Section 148 of the Code, by more than one and one-half percentage points.

(b) The Agency acknowledges that the Series Bonds are subject to the rebate requirements of Section 148(f) of the Code and applicable Regulations. The Agency agrees that it will retain such records, make such determinations, file such reports and documents and pay such amounts at such times as required under Section 148(f) of the Code and applicable Regulations to preserve the exclusion of interest on the Series Bonds from gross income for federal income tax purposes.

Section 11. Advance of Agency Funds. If the Mortgage Loan must be made before proceeds of the Series Bonds are available therefor, Agency funds legally available therefor shall be advanced by the Agency to fund the Mortgage Loan in anticipation of the issuance of the Series Bonds, and proceeds of the Series Bonds shall be used, to the extent required, to reimburse the Agency funds or accounts from which such advance was made.

Section 12. Combined Offering. If an Authorized Officer determines it is in the best interest of the Agency, the Series Bonds may be offered for sale together with additional bonds (“Additional Bonds”) intended to be issued under the Bond Resolution for which a related series resolution has been adopted by the Agency (a “Combined Offering”). The terms of any Combined Offering must comply with the Series Bonds Parameters set forth in Section 2(f) of this Series Resolution and the respective series bond parameters set forth in each of the series resolutions relating to any Additional Bonds. Additionally, an Authorized Officer is hereby authorized to make any necessary changes to the sale and offering documents approved in Section 2(e) hereof and in each of the series resolutions relating to the Additional Bonds, in order to effect the Combined Offering.

Section 13. Discretion of Authorized Officer. Notwithstanding anything contained in the foregoing sections of this Series Resolution, if an Authorized Officer, upon consultation with the Chair and upon the advice of bond counsel or counsel to the Agency, determines that it is not in the best interests of the Agency to issue and sell the Series Bonds or any portion thereof (subject to any applicable provisions of any bond purchase agreement theretofore executed or the terms and conditions of the public sale of the Series Bonds following the award thereof), then such Series Bonds shall not be issued or sold in accordance with this Series Resolution.

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Adopted by the Minnesota Housing Finance
Agency this 21st day of November, 2024.

By: _____
Chair

Attest: _____
Commissioner

[Signature page to Resolution No. MHFA 24-076]

EXHIBIT A**DESCRIPTION OF MORTGAGOR AND DEVELOPMENT**

<u>Mortgagor</u>	<u>Name</u>	<u>Location</u>	<u>Number of Units</u>
Welch Place, LLLP	Welch Place Apartments	Duluth, MN	30

EXHIBIT B
FORM OF SERIES BONDS

No. _____ \$ _____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND

[2025] SERIES ____

Interest Rate

Maturity

Date of Original Issue

CUSIP

The Minnesota Housing Finance Agency, a public body corporate and politic organized and existing under the provisions of Minnesota Statutes, Chapter 462A, as amended, for value received promises to pay to

CEDE & CO.

or registered assigns, the principal sum of _____ DOLLARS

on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing _____, until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Computershare Trust Company, National Association, in St. Paul, Minnesota, successor Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series Bond is not a debt of the State.

This Series Bond is one of a duly authorized series of Rental Housing Bonds, [2025] Series ____, issued in the original aggregate principal amount of \$_____ (the "Series Bonds"), to provide funds needed to finance the acquisition and construction of a multifamily housing development in Duluth, Minnesota (the "Development"). The Series Bonds are issued under and

pursuant to the Agency's Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 24-076, adopted November 21, 2024, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series Bonds, and the terms upon which the Bonds, including the Series Bonds, are issued, delivered and secured.

The Series Bonds are issuable only in fully registered form and comprise current interest bonds of a single stated maturity. The Series Bonds are issued in denominations of \$5,000 principal amount or integral multiples thereof not exceeding the principal amount maturing in any year.

The Series Bonds are subject to special redemption at the option of the Agency, in whole or in part, on any date, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with allocable amounts on deposit in the Debt Service Reserve Fund, if any; or (ii) from Recovery Payments (as defined in Section 103 of the Bond Resolution) relating to the Development allocable to the Series Bonds. If said Recovery Payments allocable to the Series Bonds are not sufficient to redeem all Outstanding Series Bonds, the Agency may apply other funds to the special redemption of the Series Bonds in addition to the allocable amount of Recovery Payments.

The Series Bonds are subject to redemption at the option of the Agency, in whole or in part, on any date on or after _____, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

Upon any redemption of the Series Bonds or portions thereof, the Trustee will select them in a manner specified by the Agency. Upon partial redemption of the Series Bonds, a new Series Bond will be delivered to the Holder without charge, representing the remaining principal amount outstanding.

Notice of any redemption of Series Bonds will be mailed to the registered Holders of the Series Bonds (or portions thereof) to be redeemed, at their last addresses on the registry books as of the Record Date, not less than thirty (30) days before the redemption date, stating (i) the principal amount to be redeemed, (ii) the maturities of the Series Bonds to be redeemed, (iii) that on the redemption date the redemption price of the Series Bonds or portions thereof to be redeemed will be payable, with accrued interest, and (iv) that thereafter interest will cease to accrue or be payable thereon. No failure to give such notice or defect in the notice shall affect the validity of the proceedings for the redemption of Series Bonds not affected by such failure or defect. Notice having been so mailed, the Series Bonds or portions of Series Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

The Agency has issued Bonds and the Bond Resolution also authorizes additional Series of Bonds to be issued and secured by the pledge made and security interest granted therein, all of which, regardless of the times of issue or maturity, will be of equal rank with Outstanding Bonds without preference, priority or distinction of any Bond of any series over any other except as expressly provided or permitted in the Bond Resolution, subject to conditions specified in the Bond Resolution, including conditions (a) that after each such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans, and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all funds and accounts created by the Bond Resolution, will be sufficient to pay the principal installments of and interest on the Bonds then Outstanding and the additional Series of Bonds; and (b) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Holders of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time the consent is given. Any such resolution shall be binding upon the Agency and all fiduciaries and Holders of Bonds at the expiration of thirty days after filing with the Trustee of proof of mailing of notice that the required consent has been given. Supplemental resolutions may also be adopted, effective immediately, for the purpose of adding restrictions on or covenants by or surrendering privileges of the Agency, authorizing additional Bonds, or making provisions affecting only Bonds not yet issued, and may also be adopted, effective upon consent of the Trustee, for the purpose of curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with the Bond Resolution, clarifying matters or questions arising under it. Every Holder hereof is deemed by purchase and retention of this Series Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

No Holder of any Bond may institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Bond Resolution or for the execution of any trust thereunder or for any other remedy thereunder except upon the conditions therein provided, but nothing therein shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on each Bond, or the obligation of the Agency to pay the same at the time and place expressed in the Bond.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required; and that the issuance of this Series Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series Bond is transferable upon the books of the Minnesota Housing Finance Agency at the designated corporate trust office of Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee thereunder, by the registered owner hereof in person or by the owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or the owner's duly authorized attorney. Upon such transfer the Agency will issue in the name of the transferee a new Series Bond or Bonds of the same aggregate principal amount, Series, interest rate and maturity as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

The Agency and the Trustee under the Bond Resolution may deem and treat the person in whose name this Series Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Series Bond, so long as this Series Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of, premium, if any, and interest on this Series Bond, and shall give all notices with respect to this Series Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

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Unless the Trustee's Certificate hereon has been manually executed by or on behalf of the Trustee, this Series Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Agency has caused this Series Bond to be executed by the facsimile signatures of its Chair and Commissioner, the Agency having no corporate seal, and has caused this Series Bond to be dated as of the date set forth below.

Date of Authentication: _____

Trustee's Certificate

MINNESOTA HOUSING FINANCE
AGENCY

This is one of the Series Bonds delivered pursuant to the Bond and Series Resolution mentioned within.

By: _____
Chair (Facsimile Signature)

COMPUTERSHARE TRUST COMPANY,
NATIONAL ASSOCIATION, St. Paul,
Minnesota, as successor trustee

By: _____
Authorized Representative

Attest: _____
Commissioner (Facsimile Signature)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(please print or type name and address of transferee)

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever

Signature Guaranteed: _____

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Please insert social security or other identifying number of assignee:



Item: Approval, State of Minnesota Housing Tax Credit 2026-2027 Qualified Allocation Plan

Action Item: 7.C
Date: 11/21/2024
Staff Contacts: Nicola Viana, 651.296.8277, nicola.viana@state.mn.us
 Summer Jefferson, 651.296.9790, summer.jefferson@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff requests approval of the 2026-2027 Housing Tax Credit Qualified Allocation Plan (QAP), including the Self-Scoring Worksheet. Collectively, these two documents align Housing Tax Credit (HTC) program policies, processes and procedures with Minnesota Housing's Strategic Plan for the purposes of distributing HTCs and applicable deferred funding resources.

Fiscal Impact

HTCs are a federal resource and Minnesota Housing earns administrative fees for the costs to implement the HTC Program and Multifamily deferred loans. Deferred loans are generally funded through state or federal appropriations and do not generate interest revenue for the Agency.

Agency Priorities

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

Attachments

Attachment(s):

1. Background
 - a. Suballocator Participation
 - b. QAP Development Process and Timeline
 - c. Public Hearing and Public Comments

- Initial Release 2026-2027 QAP Public Comments (June 6, 2024 – July 3, 2024)
- Second Release 2026-2027 QAP Public Comments (September 12, 2024 – September 20, 2024)

d. 2026-2027 HTC QAP Development Timeline

e. Summary of Engagement

f. Summary of Proposed Changes and Review of Public Comments

2. 2026-2027 HTC Documents

a. 2026-2027 HTC Qualified Allocation Plan (QAP) Redline

b. 2026 -2027 HTC Qualified Allocation Plan (QAP)

c. 2026-2027 Self-Scoring Worksheet Redline

d. 2026-2027 Self-Scoring Worksheet

3. 2026 -2027 Methodology Guide Redline and 2026- 2027 Methodology Guide

Background

The Federal Tax Reform Act of 1986 established the Low Income Housing Tax Credit (HTC) Program for qualified residential rental properties. The HTC Program is the principal federal subsidy contained within tax law for the acquisition/substantial rehabilitation and new construction of affordable rental housing.

Section 42 of the Internal Revenue Code (IRC) requires that state allocating agencies develop a Qualified Allocation Plan (QAP) to distribute HTCs within their jurisdiction. The 2026-2027 QAP sets forth the requirements to allocate HTC from the state's HTC annual credit ceiling and award HTCs in connection with tax-exempt volume limited bonds—commonly referred to as 9% HTCs and 4% HTCs, respectively. The QAP is subject to modifications to help ensure the provisions conform to the changing requirements of the IRC and Treasury regulations, applicable state statute and the changing environment and market conditions, and to best promote Minnesota Housing's Strategic Plan. The 2026-2027 QAP also sets the overall selection priorities for the competitive 2025 and 2026 Multifamily Consolidated Requests for Proposals (RFPs), which include deferred loans funded from state and federal funding resources.

Minnesota Housing's QAP includes two primary documents:

- Qualified Allocation Plan document – includes detailed definitions and procedures for implementing the HTC Program; and
- Self-Scoring Worksheet – assigns preferences and points for developments that meet Minnesota Housing's HTC Program and deferred loan funding priorities. The Self-Scoring Worksheet is comprised of six selection categories that establish the scoring framework. Each selection category is broken down into selection criteria. The selection categories are: Greatest Need Tenant Targeting, Serves Lowest Income for Long Durations, Increasing Geographic Choice, Supporting Community and Economic Development, Efficient Use of Scarce Resources, and Building Characteristics.

The Methodology Guide provides additional information related to application of Minnesota Housing's geographic priorities, as reflected in the Self-Scoring Worksheet, for effectively distributing HTCs throughout the state. Although the Methodology Guide is not part of the QAP, it is a document that applicants use to understand the selection criteria.

The HTC program is reviewed annually to address Internal Revenue Service (IRS) requirements and Minnesota Housing's Strategic Plan; more substantial policy changes are recommended every two years. The current 2024-2025 QAP was adopted by the board in November 2022 and approved by the governor in January 2023.

Copies of the current 2024-2025 QAP and Self-Scoring Worksheet are available on Minnesota Housing's website at www.mnhousing.gov (Home/Rental Housing/Housing Development and Capital Programs/Housing Tax Credits).

The only revisions staff will make after board approval are nonmaterial edits for such items as formatting, spelling, grammar, or other readability purposes. The 2026-2027 QAP will then be submitted to the governor's office for final approval.

Suballocator Participation

Minnesota Statute 462A.222, subdivision 1, authorizes the city of Minneapolis, city of St. Paul, Dakota County, Washington County, city of Duluth, city of St. Cloud, and the city of Rochester to be HTC suballocators. For the 2025 HTC program year, the cities of Duluth, St. Cloud and Rochester entered into Joint Powers Agreements under which Minnesota Housing agreed to perform certain allocation, award and compliance functions on behalf of the suballocator. Suballocators make an annual determination to participate in a Joint Powers Agreement, which is typically executed prior to the release of Minnesota Housing's annual Multifamily Consolidated RFP in the spring.

QAP Development Process and Timeline

Initial planning for the development of the 2026-2027 QAP began in June 2023 with staff reviewing federal requirements, other states' QAPs and best practices and policies. Staff also assessed how policies are playing out in actual situations through implementation of the annual Multifamily Consolidated RFP. When staff review proposals and score projects in the Multifamily Consolidated RFP, they learn what policies are working and not working, and what refinements and clarifications are needed. Staff also solicit feedback on the Multifamily Consolidated RFP through a survey to applicants and implement changes as a result of this feedback. Based on research, implementation, partner feedback and previous public comments, staff proposed several recommendations for improvements, clarifications and new incentives for tenant protections, climate resiliency, enhanced sustainability, racial equity and other policies.

Initial engagement with the public began in November 2023 with an eNews and a webinar for external audiences in December 2023. The Agency offered several engagement opportunities between November 2023 and March 2024 to gather feedback from a variety of stakeholders, including local units of government, community-based organizations, economic development organizations, state agencies, funding and collaborating partners, developers and communities most impacted by housing needs. Staff received early written comments from stakeholders and hosted nine engagement sessions, both virtual and in-person, with more than 500 participants to inform the QAP. Staff proposed several policy revisions to the QAP because of feedback from the engagement sessions.

Public Hearing and Public Comments

The IRS requires that allocating agencies hold a public hearing where interested individuals have an opportunity to share ideas, ask questions and express their views on the proposed changes to the QAP. Public hearings are advertised on the Minnesota Housing website and via Agency eNews, the State Register and the Star Tribune at least 10 days before the events. Individuals and organizations have the opportunity to provide verbal or written comments on issues related to the QAP.

Minnesota Housing's public comment and public hearing process includes two public comment periods. The first public comment period is designed for Minnesota Housing to share initial ideas to the public for changes and collect comments and questions. The feedback from this first public comment period is then used to identify areas of support, need for clarification, new ideas or concerns. Staff evaluate and research all comments to propose additional changes or to clarify or update language in

the second release of the draft QAP. The second public comment period is the forum to share the results from the first public comment period and address any new items or changes.

Access the public comments through the links below or on the Minnesota Housing website:

- Public comments from the first release (June 6 – July 3, 2024)
- Public comments from the second release (September 12 – 20, 2024)
- www.mnhousing.gov (Home/Rental Housing/Housing Development and Capital Programs/Housing Tax Credits/Qualified Allocation Plan (QAP)-> under heading “2026-2027 QAP Engagement.”)

2026-2027 HTC QAP Development Timeline

Date	Activity
November 2023 – March 2024	Gathered feedback from communities and partners through several engagement sessions
Wednesday, December 13, 2023	Initial engagement and information session, via Go to Webinar.
Thursday, May 23, 2024	Proposed changes to QAP presented to Minnesota Housing board
Thursday, June 6, 2024	First draft of proposed QAP, Self-Scoring Worksheet, and Methodology Guide released for public comment
Thursday, June 6, 2024 – Wednesday, July 3, 2024	First Public Comment Period
Tuesday, June 18, 2024	QAP Virtual Discussion, via Go to Webinar
Thursday, June 20, 2024	Minnesota Housing Partnership/Metropolitan Consortium of Community Developers co-sponsored discussion with Minnesota Housing
Thursday, June 27, 2024	First public hearing, via Go to Webinar
Wednesday, July 3, 2024	First public comment period closes
Thursday, September 12, 2024	Second draft of proposed QAP, Self-Scoring Worksheet, and Methodology Guide released for public comment
Thursday, September 12, 2024 – Friday, September 20, 2024	Second public comment period
Thursday, September 19, 2024	Second public hearing, via Go to Webinar
Thursday, November 21, 2024	Minnesota Housing board meeting: final action
December 2024	Submit QAP to the governor’s office for approval

Summary of Engagement

The Agency held two public comment periods and two public hearings on the proposed changes to the QAP, Self-Scoring Worksheet and Methodology Guide. The first public comment period was from June 6 to July 3, 2024. On June 27, 2024, Minnesota Housing held the first public hearing on the proposed changes. There were 23 participants from the public that attended the hearing, and four of those participants provided verbal comments at the hearing. In addition, Minnesota Housing received 28 comment letters with 110 distinct comments.

Staff reviewed the comments and proposed additional changes as a result of those comments. Updates to the proposed QAP, Self-Scoring Worksheet and Methodology Guide were subsequently released on September 12, 2024, for a second round of public comments. Minnesota Housing accepted public comments from September 12 to September 20, 2024, and held a second public hearing on September 19, 2024. There were 28 participants from the public that attended the second hearing, and four of the participants provided verbal comments. In addition, Minnesota Housing received 8 comment letters with 30 distinct comments during the second and final public comment period.

This report outlines several significant public comment themes and questions received during both public comment periods, including recommendations that have been incorporated into the proposed QAP. This report also acknowledges comments that were not incorporated into the draft QAP or may have broader Agency applicability outside of the QAP.

Summary of Proposed Changes and Review of Public Comments

Minnesota Housing received a number of comments in support of the initial proposed changes to the QAP, Self-Scoring Worksheet, and Methodology Guide. The full set of comments is available on the Minnesota Housing website. Below is a summary of the proposed changes to the Self-Scoring Worksheet and the comments received during the public comment period. The bold underlined headings refer to Selection Categories in the 2024-2025 Self-Scoring Worksheet.

Proposed Changes to the Self-Scoring Worksheet

- Administrative modifications to remove duplication, including clarifications from the scoring guide, or minor revisions to streamline and/or clarify the scoring process and requirements.
- Update the template so the document meets current accessibility standards.

Selection Category 1: Greatest Need Tenant Targeting

Senior Housing (1.B.)

- For projects that provide housing that is restricted to persons 55 years of age or older.
 - **Proposed changes:**
 - Modify the initial occupancy requirement from requiring 100% of the units be occupied by a qualifying senior to a tiered approach to allow different points based on percentages of initial occupancy requirements of 80%, 90% and 100%. The purpose of this change is to allow projects that primarily serve seniors but also serve other populations to claim points under the Senior Housing criterion.
 - Incorporate language that will require senior projects that agree to restrict the units to households with incomes at or below the county 30% Multifamily Tax Subsidy Projects (MTSP) income to align rents with the income restrictions. The rent requirement would be for any property that does not have rental assistance. This will ensure that the rents for the units remain affordable to households at the restricted income limits.
 - **Public comments:** Support for modifying the initial occupancy requirement from requiring 100% of the units to be occupied by a qualifying senior to a tiered approach to allow different points based on percentages of initial occupancy requirements.

Permanent Supportive Housing for High Priority Homeless (1.C.)

- For projects with units set aside for and rented to people that are High Priority Homeless, which means households prioritized for Permanent Supportive Housing by the Coordinated Entry System.
 - **Proposed changes:**

- Modify the name of the overall selection criteria to “Permanent Supportive Housing for People Experiencing Homelessness.”
- Add a criterion for “Other Homeless” units (in addition to High Priority Homeless [HPH] units) to provide an option for Primarily Supportive Housing projects that serve other homeless households, including individuals leaving institutions or other homeless populations not referred through the Coordinated Entry System. This will incentivize Primarily Supportive Housing projects to increase the total number of homeless units.
- **Public comments:** These changes did not receive public comments.

People with Disabilities (PWD) Tier 2 (1.D.)

- People with Disabilities (PWD) units that will use United States Department of Housing and Urban Development Section 811 Project-based Rental Assistance (HUD Section 811 PRA): Permanent housing proposals that are not restricted to people of a particular age group are set aside for and rented to people with a disability.
 - **Proposed change:** For units that will use HUD Section 811 PRA, change the minimum number of units required for points for PWD Tier 2 to incentivize the use of HUD Section 811 PRA and increase the number of projects that move forward with a HUD Section 811 PRA award.
 - **Public comment:** Support for changing the minimum number of units required for points for PWD Tier 2. Additional comments encouraging Minnesota Housing to also consider pointing adjustments to the selection criterion.
 - **Changes resulting from public comment:** Staff increased the total number of points for PWD Tier 2 to make projects more competitive by reducing the pointing differential between Tier 1 and Tier 2. This will increase the likelihood of applicants choosing to apply for HUD Section 811 PRA and increase usage of the HUD Section 811 PRA Program.

Selection Category 2: Serves Lowest Income for Long Durations

Preservation (2.A.)

- Projects with existing rental assistance that has been in place for 15 years or more can take points under the Preservation criteria.
 - **Proposed changes:** The proposed modifications are intended to reduce upfront application costs, remove barriers to the application process and clarify what is needed at application.
 - **Thresholds** – Projects must meet one of the three thresholds to be considered for points. The thresholds are as follows with suggested improvements.
 - Risk of Loss Due to Market Conversion – This threshold is for properties that are at risk of conversion to market rate housing and would lose the affordable units. Staff recommends a change to allow documentation to include other verifiable third-party data on comparable properties (dated

within one year of application) approved by Minnesota Housing. This will reduce the cost to apply, since market studies will no longer be required at application for projects applying during the Multifamily Consolidated RFP/HTC Round 1 and 2.

- Risk of Loss Due to Critical Physical Needs – This threshold is for properties that are at risk of losing units due to the critical needs of the physical property. Currently, a property’s physical needs must exceed available reserves by at least \$5,000 per unit. Staff recommend changing the threshold from \$5,000 to \$0 to expand eligibility and allow more projects to be able to meet the threshold. Revisions would be made to Chapter 8 of the Building Standards for Critical Physical Needs so that more projects will qualify to meet the Risk of Loss Threshold.
- Risk of Loss Due to Ownership Capacity/Program Commitment – This threshold is for properties in various situations where there is a risk of losing units because of certain conditions, such as an owner’s financial hardship or an acquisition. Staff are not recommending changes to this threshold.
- *Tier 1 - Existing Federal Assistance* – This tier is for projects with existing project-based rental assistance. For clarity, the proposed change would add that federally-funded, long-term, project-based voucher contracts count as federal assistance.
- *Tier 2 - Other Existing Federal Assistance and Critical Affordable Units* – Modify the requirement that at least 50% of the units have rents at or below 50% MTSP, to a requirement that at least 50% of the units have rents at or below 60% MTSP so that more projects will be eligible for this criterion. For clarity, add that in this criterion, the following rental assistance type is also eligible: current and former public housing units converted under federal Rental Assistance Demonstration (RAD) Component 1 or under Section 18 Demolition and Disposition and any other successor programs developed for public housing. This addition helps the Agency prioritize traditional Section 8, Rural Development, and project-based voucher projects for the Multifamily Consolidated RFP resources.
- **Public comments:**
 - Support for adjusting the thresholds so more projects meet the threshold requirements and are eligible for preservation points.
 - We received comments regarding the various levels of distress of Preservation projects and recommendations to place a higher importance on projects that are in the most severe distress through additional points and tiers for distressed properties.
 - We received several comments recommending that Minnesota Housing create a separate scoring track to differentiate Preservation projects from new construction projects. Commenters expressed concerns that

Preservation projects may not be able to compete with new construction projects.

- We received several comments recommending that Minnesota Housing create a separate scoring track to differentiate Preservation projects from Supportive Housing projects or projects with a larger amount of Supportive Housing units. Commenters expressed concerns that Preservation projects may not be able to compete with projects with Supportive Housing components.
- **Public comment acknowledgement:** Minnesota Housing acknowledges the need for additional funds to preserve existing affordable housing throughout the state. Minnesota Housing does not have sufficient financial resources to select all the Preservation projects that apply for funding through the competitive Multifamily Consolidated RFP. Preservation projects can currently receive up to 40 points, which is proposed to increase to a maximum of 45 points in the 2026-2027 QAP. Preservation projects are scored in accordance with the Self-Scoring Worksheet and Scoring Guide. The projects that apply for deferred funding resources are then ranked based on the score and categorized by project type, geographic area and deferred funding priorities. The result is that Preservation projects effectively do not compete against new construction projects, but the Multifamily Consolidated RFP allows for a single application process. Minnesota Housing strives to select a balance of Preservation projects that meet the policies we have incentivized in the Self-Scoring Worksheet. We recognize that Preservation and new construction projects may face challenges when incorporating Supportive Housing units into projects. The long-term sustainability and viability of the project is vital to protect public investment and the residents of affordable rental properties. While incorporating Supportive Housing units into a project is not a requirement, serving individuals and households that have experienced homelessness or are currently homeless remains a high priority for the State of Minnesota and the Agency. We believe it is important to continue to focus on ending homelessness and incentivize projects to serve the populations with the greatest need.
- **Changes resulting from public comment:** Based on several comments received, staff made adjustments to Preservation selection criteria for the second public release:
 - Added language for the Risk of Loss Due to Critical Physical Needs threshold that modifies how distressed properties with negative cash flow will be analyzed. This will assist distressed properties by allowing negative cash flow to offset reserves in the calculation of physical needs. This will expand eligibility and increase the number of projects that can meet threshold.
 - Modified the pointing options for Tier 1 – Existing Federal Assistance. This change simplifies the scoring for the criterion and reduces the number of existing federally assisted units necessary to receive points, which will result in higher scores for Tier 1 projects.

- Added points based upon the severity of the Critical Physical Needs of the property. Projects with Critical Physical Needs greater than \$15,000 or \$25,000 per unit can receive additional points. This will increase the total points available to 45.

Rental Assistance (2.B.)

- Projects with new rental assistance that has been in place for less than 15 years can take points under Rental Assistance.
 - **Proposed changes:**
 - Remove privately funded project-based rental assistance as an option. This is a rarely used option and only requires a four-year commitment. Removing this option protects residents from facing a cliff when the short-term rental assistance expires.
 - Modify Further Restricting Rental Assistance (FRRA) from 10 years to 15 years to be consistent with the 15 years currently required under the Rental Assistance selection criteria and to align with the initial compliance period for projects with HTC's.
 - **Public comments:**
 - Request to add language to specify that Native American Housing Assistance and Self Determination Act (NAHASDA) funding is included in this criterion as eligible Rental Assistance.
 - Request to add Tribes and Tribal entities that provide rental assistance under Rental Assistance selection criterion and clarify that they are not considered private Rental Assistance.
 - **Changes resulting from public comment:**
 - Added NAHASDA as Rental Assistance and added Tribes and Tribal entities that provide rental assistance under Rental Assistance selection criterion.
 - Clarified that Tribes and Tribal entities are not considered private Rental Assistance.

Selection Category 3: Increasing Geographic Choice

Proposed change: Modify the name of the overall selection category to “Increasing Housing Choice.” Any proposed changes to the geographic based selection criteria have also been incorporated into the Methodology Guide.

Need for More Affordable Housing Options (3.A.)

- Projects located in communities where there is a low share of affordable rental housing compared to all housing options or a large share of renters that are cost burdened by their rent.
 - **Proposed changes:**

- Modify the name of the selection criterion to “Access to More Affordable Housing.” Add a new tier to create a three-tiered pointing structure, giving more communities opportunities for points because all cities, regardless of size, will receive some points in this criterion.
- Remove the minimum 500-households threshold for Greater Minnesota in the Methodology Guide to include smaller communities. This change allows a project located in a community of any size to apply for funding.
- Greater Minnesota large urban communities (Duluth, Rochester, St. Cloud, Moorhead) will be evaluated among all Greater Minnesota communities and no longer at the Census tract level to help with funding balance across the state.
- The 7-County Metro will remain Census tract based, and all tracts will receive points.
- **Public comments:**
 - Support for reducing the maximum points and adding a new tier to create a three-tiered pointing structure, giving more communities opportunities for points so that all cities, regardless of size, will receive some points in this criterion.
 - Support for removing the 500-households threshold for Greater Minnesota in the Methodology Guide to include smaller communities.

Workforce Housing Communities (3.B.)

- Projects located in or near a city or township needing workforce housing.
 - **Proposed changes:**
 - Remove the hold harmless provision that was created due to the impacts of COVID-19 on employment across communities. This provision is no longer necessary. Staff will continue to monitor the employment trends and made minor adjustments as stated below.
 - Change how Top Job Centers and Job Growth Communities are evaluated. Include the Top 5 Job Centers by region (SE, SW, NE, NW, Central, West Central and 7-County Metro), mitigating regional differences in what is considered a regional job center.
 - Adjust the Net Five Year Job Growth Community definition to be more flexible in Greater Minnesota to having positive job growth in the last five years instead of a net job growth of at least 100 jobs. The 7-County Metro job growth definition remains the same.

Selection Category 4: Supporting Community and Economic Development

Equitable Development (4.B.)

- To receive Equitable Development points, there must be evidence that the project will address the needs of a Community Most Impacted (CMI) by housing disparities and that a Qualified Stakeholder Group (QSG), with meaningful participation from that CMI, has a significant role in the project proposal.
 - **Proposed changes:**

- Clarify that Federally Recognized Tribes of Minnesota, Tribally Designated Housing Entities (TDHE) or Tribal corporate entities developing on Tribal Reservations, Dakota Communities or Tribal trust lands can meet the definition of a QSG and are not required to be an independent body separate and apart from the proposed project owner, sponsor, developer, development team, service provider and management agent of record for the project due to the Tribal ownership structure.
- Clarify requirements for Meaningful Engagement with the CMI through the QSG, so that applicants have a better understanding of the Agency goals and expectations for this selection criterion.
- Applicants are expected to conduct, at minimum, two engagement opportunities with the same QSG prior to the application submission. The engagement can be in person or virtual and can include meetings, focus groups, survey, or similar venues where the QSG is participating in the development process.
- **Public comment:** Support for clarifying that a Tribe or TDHE can be a Qualified Stakeholder Group (QSG).

Rural/Tribal (4.C.)

- Projects located in Rural/Tribal Designated Areas outside of the Metropolitan Area as defined by the 2026-2027 QAP and urbanized areas in Greater Minnesota.
 - **Proposed change:** Add two new tiers, to create a four-tiered pointing structure with the highest points available for smaller rural communities to recognize the added challenges that smaller rural communities experience.
 - **Public comments:** Support for adding two new tiers, to create a four-tiered pointing structure with the highest points available for smaller rural communities so that all communities have the opportunity for points.

Qualified Census Tracts (QCT)/Community Revitalization or, Tribal Equivalent Areas, and Opportunity Zones (4.D.)

- The proposed housing is located in a QCT/Community Revitalization Area, Tribal Equivalent Area, or Opportunity Zone.
 - **Proposed change:** Remove Opportunity Zones as an option in this selection criterion since the federal program expires in 2026.
 - **Public comments:** This change did not receive public comments.

Black-, Indigenous-, People of Color-owned Business Enterprises, or Women-owned Business Enterprises (4.F.)

- Projects that include business entities that are owned or led by an individual(s) that is(are) Black, Indigenous, or other Person of Color, or business entities that are owned or led by one or more women.

- **Proposed changes:**
 - Clarify the terms in each tier and what circumstances are eligible for points under Ownership/Sponsorship and Development Team.
 - Partnership - The project sponsor, developer, general contractor, architect, or management agent partners with a Black-, Indigenous-, or People of Color-owned or Women-owned Business Enterprise entity with the goal of building the entity's capacity to develop, manage, construct, design or own affordable housing in the future.
 - Change the name to Capacity Building Partnership to clarify and emphasize that the intention of the partnership component is to help build capacity for eligible entities.
 - Modify requirements to allow applicants to select more than one tier, which could result in additional points under this criterion.
- **Public comments:** Some commenters recommended adding development consultants to the Development Team as an eligible member to recognize the value and role the development consultants play in the development process.
- **Change resulting from public comment:** Development consultants were added as an eligible member of the Development Team. Applicants can now claim points if the entity meets the definition in the Self-Scoring Worksheet.

Selection Category 5: Efficient Use of Scarce Resources and Leverage

Financial Readiness to Proceed/Leveraged Funds (5.A.)

- This selection criterion calculates the secured funding commitments for one or more permanent capital funding sources at the time of application.
 - **Proposed changes:**
 - Modify the commitment contingency language to account for typical conditions that funders require for selected projects.
 - Exclude funder commitments to modify existing debt as a commitment type because the final structure of an existing debt cannot be determined prior to application. Minnesota Housing can assess requests for modification to existing debt post-selection and post-closing.
 - Clarify the language for Payments in Lieu of Taxes (PILOT) to clarify that PILOT is only available for entities that are units of local government.
 - Clarify the examples for General Partner (GP) commitments, such as GP cash, seller loans, interim income and purchased reserves.
 - Add commitment types such as Interim Income and State Housing Tax Credit, which is a new Agency program and resource.
 - **Public comments:**
 - Comments in support of modifying the commitment contingency language, which will simplify the application process.

- Support for clarifications made to various types of funds that are accepted under this selection criteria.

Other Contributions (5.B.)

- For projects that receive non-capital contributions: Contributions can come from any entity, including the federal government; a local unit of government; an area employer; and/or a private philanthropic, religious or charitable organization.
 - **Proposed changes:**
 - Modify the commitment contingency language to account for typical conditions that funders require for selected projects.
 - Exclude funder commitments to modify existing debt as a commitment type.
 - Clarify the language for Land Donation and PILOT.
 - Reduce percentage requirements in each tier. The reduction will make the points more attainable and increase the incentive for projects to pursue additional non-capital contributions.
 - **Public comments:**
 - Comments in support of modifying the commitment contingency language which will simplify the application process.
 - Comments in support of a reducing the percentage requirements in each tier, and to consider additional changes to further reduce the percentage for the lowest tier.
 - **Change resulting from public comment:** Further reduced the percentage requirements to change the lowest Tier from 1-1.49% to 0.01-1.49%. The calculation is based on the total development.

Intermediary Costs (5.C.)

- Intermediary costs are third-party service costs related to the project development.
 - **Proposed changes:** Decrease the points for the highest pointing tier to align better with the other points in the criteria.
 - **Public comments:** These changes did not receive public comments.

Selection Category 6: Building Characteristics

Innovative Construction Techniques (ICT) (6.A.)

- Minnesota Housing may select a project that will use ICT that is anticipated to reduce total construction cost by at least 10% or reduce the time a project is under for construction by at least 20%.
 - **Proposed change:** Remove ICT as a preference and add it as a selection criterion to prioritize projects that reduce construction cost and reduce the time a project is under construction.
 - **Public comments:** Commenters expressed concerns that there is the potential for the criterion to be too subjective and requested additional detail and specific requirements on this selection criterion.

- **Change resulting from public comment:** Staff provided additional details on the requirements involved to be eligible for ICT. Additional language was added to the Self-Scoring Worksheet to provide information about ICT and the requirements. More information will also be provided in the application materials.

Smoke Free Buildings

- The project will institute and maintain a written policy prohibiting smoking in all units and all common areas within the building(s) of the project.
 - **Proposed change:** Eliminate the Smoke Free Buildings selection criterion from the Self-Scoring Worksheet to simplify and reduce duplication.
 - **Public comments:** We received one comment requesting that Smoke Free Buildings remain a selection criterion. A Smoke-Free Policy pointing option (10 points) is currently included in the Minnesota Overlay to Enterprise Green Communities. In addition, most applicants select these points, and property owners have created smoke free policies due to current HUD requirements, insurance requirements and resident satisfaction.

Enhanced Sustainability (5.C.)

- The project will incorporate additional sustainability criteria into its design and complete a Multifamily Intended Methods Worksheet to demonstrate how the criteria will be met.
 - **Proposed change:** Increase points for Tiers 1-4 in the Enhanced Sustainability Selection Criterion to emphasize the importance of long-term sustainability and encourage projects to incorporate additional sustainability techniques.
 - **Public comments:**
 - Support for increasing points for Tiers 1-4 in the Enhanced Sustainability Selection Criterion to emphasize the importance of long-term sustainability and encourage projects to incorporate additional sustainability techniques.
 - Add two Passive House certification programs within Tier 4 of enhanced sustainability for rehabilitation projects.
 - **Change resulting from public comment:** Added two Passive House certification programs within Tier 4 of enhanced sustainability for rehabilitation projects.

Proposed Changes to the QAP

- **General updates**
 - Administrative changes such as clarifications, removing unnecessary dates and adjusting requirements to simplify and improve program implementation.
 - Minnesota Housing policies and procedures are incorporated in multiple resources and guides. Incorporated additional language to explain where information can be found and provide a list of the key documents.
 - Update the template so the document meets current accessibility standards.
- **Tenant Notice of Rent Increase (QAP Chapter 2.J.)**
 - **Proposed change:**

- Incorporate a new HTC rent increase policy requiring 120 days' notice when a tenant's rent will be increasing by more than 5%. Failure to comply with this policy was added as an Unacceptable Practice in the QAP Chapter 2.J.
 - The policy will also be added to the HTC Compliance Guide which applies to all existing HTC projects. The policy will be added to the Resident Notification and Good Cause Lease Rider, that is currently an addendum to resident leases in developments with Agency HTC. If a property owner violates the 120-day notification policy, they will be required to reduce the rent and credit the overage back to the resident for the months they had charged the higher rent, until they had given a notice that satisfies the required notice period.
- **Public comments:**
 - The Agency received several written comments concerning annual rent increases in projects that are developed using HTCs and/or other Minnesota Housing funding. They encouraged the Agency to consider a policy that would limit the size of annual rent increases.
- **Public comment acknowledgement:**
 - Minnesota Housing acknowledges the need for additional conversations regarding rent increases for properties. Staff are monitoring the rent increase policy discussion at the state and federal level and will continue to monitor our portfolio when there is a substantial rent increase.
- **Right of First Refusal (QAP Chapter 3.U.)**
 - Incorporate language to strengthen the nonprofit and tenant right of first refusal permitted by federal law to better protect and preserve the long-term affordability of HTC properties. The HTC program, through Internal Revenue Code (IRC) Section 42(i)(7), offers nonprofit general partners a Right of First Refusal (ROFR). The ROFR can be used to obtain eventual ownership of the property at a minimum purchase price equivalent to the outstanding debt plus exit taxes. The provision allows nonprofit general partners to gain ownership of HTC projects as their investors exit after 15 years once the investor has claimed all HTCs and before the program's rent restrictions expire.
- **Rural Development/Small Project Set-Aside (QAP Chapter 2.D.)** will increase from \$425,000 to \$500,000 in 2026 and \$525,000 in 2027.
 - **Public comments:** Support for the increased limits for the Rural Development/Small Project Set-Aside
- **Development Limits Increase limits (QAP Chapter 2.H.)** will increase from \$1,700,000 to \$1,850,000 in 2026 and \$1,950,000 in 2027.
 - **Public comments:** Support for the increased amounts for the Development Limits.
- **Market Study (QAP Chapter 3.T.)** - Revise the market study language to provide more flexibility on when the market study is required. Previously the Market Study was required at application. Now for the Multifamily Consolidated RFP/HTC Rounds 1 and 2, the Market Study will be required for projects that are selected at either 42M or Carryover.
 - **Public comments:** Support for the market study changes.

- **Simplify the Carryover and Placed in Service (8609) Application submission requirements** in Chapters 6 and 7 by creating a simplified table (Appendix A). This will address redundancies and clarify when documents are required.
- **Modify Unacceptable Practices Language (QAP Chapter 2.J.)**
 - Simplify and streamline the penalty language so the potential penalties are consistent for each unacceptable practice.
 - Administrative changes to language to ensure that it is clear and aligns with our current practice.
 - Add an unacceptable practice regarding violation of state or federal laws. This will apply to any new or existing state or federal requirements including prevailing wage and wage theft prevention.
 - Updating the language to give discretion to Minnesota Housing to apply a less severe penalty, if appropriate, than the penalty set forth in prior QAPs.
 - More clearly identify the circumstances that could result in negative points.

Other Public Comment Acknowledgements

- *Compliance.* The Agency received several comments from residents with concerns related to their property, owner or property manager in existing operating properties. The commenters included potential non-compliance issues, including general upkeep and maintenance of certain HTC properties.

Federal law requires that Minnesota Housing provide a procedure to monitor for compliance with Section 42 and to notify the IRS of non-compliance. All projects with HTCs are required to comply with the HTC Compliance Guide, which includes periodic inspections conducted by Minnesota Housing at least once every three years. Inspections include a sampling of units and tenant files.

IRS regulations require monitoring agencies to inspect properties using the U.S. Department of Housing and Urban Development's National Standards for the Physical Inspection of Real Estate (NSPIRE). If a property is not in compliance with NSPIRE, the compliance officer issues a notice of non-compliance, and the owner is given a period of time to make corrections. After the correction period, the compliance officer is required to notify the IRS of the non-compliance, regardless of whether it is corrected. Additionally, when Minnesota Housing staff receive complaints from residents regarding maintenance issues that are not compliant with NSPIRE, staff follow up with the owner or management agent until the issues are resolved.

- *Underwriting Standards.* We received comments requesting that Minnesota Housing allow for some flexibility in underwriting as the market is constantly fluctuating due to external pressures. For context, the Underwriting Standards are a set of policies and performance metrics used to evaluate project feasibility, including the financial structure, loan terms, development costs and operating costs. The underwriting process starts when applications are submitted and effectively ends when a project closes on funding to start construction.

The Underwriting Standards are reviewed on an annual basis to incorporate clarifications or improvements as a result of feedback from internal and external stakeholders, state and national trends, and industry best practices.

The underwriting process for a particular project draws upon information provided by the applicant, properties within Minnesota Housing's asset management portfolio and other comparable properties. The Underwriting Standards also include a waiver process for unique situations.

Over time, a building's actual performance will be different than the original underwriting due to local, state and national trends. In large part due to recent inflationary pressures on operating costs, actual operating trends have had a greater variation from the initial underwriting projections. Additional changes to the Underwriting Standards do not affect how operating properties are performing; however, the Underwriting Standards will continue to evolve for new project reviews.

- *Rental Housing Design/Construction Standards and supporting documentation.* We received comments requesting that Minnesota Housing consider specific changes to the forms that are submitted at application and post-selection. The Agency is always exploring ways that we can streamline and clarify our processes, policies and documents. We appreciate the feedback and will look at our processes and documentation as we prepare for the 2025 Multifamily Consolidated RFP/2026 HTC funding rounds.
- *Climate Resiliency.* We received comments requesting that Minnesota Housing consider incorporating Climate Resiliency into the Self-Scoring Worksheet. We plan to incorporate climate resiliency policies into Minnesota Housing's Rental Housing Design/Construction Standards and/or the Minnesota Overlay to Enterprise Green Communities for the 2025 Multifamily Consolidated RFP/2026 HTC funding rounds. This will also allow more flexibility to incorporate any additional clarification and modifications for the 2026 Multifamily Consolidated RFP/2027 HTC funding rounds.



2026 -2027 Qualified Allocation Plan

~~2024—2025~~ Housing Tax Credit [Program](#)

~~11/30/2022~~

[Last Updated: November 2024](#)



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This information will be made available in alternative format upon request.

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Chapter 1 – Introduction and Preparation of the Qualified Allocation Plan

The Federal Tax Reform Act of 1986 created the Low-Income Housing Tax Credit (Housing Tax Credit) Program (refer to Section 42 of the Internal Revenue Code) for qualified residential rental properties. The Housing Tax Credit (HTC) offers a reduction in federal income tax liability to owners and investors in eligible low-income rental housing projects involving new construction, rehabilitation, or acquisition with rehabilitation.

The Minnesota Housing Finance Agency (Minnesota Housing) was designated by the Minnesota Legislature as the primary HTC Allocating Agency for the State of Minnesota, with certain other cities and counties also designated as ~~suballocators~~ Suballocators of HTCs.¹

Section 42 of the Internal Revenue Code (IRC) requires that HTC allocating agencies develop and adopt a Qualified Allocation Plan (QAP) for the distribution of HTCs within the jurisdiction of the Allocating Agency. ~~(Internal Revenue Service [IRS] Treasury Regulation 1.42-17 Qualified Allocation Plan).~~

Minnesota Housing's QAP is developed in accordance with federal law, and all applicable federal requirements are hereby incorporated by reference.² The QAP sets forth selection criteria that are appropriate to local conditions and priorities for allocating HTCs to housing projects. The selection criteria include project location, housing needs characteristics, project characteristics, including whether the project includes the use of existing housing as part of a community revitalization plan, sponsor characteristics, tenant populations with special housing needs, public housing waiting lists, tenant populations of individuals with children, projects intended for eventual tenant ownership, the energy efficiency of the project, and the historic nature of the project.

The QAP gives preference as required by federal law to:

1. Projects serving the lowest income tenants;
2. Projects obligated to serve qualified tenants for the longest periods; and
3. Projects in Qualified Census Tracts (QCTs) that are part of a concerted community revitalization plan.

¹ ~~Minn. Stat. §§~~ Minnesota Statutes sections 462A.221 to 462A.225

² Section 42(m) of the Internal Revenue Code; IRS Treasury Regulation 1.42-17.

This document, ~~and all forms and attachments, along with~~ the Self-Scoring Worksheet, ~~are a part of~~ make up Minnesota Housing's QAP. The QAP is subject to modification or amendment to help ensure the provisions conform to the requirements of Section 42 and applicable state statutes.

Minnesota Housing's policies and procedures are incorporated into multiple resources and guides. The list below includes key documents, but this list is not an exclusive list of all Minnesota Housing materials. Visit Minnesota Housing's website (www.mnhousing.gov) or contact Minnesota Housing for more information.

- **Affordable Housing Plan:** Sets forth Minnesota Housing's business plan to carry out the Agency's core work and implement the Strategic Plan.
- **Housing Tax Credit Program Compliance Guide:** Sets out the procedures to be followed by Minnesota Housing and the owners of HTC projects in order to comply with the requirements of Section 42 and the applicable Treasury Regulations.
- **Multifamily Underwriting Standards:** Outlines the Minnesota Housing's general approach to underwriting.
- **Multifamily Rental Housing Design/Construction Standards:** Contains design/construction standards to meet Minnesotans' needs for decent, safe and sustainable affordable housing.
- **Qualified Allocation Plan Methodology Guide:** Provides additional information related to application of Minnesota Housing's geographic priorities, as reflected in the Self Scoring Worksheet, for effectively distributing HTC's throughout the state.
- **Strategic Plan:** Outlines how the Agency will use its financial, programmatic, operational and human resources to achieve its strategic priorities and sustain a healthy organization over the long term.
- **Tenant Selection Plan Guidelines:** Provides requirements and best practices for the tenant selection plans, required of all developments receiving Minnesota Housing funding and those that receive HTC in accordance with this QAP.

Minnesota Housing has no jurisdiction to interpret or administer Section 42, except in those instances where it has specific delegation.

Minnesota Housing is ~~also~~ required to monitor HTC projects during the compliance period ~~as well as and to~~ notify the Internal Revenue Service (IRS) of any noncompliance, with the requirements of Section 42 of which it becomes aware. All applicants should review IRS Treasury Regulation 1.42-5 Monitoring Compliance. In addition, Minnesota Housing will monitor the projects during the remaining term of the Declaration of Land Use Restrictive Covenants (LURA) following the conclusion of the compliance period.

Minnesota Housing is under no obligation to undertake an investigation of the accuracy of the information submitted in an application. Minnesota Housing's review of a proposed housing project does not constitute a warranty of the accuracy of the information, nor of the quality, suitability, feasibility, or marketability of the housing to be constructed or rehabilitated. If any information submitted to Minnesota Housing by the applicant is later found to have been incorrect or there has been a subsequent change in any material respect, it is the responsibility of the applicant to inform Minnesota Housing and to request a reexamination of the application.

This QAP is provided solely for use in applying for HTC's from Minnesota Housing and may not be relied upon in structuring or investing in specific transactions, ~~compliance~~ or complying with the IRC, IRS Treasury Regulations, or any other laws or regulations governing HTC's. Interested parties should consult with a knowledgeable tax professional prior to entering into any commitment concerning the use and ~~claim~~ claiming of HTC's.

Minnesota Housing maintains the right not to award or allocate HTC's for any project if it determines, in its sole discretion, that an ~~award or allocation~~ Allocation or Award for such project does not further the purpose and goals as set forth in this QAP.

Chapter 2 – Policies and Procedures

A. Definitions

Metropolitan Area: ~~As set out in Minn. Stat. 473.121, Subdivision 2, Metropolitan Area means the area over which the Metropolitan Council has jurisdiction, including the counties of Anoka, Carver, Dakota (excluding the cities of Northfield and Cannon Falls), Hennepin (excluding the cities of Hanover and Rockford), Ramsey, Scott (excluding the city of New Prague) and Washington.~~

Greater Minnesota: ~~Greater Minnesota means any area which is not under the Metropolitan Area as defined above.~~

Substantial Rehabilitation: ~~Rehabilitation of at least \$5,000 per unit, as defined in Minn. Stat. § 462A.221, Subdivision 5 that also meets the qualifying rehabilitation requirements as defined in Section 42(e).~~

As used in this QAP, the following capitalized terms have the definitions set forth below.

4% HTC: HTC which are not taken into account in the state’s annual credit ceiling, pursuant to Section 42(h)(4).

9% HTC: HTC which are taken into account in the state’s annual credit ceiling, pursuant to Section 42(h)(1).

Allocating Agency: Any entity authorized by the state of Minnesota and Section 42 to allocate or award HTCs in Minnesota.

Allocation: Any amount of HTCs issued to a building which are taken into account in the state’s annual credit ceiling, pursuant to Section 42(h)(1).

Award: Any amount of HTCs issued to a building which are not taken into account in the state’s annual credit ceiling, pursuant to Section 42(h)(4).

Federally Assisted Building: The term “Federally Assisted Building” as defined by Section 42 ~~of the Internal Revenue Code (Section 42(d)(6)(C))~~ means any building which is substantially assisted, financed, or operated under Section 8 of the United States Housing Act of 1937, Section 221(d)(3), 221(d)(4), or 236 of the National Housing Act, Section 515 of the Housing Act of 1949, or any other housing program administered by the United States Department of Housing and Urban Development (HUD) or by the Rural Housing Service of the United States Department of Agriculture Rural Development (RD).

Greater Minnesota: Greater Minnesota means any area which is not included in the Metropolitan Area as defined below.

Internal Revenue Code (IRC): Title 26 of the United States Code.

Metropolitan Area: As set out in Minnesota Statutes, section 473.121, subdivision 2, Metropolitan Area means the area over which the Metropolitan Council has jurisdiction, including the counties of Anoka, Carver, Dakota (excluding the cities of Northfield and Cannon Falls), Hennepin (excluding the cities of Hanover and Rockford), Ramsey, Scott (excluding the city of New Prague) and Washington.

Section 42 (Internal Revenue Code Section 42): ~~Low-Income Housing Tax Credit (26 USC § 42), as amended.~~

Housing Tax Credit Agency (Allocating Agency): ~~Any entity authorized by the state of Minnesota and Section 42 to allocate HTC in Minnesota.~~

Qualified Allocation Plan (QAP): As defined in Section 42 (m)(1)(B) and including the Self-Scoring Worksheet and this document.

Section 42: Low-Income Housing Tax Credit (26 USC § 42), as amended.

Selection: For purposes of an Allocation, the Minnesota Housing board action to select a project for future reservation and allocation of HTC through Round 1 or Round 2. For purposes of an Award, the issuance of the preliminary determination letter by Minnesota Housing.

Suballocator(s): Any Allocating Agency, other than Minnesota Housing, authorized by the state of Minnesota and Section 42 to allocate HTCs in Minnesota.

Substantial Rehabilitation: As used in this QAP, Substantial Rehabilitation means rehabilitation that meets the definition of “Substantial rehabilitation” as defined in Minnesota Statutes, section 462A.221, subdivision 5 and that also meets the rehabilitation expenditure requirements set forth in Section 42(e).

B. Geographic Distribution

The HTC available for allocation within the state of Minnesota ~~is~~are divided into two general geographic pools: (1) the Metropolitan ~~Pool, as defined in Chapter 2.A.~~Area pool; and (2) the Greater Minnesota ~~Pool, which consists of the balance of the state~~pool. Distribution of HTCs between the two general pools is based on the share of the state’s public assistance recipients residing in each area, pursuant to Minnesota Statutes ~~§, section~~ 462A.222, Subdivisionsubdivision 1a.

Under Minnesota ~~Statutes~~ Statute 462A.222, certain cities and counties have been designated as ~~suballocators~~ Suballocators to allocate ~~and monitor~~ HTC allocations to eligible projects in their cities or counties. Some ~~suballocators~~ Suballocators have entered into a Joint Powers Agreement with Minnesota Housing under which Minnesota Housing will perform the HTC allocation and compliance monitoring. These ~~suballocators~~ Suballocators currently are the cities of Duluth, St. Cloud, and Rochester. Minnesota Housing will post updates to Suballocator information on Minnesota Housing's website- (~~www.mnhousing.gov~~) ~~any update in suballocator information in early 2023 and 2024.~~

The HTC distribution plans for Greater Minnesota and the Metropolitan Area will be formulated in accordance with ~~Minn. Stat. §~~ Minnesota Statutes, section 462A.222, ~~Subdivision~~ subdivision 4. The Greater Minnesota distribution ~~will be as follows~~ plan will provide for the allocation of the following HTC: (1) the Rural Development (RD)/Small Project set-aside (refer to Chapter 2.D.); (2) ~~the three suballocators eligible to administer HTCs within their respective city limits: Duluth, Rochester, and St. Cloud; and (3) the balance of Greater Minnesota and~~ any HTC reserved to a Suballocator located in Greater Minnesota; (3) the portion of the nonprofit set-aside (refer to Chapter 2.C.), ~~which is administered by~~ allotted to Greater Minnesota Housing; and (4) the balance of the Greater Minnesota pool.

The Metropolitan Area distribution ~~will be as follows: (1) The four suballocators eligible to administer HTCs within their respective city/county limits: Minneapolis, Saint Paul, Dakota County, and Washington County; and (2) the balance of the Metropolitan Area and~~ plan will provide for the allocation of the following HTCs: (1) any HTC reserved to a Suballocator located in the Metropolitan Area; (2) the portion of the nonprofit set-aside (refer to Chapter 2.C.), ~~which is administered by Minnesota Housing allotted to the Metropolitan Area; and (3) the balance of the Metropolitan Area pool.~~

~~As of January 2022, the distribution between the two pools is 39% in the Greater Minnesota Pool and 61% in the Metropolitan Pool. Minnesota Housing will update the distribution for the 2024-2025~~ between the Greater Minnesota pool and the Metropolitan Area pool for the 2026-2027 QAP based upon updated demographic data in early ~~2023~~ 2025 and ~~2024~~ 2026, and the applicable distribution will be posted on Minnesota Housing's website.

C. Nonprofit Set-Aside

Federal law requires that 10% of the ~~total annual HTCs allocated from the states' HTC volume cap~~ state's HTC credit ceiling be reserved ~~each year~~ exclusively for projects involving ~~ownership by~~ qualified nonprofit organizations ~~that have a 501(c)(3) or (c)(4) status and satisfy the requirements of Section 42(h)(5)(Nonprofit Set-Aside).~~ Minnesota Housing administers the Nonprofit Set-Aside. On an annual basis, Minnesota Housing and ~~suballocators may~~ Suballocators may agree to reserve an

additional 5% of the total annual HTC credit ceiling for a total annual ~~nonprofit set-aside~~ Nonprofit Set-Aside of 15%. Applicants to the ~~nonprofit set-aside~~ Nonprofit Set-aside can also compete in Round 2 if there are ~~nonprofit set-aside funds~~ Nonprofit Set-Aside HTC still available. If the ~~nonprofit set-aside~~ Nonprofit Set-Aside is not exhausted in Round 1, the ~~nonprofit set-aside~~ Nonprofit Set-Aside will be available in Round 2. If a project is necessary to meet the ~~federal~~ Nonprofit Set-Aside requirement in Round 2, at Minnesota Housing's sole discretion, the project will have priority over other applicants in Round 2. If the Nonprofit Set-Aside is exhausted during a round, nonprofit applicants with proposed projects in Minnesota Housing's jurisdiction may be eligible for HTCs from the general pool. Any proposal that receives HTCs from the Nonprofit Set-Aside must comply with the nonprofit requirements of IRC Section 42(h)(5)(C) and (D), including material participation for the term of the LURA. This requirement will be recorded as a covenant on the land that will apply to all subsequent owners.

~~The nonprofit must be organized and incorporated in the state of Minnesota and have experience in Minnesota as a sponsor, owner, or manager of low-income housing. The nonprofit must have the fostering of low-income housing as one of its exempt purposes and~~ To qualify for the Nonprofit Set-Aside, a qualified nonprofit organization must own an interest in the project and (whether directly or through a partnership) materially participate (within the meaning of IRC 469(h)) in the ownership, development, and operation of the low-income project through throughout the term of the LURA. A qualified nonprofit organization means an organization that meets the following requirements:

1. The organization must be exempt from taxation under IRC 501(a) as an organization meeting the requirements of either IRC 501(c)(3) or IRC 501(c)(4);
2. One of the exempt purposes of the organization must include the fostering of low-income housing;
3. The organization must be organized and incorporated in the state of Minnesota and have experience in Minnesota as a sponsor, owner or manager of low-income housing; and
4. The organization must be determined by the Allocating Agency not to be affiliated with or controlled by a for-profit organization.

The intent of Section 42 is to ensure that a for-profit entity or individual does not set up a sham nonprofit organization in order to secure the ~~nonprofit set-aside~~ Nonprofit Set-Aside. This could include establishing a nonprofit organization for the specific project, without any history, experience, local community involvement, or financial strength.

The nonprofit organization must demonstrate that the nonprofit is acting independently and free from influence of control by the for-profit project team members. Minnesota Housing reserves the right to contact the officers and directors of the nonprofit organization to determine their independence.

Minnesota Housing requires that all nonprofits applying for the ~~nonprofit set aside~~ Nonprofit Set-Aside disclose all ~~identity~~ identities of interest between the nonprofit and any member of the for-profit project team. An identity of interest would include any officer, director, partner, stockholder, relative, seller or owner of land or building involved, processing agent, real estate salesperson or broker, employee, ~~or anyone~~ other person acting to represent any for-profit member of the project team who controls or influences, or has the power to control or influence, the decisions of the nonprofit.

If there is an identity of interest, between or other appearance of affiliation, ~~or conflict with or control by a for-profit organization~~, as determined by Minnesota Housing, ~~Minnesota Housing may disqualify the nonprofit from receiving~~ an applicant may not qualify to receive HTC from the ~~nonprofit set aside~~ Nonprofit Set-Aside. In making this determination, Minnesota Housing will consider the following:

1. The nonprofit's ~~history~~, funding sources, ~~and~~ composition of its board;
2. Past experience and anticipated future activities of the nonprofit, including involvement in the local community;

~~3. Sources and manner of funding of the nonprofit~~

3. ~~4.~~ The nonprofit's ~~degree of~~ financial strength ~~for completion~~ and ability to materially participate in the development and operation of the project during the term of the LURA;
4. ~~5.~~ The relationship of the principals involved in the formation and/or management of the nonprofit organization with for-profit ~~individuals concerning the HTC application. A nonprofit cannot be affiliated with or controlled by a for-profit entity by:~~ members of the project team; and
5. If requested by Minnesota Housing, an attorney opinion letter.

Determinations will be based on all relevant facts and circumstances. Unless determined otherwise by Minnesota Housing, the following relationships are presumed to show that the nonprofit organization is affiliated with or controlled by a for-profit organization:

- a. Having more than a 25% share of common board members /principals; or
- b. Having more than 25% of its funding, directly or indirectly, from the parent entity; or
- ~~c. Having any other type of association that is not considered an arms-length affiliation~~
- ~~6. The extent to which the nonprofit materially participates within the meaning of Section 469(h) of the IRC in the development and operation of the project throughout the term of the LURA. Minnesota Housing will also look at the nonprofit's involvement in the project-related construction, management, ownership interest, sharing of fees, and funding provisions.~~

~~If the nonprofit set-aside is exhausted during a round, the nonprofit applicant with proposed projects in Minnesota Housing's jurisdiction may be eligible for HTC from the general pool and selected based upon its point ranking. However, any proposal that receives HTCs from the nonprofit set-aside must comply with the nonprofit requirements of IRC Section 42(h)(5)(C) and (D), including material participation for the term of the LURA. This requirement will be recorded as a covenant on the land that will apply to all subsequent owners.~~

D. Rural Development/Small Project Set-Aside

Minnesota Housing designates a portion of the state's HTC volume cap to Rural Development (RD) ~~financed or~~ other small projects. The amount of HTCs reserved to the RD/Small Project set-aside for ~~2024 and 2025~~ 2026 is \$~~425,000~~ 500,000 and 2027 is \$525,000. Eligible projects must either:

1. Have an RD financing commitment, ~~or~~ application for RD financing; or
2. ~~A~~ Be a small project located in a Rural/Tribal Designated Area, as defined in the Rural/Tribal Methodology in the Methodology Guide, ~~and consisting~~ consist of 24 or fewer units.

First priority will go to projects with applications for financing or a commitment from RD. Applicants to the set-aside first compete in the general pool, ~~and if not competitive,~~ then move to the RD/Small Project set-aside for consideration. Applicants to the set-aside can also compete in Round 2 if there are RD /Small Project set-aside ~~funds~~ HTC still available. IRS Form 8609 may not be issued to a new RD project until after financing commitment has been executed.

E. Application Rounds

Minnesota Housing has two ~~annual~~ HTC application rounds, Round 1 and Round 2, to allocate the state's HTC ~~volume cap~~ credit ceiling for a calendar year. Applications for HTCs in association with tax-exempt volume limited bonds are accepted year-round on a pipeline basis.

Round 1

Round 1 is offered through the Multifamily Consolidated Request for Proposals (RFP) and uses a forward selection process, with selections generally taking place in the year proceeding the allocation year of the HTCs. Projects that have previously received a partial ~~allocation~~ reservation or Allocation of HTCs from Minnesota Housing may have priority over other applicants in Round 1.

During Round 1, for-profit applicants must apply directly to the ~~suballocator~~ Suballocator for an HTC ~~allocation~~ Allocation if the project falls within a ~~suballocator's~~ Suballocator's jurisdiction. Except for the nonprofit set-aside, Minnesota Housing will not accept applications for developments located within the jurisdiction of ~~suballocators~~ Suballocators in Round 1 unless the ~~suballocator~~ Suballocator has

entered into a Joint Powers Agreement with Minnesota Housing or has returned all their HTC to Minnesota Housing. Minnesota Housing will administer the HTC for all areas outside the jurisdiction of ~~suballocators. Nonprofit applicants may apply to the Minnesota Housing nonprofit set-aside or the suballocator individually or concurrently~~Suballocators. Any unused HTCs are returned by the Suballocators to Minnesota Housing prior to Round 2.

In Round 1, the nonprofit set-aside is divided proportionally between the two geographic pools, the Metropolitan Area pool and the Greater Minnesota pool. Nonprofit ~~developers~~applicants with projects located within the jurisdiction of a ~~suballocator~~Suballocator may apply for HTCs from Minnesota Housing, but only in the nonprofit set-aside. Nonprofit ~~developers~~applicants with projects located in the ~~allocating~~ jurisdiction of a ~~suballocator~~Suballocator may apply simultaneously to the ~~suballocator~~Suballocator and to the Minnesota Housing nonprofit set-aside. Nonprofit developments not located in the ~~allocating~~ jurisdiction of a ~~suballocator~~Suballocator will compete for HTCs in the respective ~~general~~ geographic pool once the nonprofit set-aside has been exhausted.

In Round 1, Minnesota Housing will establish a preservation allocation ceiling of 2/3 for each geographic pool, Metropolitan and Greater Minnesota, but not including the RD/Small Project set-aside or the nonprofit set-aside. Minnesota Housing reserves the right to exceed the 2/3 ceiling if qualifying new construction proposals are not available or do not rank competitively.

Round 2

Round 2 makes available for allocation any HTCs remaining or returned since Round 1. All remaining or returned HTCs, excluding a return of HTCs for projects requesting a reallocation, will be combined into one unified pool for allocation by Minnesota Housing on a statewide basis, without regard to geographic distribution and with no set-asides³. Additionally, ~~Round 2 establishes Minnesota Housing may, at its sole discretion, establish~~ a waiting list following Round 2 for HTCs that may be returned ~~or otherwise become available. Refer to Chapter 2.T. for additional details.~~

In Round 2, all projects located in ~~suballocator~~Suballocator jurisdictions may apply directly to Minnesota Housing. Projects that have previously received HTCs from Minnesota Housing or a ~~suballocator~~Suballocator and have an annual HTC shortfall of at least 5%, but not more than 33.33%, of the total qualified annual HTC amount, subject to Minnesota Housing approval, will have priority

³~~In the event that the Minnesota RD office has not received a funding allocation in time for RD projects to be included in Round 1, the RD/Small Projects set aside will be carried forward until the end of Round 2, or until it is determined that there are no eligible applications for the set aside. In the event that Minnesota Housing has not met the 10% IRS requirement in Round 1, the nonprofit set aside will also be carried forward until the end of Round 2.~~

over other applicants in Round 2 and under the waiting list. If more than one project qualifies under the supplemental priority, Minnesota Housing will evaluate and rank eligible requests according to points awarded.

~~Minnesota Housing may, at its sole discretion, establish a waiting list following Round 2 if sufficient HTC's are not available. Refer to Chapter 2.T. for additional details.~~

The RD/Small Projects set-aside will be carried forward until the end of Round 2, or until it is determined that there are no eligible applications for the set-aside. If Minnesota Housing has not met the 10% IRS requirement in Round 1, the nonprofit set-aside will also be carried forward until the end of Round 2.

F. Suballocator Procedures

A city or county is eligible to receive a reserved portion of the state credit ceiling under ~~this~~ Minnesota Statutes, section 462A.222, subdivision 1 if it submitted a written request to Minnesota Housing within 45 days after June 2, 1987, to act as a designated Housing Credit Agency as provided in Section 42. A city or county may designate its housing and redevelopment authority as a suballocating agent to allocate HTCs on behalf of the city or county. The city of Minneapolis or the city of Saint Paul may designate the Minneapolis/Saint Paul Housing Finance Board to allocate HTCs on behalf of each city. Minnesota Housing will administer the HTCs for areas outside the jurisdiction of the ~~suballocators~~ Suballocators.

A Suballocator may elect to enter into a Joint Powers Agreement with Minnesota Housing. Under a Joint Powers Agreement, Minnesota Housing will perform certain functions related to the HTC Allocation or Award and compliance monitoring. As a condition of the Joint Powers Agreement, the participating Suballocator will transfer its entire annual HTC distribution to Minnesota Housing.

Minnesota Housing, in consultation with the ~~suballocators~~ Suballocators, will determine application competition deadlines as required by statute. Minnesota Housing will make an effort to align the application deadline for the suballocating agencies in Round 1 with Minnesota Housing's deadline. No Allocating Agency may allocate or award HTCs prior to the Minnesota Housing application closing date for Round 1.

Before the application deadline for Round 2, the ~~suballocators~~ Suballocators must return all uncommitted and unallocated HTCs to Minnesota Housing, along with copies of the HTC application and commitment agreements for all selected projects.

If a ~~suballocator~~ Suballocator determines at any time before Round 2 that a project is no longer eligible for all or a portion of the HTCs committed or allocated to the project, the HTCs must be transferred to Minnesota Housing to be reallocated. If the HTCs for which the project is no longer eligible are from

the current year's annual credit ceiling and the ~~suballocator~~Suballocator maintains a waiting list, the ~~suballocator~~Suballocator may continue to commit or allocate the HTC until no later than the date of application for the Round 2. At that time, any uncommitted HTCs must be transferred to Minnesota Housing.

So that all a project's HTCs are allocated by a single Allocating Agency, Minnesota Housing may apportion additional HTCs to a ~~suballocator~~Suballocator for a project that has already received a commitment or ~~allocation~~Allocation of HTCs from the ~~suballocating agency, if all the suballocator's HTCs have been committed or allocated~~Suballocator. These supplemental HTCs must be used only for the selected project ~~and must be allocated to the project by a carryover allocation or IRS Form 8609 before December 31 of the year in for~~ which the ~~selection~~apportionment was made. If at any time after the apportionment of the HTCs a ~~suballocator~~Suballocator determines the project cannot use or is no longer eligible for all or a portion of the HTCs apportioned to the project, the HTCs must be returned to Minnesota Housing within 10 business days for reallocation.

Suballocators are responsible for the issuance of the IRS Form 8609 for all projects for which they have allocated HTCs, including HTCs that have been apportioned by Minnesota Housing to the Suballocator. In instances where both a ~~suballocator~~Suballocator and Minnesota Housing have allocated HTCs ~~to a project, the, that have not been apportioned, both~~ Allocating ~~Agency that first allocated HTCs to the project~~Agencies will prepare ~~the an~~ IRS Form 8609.

As the primary and lead HTC agency for the state of Minnesota, Minnesota Housing is responsible for collecting and filing ~~the certain~~ required ~~form forms~~ with the IRS each year. Minnesota Housing will prepare a comprehensive IRS Form 8610, incorporating all carryover ~~and 8609~~ allocations ~~made and~~ IRS Form 8609s issued in the state of Minnesota for filing with the IRS. The local ~~suballocators~~Suballocators shall submit the following ~~information~~materials to Minnesota Housing no later than January 31 for all HTC activity that has occurred in the preceding year:

1. A copy of all resolutions of the Suballocator governing body relating to the reservation and Allocation of HTC;
2. 1-A copy of all Reservation/Binding Agreements, ~~an original of the~~ Carryover Agreement, Agreements and ~~copies of all~~ IRS Form 8609s, completed and issued to all projects (including those in connection with tax-exempt) ~~projects selected since February 28 of the preceding calendar year volume-limited bonds~~;
3. 2-A completed HTC application form (Multifamily Workbook) for each development receiving an ~~allocation or award~~ Allocation or Award through a reservation, carryover, or issuance of IRS Form 8609 for HTCs issued from volume cap and allocated from the credit ceiling or awarded in connection with tax-exempt volume limited bonds;

4. ~~3.~~ A completed IRS Form 8610 Schedule A for each development receiving a carryover allocation;
5. ~~4.~~ A Suballocator Compliance Monitoring Activity Report containing the results of inspection activity conducted during ~~each monitoring~~ the calendar year with copies of any forms 8823 filed with the IRS; and
6. ~~5.~~ Any other information requested by Minnesota Housing necessary to meet federal and state reporting ~~purposes~~ requirements.

Suballocators are responsible for monitoring HTC projects, to which they have allocated or awarded HTC, for the term of the LURA, including ~~requirements imposed if any~~ Minnesota Housing ~~apportions additional HTCs to a suballocator~~ requirements if such HTC were apportioned by Minnesota Housing to the Suballocator, in accordance with Section 42(m)(1)(B)(iii) ~~(refer to Chapter 2.W.)~~ to help ensure compliance with applicable federal, state, and local requirements. Compliance records must be available upon request to Minnesota Housing from the ~~suballocator~~ Suballocator or its monitoring agent. Projects that receive HTCs ~~from Minnesota Housing~~ that ~~are~~ were apportioned to a ~~suballocating agency~~ Suballocator by Minnesota Housing must incorporate Minnesota Housing restrictions that are a condition of the HTC ~~award~~ Allocation or Award (e.g., nonprofit set-aside, homeless households).

Before January 31, ~~suballocators~~ Suballocators will submit to Minnesota Housing compliance staff a comprehensive updated Suballocator Monitoring Activity report listing all HTC projects allocated or awarded HTCs by the ~~suballocator~~ Suballocator. Include the following items in the report:

1. Project name;
2. Address;
3. Building identification ~~numbers~~ number(s) (BIN(s));
4. Ownership entity and ~~tax~~ taxpayer identification number (TIN);
5. Total number of residential units;
6. Number of HTC units;
7. Year of ~~allocation or award~~ Allocation or Award;
8. Amount of HTCs allocated or awarded; and
9. Other information as needed.

In addition, ~~suballocators~~ Suballocators will submit a list of the projects that have been in noncompliance, ~~during~~ the calendar year ~~of noncompliance~~, inspection date and type of noncompliance, along with copies of all IRS Form 8823s and the report of noncompliance findings sent to the owner. Upon request, Suballocators will also submit a copy of their monitoring requirements, procedural manual, ~~and forms~~, and, if applicable, a copy of the monitoring contract with an outside vendor.

~~A suballocator may elect to enter into a Joint Powers Agreement with Minnesota Housing. Under a Joint Powers Agreement, Minnesota Housing will perform certain functions related to the HTC allocation or award and compliance monitoring. As a condition of the Joint Powers Agreement, the participating suballocator will transfer its entire annual HTC distribution to Minnesota Housing.~~

~~Suballocators are responsible for entering into an agreement with HUD to perform Subsidy Layering Reviews.~~

G. Multiple Buildings

Projects may include multiple buildings having similarly constructed housing units, provided the buildings are located on the same tract of land, have the same owner for federal income tax purposes, and are financed pursuant to a common plan of financing. Scattered site buildings on different tracts of land will also qualify if the project meets all the other requirements described above and all units in the project are low-income units. The Scoring Guide provides additional information on how thresholds and selection criteria will apply to scattered site projects.

H. Developer and Development Limits

For applicants ~~statewide~~ applying for a portion of the state's HTC ~~volume cap~~ credit ceiling, the per-developer or general partner /managing member HTC limit is the greater of 1) the amount representing 10% of the population component of the state's ~~per-capita volume limit in HTCs or the annual credit ceiling or 2)~~ the amount needed to support two developments in the case that two developments selected are being developed by the same developer or general partner /managing member. Such projects are subject to a development limit of no more than ~~\$1,700,000 in 2024 and 2025~~ 1,850,000 in 2026 and \$1,950,000 in 2027 in cumulative HTCs allocated to any one development.

At the sole discretion of Minnesota Housing, these limits may be waived. Applicants should not assume that this waiver will be automatically provided or rely on this statement when determining the scope of the proposed project. Minnesota Housing's goal is to optimize the use of all available sources of funding for multifamily developments, including private investor equity, amortizing loans, and deferred loans, to produce the maximum number of affordable rental units that meet the priorities adopted by Minnesota Housing and represent developments that are sustainable, cost effective, and geographically diverse. Consistent with this goal, the following criteria will be used to determine if, and when, Minnesota Housing may provide a waiver to the developer or development limit. ~~The applicant must provide to Minnesota Housing justification for exceeding the applicable limit.~~

Developer Limit

1. Developer/Sponsor capacity – The ability and capacity of the development team to proceed expeditiously to complete multiple developments, including other projects selected by Minnesota Housing for funding that have not yet been completed.
2. Financial Feasibility – The applicant must demonstrate that the HTC's are necessary for the financial feasibility of the proposed project and that a significant funding gap will remain if the waiver is not granted.

~~3. Minnesota Housing may also waive these limits during Round 2 if there are excess HTC's at year-end.~~

Development Limit

1. Financial Feasibility – The applicant must demonstrate that the HTC's are necessary for the financial feasibility of the proposed development and that a significant funding gap will remain if the waiver is not granted.

~~2. Minnesota Housing may also waive these limits during Round 2 if there are excess HTC's at year-end.~~

~~Applicants should not assume that this waiver will be automatically provided or rely on this statement when determining the scope of the proposed project.~~

I. Transfer of Ownership

~~Any~~ From Selection through the term of the extended use period, any transfer of title of a selected project ~~or, replacement of a general partner or managing member,~~ transfer of more than a 50% interest in a general partner or managing member, ~~or change in a nonprofit partner, will be considered a material change in the project and will be~~ is subject to Minnesota Housing's approval prior to the transfer of ownership.

~~Owners wishing to change or~~ To request Minnesota Housing's approval for a transfer of ownership, the Owner must submit a completed Request for Action Form (RFA), ~~Transfer Agreement,~~ a transfer of ownership fee if the transfer occurs after Allocation and prior to the issuance of IRS Form 8609 (refer to Chapter 8) ~~and/or~~ an RFA processing fee if the transfer occurs after issuance of IRS Form 8609 (refer to Servicing Fee on Minnesota Housing's website), ~~and~~ any other documentation that Minnesota Housing deems necessary.

J. Unacceptable Practices

Applicants applying for an Allocation or Award from Minnesota Housing pursuant to this 2026-2027 QAP may be subject to unacceptable practice penalties in the following three circumstances. Additionally, failure to comply with the terms of the Selection of may result in cancellation or other loss of HTC. See Chapter 3.S.

1. For projects that receive an Allocation or Award from Minnesota Housing pursuant to this 2026-2027 QAP, the following occurrences constitute unacceptable practices. If Minnesota Housing, in its sole discretion, determines that an unacceptable practice has occurred, it may impose penalties of up to negative 35 points on any/all parties involved in the development, ownership and/or management of the project. Such penalties will be applied in one or more future application cycles.

a. Unapproved Transfer of Ownership

From Selection through the term of the LURA, failure to obtain prior approval for any transfer for which Minnesota Housing approval is required pursuant to Chapter 2.I is an unacceptable practice.

- ~~1. Unapproved Transfer—Any unapproved change or transfer of ownership from the time of selection or preliminary determination letter throughout the term of the LURA will have an effect on all individuals/entities with an ownership interest on each side of the transfer that submit applications in future HTC rounds.~~
- ~~2. Failure to notify—Existing HTC projects that did not have a transfer approval requirement are required to notify Minnesota Housing of a transfer of ownership throughout the term of the LURA. Failure to notify Minnesota Housing will have an effect on all individuals/entities with an ownership interest on each side of the transfer that submit applications in future HTC rounds.~~

~~These entities may be penalized for an Unapproved Transfer or Failure to Notify as follows:~~

~~For four funding rounds (generally two calendar years) from the date Minnesota Housing discovers an unapproved change or transfer of ownership:~~

- ~~1. First transfer (negative 20 points on each application submittal)~~
- ~~2. Two or more transfers (negative 35 points on each application submittal)~~

~~In addition, if Minnesota Housing becomes aware of a transfer of ownership by an individual or entity without proper notification and approval by Minnesota Housing, Minnesota Housing reserves the right to determine that all parties involved in the transfer will not be eligible for participation in Minnesota's HTC program for a period of up to 10 years.~~

b. Displacement of Section 8 Tenants

Rent increases for existing Section 8 tenants above HUD's Payment Standard Rents which result in the displacement of the existing Section 8 tenant(s), whether prior to submission of the application for HTC or after completion of rehabilitation, is an unacceptable practice.

~~Minnesota Housing will not accept applications that have displaced or will displace Section 8 tenants in a housing project because rents will be increased above the Section 8 Payment Standard Rent limit. Rehabilitation projects that have existing Section 8 tenants may not increase those rents (in Section 8 units only) above HUD's Payment Standard Rents after completion of rehabilitation.~~

- ~~1. Minnesota Housing has agreed to partner with the local HUD area office to determine if tenants of rehabilitation projects:
 - ~~a. Were displaced prior to application~~
 - ~~b. Are displaced after rehabilitation has been completed~~~~
- ~~2. If Minnesota Housing and the local HUD area office agree that intentional displacement of Section 8 tenants has occurred, with exception given to lease violations by the tenant, Minnesota Housing may:
 - ~~a. Reduce or rescind the reservation/allocation or award of the HTCs to the project prior to issuance of 8609~~
 - ~~b. Assess a negative 25 point penalty to all parties involved in the ownership and/or management of the project for four funding rounds following notification of the assessment of the negative points by Minnesota Housing. This also applies to HTC projects financed by tax exempt volume limited bonds, owners, and managers.~~~~

c. Changes to Project

~~The allocation of HTCs is based upon information provided in the application and the preliminary plans submitted with the application. Until the property is placed in service, any material changes to the project or building design (i.e., changes in unit mix or unit size that affect applicable Design Standards or design features required for preference points), as submitted in the application, require written notification to and approval from Minnesota Housing. Any changes require approval by Minnesota Housing and could result in a proportional loss of HTCs up to the full amount of the allocation as well as the assessment of penalty points to the owner/developer of up to negative 35 points.~~

From selection until the project is placed in service, any material change to the project or building design that impacts the selection criteria for which the project received points or a preference is an unacceptable practice.

d. Late 8609 Application Submissions Resulting in the Loss of HTC Authority to the State

~~When Minnesota Housing becomes aware that a late~~Late submission of a complete and acceptable 8609 application package by ~~a development's~~or on behalf of an owner/~~agent~~that results in the loss of any volume of HTC authority to the state of Minnesota,~~Minnesota Housing reserves the right to determine that all parties involved will not be eligible for future participation in Minnesota's HTC Program for a period of up to 10 years~~ is an unacceptable practice.

e. Filing of ~~Non-Agency~~Non-Allocating Agency Approved IRS Form 8609 with the IRS

~~When Minnesota Housing becomes aware that a development's owner/agent has filed an 8609 with the IRS in advance of the owner/agent's receipt of the Minnesota Housing signed version of the approved 8609, or if the owner/agent electronically files an 8609 with the IRS that does not accurately reflect the information contained on the Minnesota Housing signed version of the approved 8609 or the carryover or reservation agreement, Minnesota Housing will file an 8823 Notice of Non-Compliance with the IRS and reserves the right to determine that all parties involved will not be eligible for future participation in Minnesota's HTC Program for a period of up to 10 years. This applies to HTCs issued by Minnesota Housing, suballocators, and in conjunction with tax-exempt volume-limited bonds.~~

Filing with the IRS any IRS Form 8609 which is not the Allocating Agency-signed version of the approved IRS Form 8609 is an unacceptable practice.

f. Non-Compliance with Minnesota Housing's Fair Housing Policies or Tenant Selection Plan Guidelines, Procedures, and/or Requirements

~~At the sole discretion of Minnesota Housing, any~~Any failure to comply with Minnesota Housing's Fair Housing policies (refer to Chapter 3.W.) or Tenant Selection Plan Guidelines, procedures, or requirements ~~may be penalized according to Minnesota Housing's Fair Housing policy, up to and including disqualification of the application. In addition, under the HTC program, Minnesota Housing may impose up to a negative 35-point penalty on future HTC developments to all parties involved in ownership and/or management on the development(s) that are found in non-compliance. The penalty points will be in effect for four funding rounds (generally two calendar years) following notification of the assessment of the negative points by Minnesota Housing. This also applies to HTC projects financed by tax-exempt volume-limited bonds, owners, and managers.~~ is an unacceptable practice.

g. Non-Compliance with Minnesota Housing's Compliance Policies, Procedures and/or Requirements

Failure to comply with Minnesota Housing's compliance policies, procedures or requirements after repeated notices is an unacceptable practice.

h. Violations of Local, State or Federal Law

Violations of local, state, or federal law, including but not limited to violations of law related to habitability, utilities, prevailing wage, wage theft and fair housing, are unacceptable practices.

- 2. For projects that received an Allocation or Award from Minnesota Housing under a prior QAP, penalties may be applied in the 2026 and 2027 application rounds for unacceptable practices identified in that prior QAP. In its sole discretion, Minnesota Housing may impose a lesser penalty than the penalty indicated in such prior QAP. If Minnesota Housing determines that an unacceptable practice has occurred, it will notify the parties to which the penalty will be applied.**
- 3. For applicants for an Allocation or Award pursuant to this 2026-2027 QAP, the following occurrences constitute unacceptable practices. If Minnesota Housing, in its sole discretion, determines that an unacceptable practice has occurred, it may impose penalties, as set forth below, on the applicant which will be applied in the 2026 and 2027 application rounds.**

a. Failure to Notify

Throughout the term of the LURA, failure to notify Minnesota Housing in advance of a transfer of title to the project, replacement of a general partner or managing member, transfer of more than a 50% interest in a general partner or managing member or change in a nonprofit partner is an unacceptable practice. Penalties of up to negative 35 points may be applied to any/all individuals/entities that transferred or acquired an ownership interest through the transfer for which notice was not provided.

b. Displacement of Section 8 Tenants

Minnesota Housing will not accept applications that have displaced or will displace Section 8 tenants because rents will be increased above the Section 8 Payment Standard limit.

c. Non-Compliance with Minnesota Housing's ~~Compliance~~ Fair Housing Policies or Tenant Selection Plan Guidelines, Procedures, and/or Requirements

Failure to comply with Minnesota Housing's ~~compliance policies~~ Fair Housing Policies or Tenant Selection Plan Guidelines, procedures, or requirements ~~after repeated notices may be considered~~ is an unacceptable practice ~~and result in~~. Penalties of up to negative 35 points or ineligibility to receive an award or allocation of HTC's may be applied to any/all parties involved in the ownership and/or management of the development.

- ~~1. On the date of submission of an application for an award or allocation of HTC's, if the applicant, or any party with an identity of interest with the applicant who will have an ownership interest in the proposed development, has been issued a notice of failure to comply involving any of the following violations but has not submitted an acceptable plan and timeline to correct by the response due date, Minnesota Housing may impose a penalty up to negative 35 points under Unacceptable Practices.~~

d. Non-Compliance with Minnesota Housing's Compliance Policies, Procedures and/or Requirements

Failure to submit an acceptable correction plan within the time allotted after receipt of a notice of failure to comply involving any of the following violations is an unacceptable practice:

- i. ~~a. Failed~~ Failure to meet minimum set-aside;
- ii. ~~b. Any Exigent Health and Safety~~ exigent health and safety violation under ~~Uniform Physical Conditions~~ HUD's National Standards for the Physical Inspection of Real Estate;
- iii. Rent violations, as stated in the Housing Tax Credit Compliance Guide, including:
 1. ~~e. Owner is charging~~ Charging rent on any HTC unit ~~that exceeds~~ in excess of the allowable rent limit ~~or has violated;~~
 2. Violating Minnesota Housing's policy limiting rent increases to once annually ~~(as stated in Section 5.01 of the Housing Tax Credit Compliance Guide);~~
 3. Violating Minnesota Housing's policy requiring 120 day written notice to the tenant for any rent increase in excess of 5%;
 4. ~~d.~~ HTC unit rented to an ineligible household (e.g., household not properly certified, over income at initial occupancy, or ineligible full-time student);
- iv. ~~e.~~ Project not available to ~~the~~ general public;
- v. ~~f. Owner failed~~ Failure to respond to Minnesota Housing request for inspection; and
- vi. ~~g.~~ Other compliance violations, as determined by Minnesota Housing;

Penalties of up to negative 35 points may be applied to any/all parties involved in the ownership and/or management of the development.

Minnesota Housing may reject applications from any applicant if the applicant, or any party with an identity of interest with the applicant who will have an ownership interest in the proposed development:

- i. ~~2. On the date of submission of an application for an award or allocation of HTCs, if the applicant or~~ Has an ownership interest in any development, ~~1) that has been reported to the IRS by Minnesota Housing or a suballocator~~ Suballocator as no longer in compliance, nor participating in the Section 42 program as indicated on line 11p of IRS ~~form~~ Form 8823 ~~and has not taken steps to bring the property back into compliance to the satisfaction of Minnesota Housing or the suballocator, or 2);~~
- ii. Has an ownership interest in any development that is on Minnesota Housing's ~~or a suballocator's~~ list of Properties Not in Good Standing in the Extended Use Period ~~and has not taken steps to bring the property back into compliance to the satisfaction of Minnesota Housing or the suballocator, the applicant may receive a penalty up to negative 35 points or be deemed ineligible to receive an award or allocation of HTCs.~~ or a similar list maintained by a Suballocator; or
- iii. Is on the Minnesota Housing Participant Suspension List.

e. Violations of Local, State or Federal Law

Minnesota Housing may reject applications from any applicant if the applicant, or any party with an identity of interest with the applicant who will have an ownership interest in the proposed development has been found by an enforcement agency or court to have violated local, state, or federal law, including but not limited to violations of law related to habitability, utilities, prevailing wage, wage theft and fair housing.

f. Ineligible Significant Parties

Minnesota Housing may reject applications if any of the significant parties (refer to Chapter 2.L.) are not eligible to participate in the HTC Program.

K. Minimum Underwriting Standards

A development selected for a reservation of or preliminary determination of eligibility for HTCs is selected based upon underwriting standards, including but not limited to, acquisition costs, maintenance and operating expenses and permanent financing as approved by Minnesota Housing

(refer to Chapter 5. I. and the Minnesota Housing Multifamily Underwriting Standards). These factors will be monitored throughout the HTC process until Minnesota Housing's issuance of the approved IRS Form 8609. Modifications from these standards require prior approval from Minnesota Housing ~~will not allow any significant adjustments to these standards without prior approval~~. Not complying with these standards could lead to ~~the revocation~~ loss of the HTC ~~allocation~~ Allocation or Award.

L. Identity of Interest and Related Parties

The applicant must disclose any and all relationships (generally based on financial interests or family ties) with others involved in the project. A written disclosure to Minnesota Housing detailing the nature of all identity of interest relationships is required for all parties. An entity will be deemed, at the sole discretion of Minnesota Housing, to have an identity of interest with, or to be a related party to, an applicant if there is a financial and/or familial relationship between the entities, including parent and subsidiary entities.

M. Disclosure and Eligibility of Development Team

The applicant must disclose on the Multifamily Workbook the names and addresses, including corporate officials where applicable, of all parties that have a significant role in the project (the "significant parties"). These significant parties include, but are not limited to, general partners (or managing members), accountants, architects, engineers, financial consultants, any other consultants, processing agents, management agents, ~~and~~ the general contractor. **NOTE:** Each team member may be required to complete a Qualification Form. Minnesota Housing must be satisfied that those who will own and operate the project are familiar with and prepared to comply with the requirements of the program.

The following significant parties are not eligible to participate in the HTC Program:

1. Significant parties who have been convicted of, enter an agreement for immunity from prosecution, ~~for~~ or plead guilty, including a plea of *nolo contendere*, to a crime of dishonesty, moral turpitude, fraud, bribery, payment of illegal gratuities, perjury, false statement, racketeering, blackmail, extortion, falsification or destruction of records; ;
2. Significant parties who are currently debarred from any Minnesota program, other states' program(s), ~~or~~ any federal program(s); ;
3. At the sole discretion of Minnesota Housing, significant parties who have serious and persistent compliance monitoring violations may not be eligible; and
4. At the sole discretion of Minnesota Housing, significant parties having an identity of interest with persons or entities falling into any of the above categories may not be eligible; ;

N. Determination of HTC Amount

Federal law mandates that, although a proposed project may be eligible for ~~up to 70% or up to 30%~~ a certain present value HTC amount, Minnesota Housing may not allocate or award more HTCs than is necessary for the financial feasibility of the project and its viability as a qualified affordable housing project throughout the compliance period.

After a project meets the development selection criteria, ~~including marketability,~~ Minnesota Housing will evaluate each proposed project, taking into consideration in accordance with Section 42:

1. Development costs, including acquisition costs, developer fees, ~~and~~ builder profits, contractor overhead and general conditions;
2. All sources and uses of funds;
3. Projected income and expenses;
4. Proceeds expected to be generated from the sale of HTCs, including historic tax credits; and
5. The difference between total project costs and total available financing resources, which is referred to as the gap. A calculation is made to determine the amount of HTCs needed by the project to fund the gap over a 10-year period, based on the estimated market value of the HTCs.

Based on this evaluation, Minnesota Housing will estimate the amount of HTCs to be allocated or awarded for each application. This determination is made solely at Minnesota Housing's discretion and is not a representation as to the feasibility of the project. Rather, it will serve as the basis for making an ~~allocation of~~ Allocation or Award of HTCs. The amount of the HTCs can change during the process due to variations in cost, mortgage amount, HTC percentage, syndication proceeds, etc. Minnesota Housing reserves the right not to allocate or award any HTCs.

This analysis to determine the maximum amount of HTCs must be performed by both Minnesota Housing and the owner/developer at the time of application, at the time of allocation, ~~and~~ and at the time the project is placed in service, provided all project costs are finalized and certified. For each analysis, the applicant must submit the most recent financial information on the project. Misrepresentations of information will result in failure to ~~award~~ receive IRS Form 8609, debarment from participation in the HTC Program, ~~and~~ and possible criminal penalties.

If there are changes in resources and/or uses of funds or other ~~material~~ changes, Minnesota Housing will adjust the HTC amount to reflect the changes, and the HTC amount may be reduced. HTC amounts will not automatically be increased above the initial reservation request or ~~allocation~~ Allocation amount. Requests for additional HTCs for the project must follow the procedures in Chapter 2.O. and will depend upon the availability of HTCs.

O. Requests for Additional HTC Amounts

Projects that have had a justifiable increase in eligible basis or previously received a partial ~~allocation~~Allocation may be eligible to apply for supplemental HTC amounts. Under extenuating circumstances, such as significant changes in the market, Minnesota Housing may allow additional requests. The determination and approval are at the sole discretion of Minnesota Housing.

For 9% HTC projects to receive a supplemental HTC amount, the owner must submit an application when applications are due for Round 1, Round 2, or at the time the carryover application is submitted. Developers who have a Minnesota Housing reservation from the current year will be required to submit a revised Multifamily Workbook, documentation supporting the increased amount of HTCs requested, an updated and revised Self-Scoring Worksheet, any new or revised documentation obtained since the previous application, and a supplemental application fee. A complete application package with all attachments and a full application fee will be required for an application for additional HTCs for developments initially awarded HTCs from a ~~suballocator~~Suballocator or that have an HTC ~~allocation~~Allocation from a prior year. Minnesota Housing permits only one supplemental or additional HTC ~~allocation~~Allocation for each development. Allocations of additional HTCs requested as part of a carryover application are not counted against this limit.

For 4% HTC projects to receive an additional HTC amount, the owner must submit an application at the time of the 8609 application.

All applications that are submitted for an additional HTC amount will be subject to the ~~same evaluation process described above~~eligibility requirements, the determination of HTC amount, the availability of HTCs, as well as limitations on the time period for allocation of additional HTCs under Section 42.

P. Round 2 Resubmission Process for Non-Select Projects

In a current allocation year, if a project fails to receive 9% HTCs in Round 1, it may be considered for a reservation of HTCs in Round 2 by following the guidelines listed below. Resubmittal must occur by Minnesota Housing's HTC Round 2 application deadline. Minnesota Housing will not consider applications resubmitted after the deadline. A resubmitted application must include the following:

- ~~1. Cover letter requesting resubmission with a copy of Minnesota Housing's non-selection letter attached~~
1. ~~2.~~ Re-signed and re-dated Multifamily Workbook (all changes from the initial application must be clearly identified);

2. ~~3.~~ Any new or revised documentation obtained since the previous application;
3. ~~4.~~ An updated and revised Self-Scoring Worksheet, including all documentation that clearly supports the points claimed;
4. ~~5.~~ Any requested documentation Minnesota Housing deems necessary; and
5. ~~6.~~ The ~~Supplemental Application Fee~~ supplemental application fee.

Minnesota Housing reserves the right to require a full, new application for any project.

Q. Qualified Census Tracts, Difficult Development Areas and State Designated Basis Boosts

Projects that meet the following criteria may be eligible for a greater amount of HTC than the legislated maximum HTC percentage.

Qualified Census Tracts

Pursuant to Section 42(d)(5)(B), buildings located in Qualified Census Tracts (QCTs) qualify for a basis boost. QCTs are census tracts designated by HUD in which 50% or more of the ~~population-~~ has households have an income of less than 60% of the area median or which has a poverty rate of at least 25%; where such areas do not comprise more than 20% of the overall population (for of a metropolitan statistical area. (For a current list of the HUD-designated QCTs, go to Minnesota Housing's website under HTC Reference Materials or go directly to the Qualified Census Tract Table Generator or Qualified Census Tract Map). HUD designates QCTs annually, and each list has a specified effective date. If the designation of the area in which a project is located changes over the course of the pre-development and development of the project, the project may or may not qualify for the basis boost. Effective dates can be based upon year of application ~~or~~, allocation, bond issuance and/or placement in service. Refer to the HUD Designation Notice found on HUD's website for additional details and consult with appropriate legal and tax professionals as necessary.

Difficult Development Areas

Pursuant to Section 42 (d)(5)(B), buildings located in Difficult Development Areas (DDAs) qualify for a basis boost. DDAs are areas designated by HUD as having high construction, land, ~~and~~ and utility costs relative to area median income. For DDA information, reference the same website as QCTs above. HUD designates DDAs annually, and each list has a specified effective date. If the designation of the area in which the project is located changes over the course of the pre-development and development of the project, the project may or may not qualify for the basis boost. Effective dates can be based upon year of application ~~or~~, allocation, bond issuance and/or placement in service. Refer to the HUD Designation Notice found on HUD's website for additional details and consult with legal and tax professionals as necessary.

State Designated Basis Boost

~~State Designated Basis Boost. For a project requesting HTC from the state's HTC volume cap, Buildings Designated by State Housing Credit Agency [pursuant to 42(d)(5)(B)(v)] (*refer to the end of this section for reference).~~

Pursuant to Section 42(d)(5)(B)(v), Minnesota Housing can designate buildings requesting HTC from the state's credit ceiling for a basis boost. Requests by applicants or developers to Minnesota Housing to apply the 30% state designated basis boost must be made in writing at the time of the HTC Allocation request. The request must clearly demonstrate how the proposal meets the criteria established by Minnesota Housing for receiving boost considerations.

It is the goal of Minnesota Housing to optimize the use of all available sources of funding for multifamily developments to produce the maximum number of affordable rental units in the most sustainable, quality, cost effective, and geographically diverse developments possible that meet Minnesota Housing's priorities. Consistent with this goal, the following criteria will be used to determine if, when, and in what HTC amount, Minnesota Housing will provide a state-designated basis boost for HTC developments on a building-by-building basis to obtain financial feasibility.

1. The development must meet at least one of the following selection criteria requirements:
 - a. Permanent Supportive Housing: Projects that will serve People with Disabilities or High Priority Homeless Households under the Permanent Supportive Housing for High Priority Homeless selection criterion or the People with Disabilities selection criterion;
 - b. Preservation: Projects that ~~serve~~preserve existing ~~federally-assisted~~federally-assisted housing or other critical affordable housing projects ~~must be~~and are eligible for points under the Preservation selection criterion; or
 - c. Tribal: Projects that are sponsored by, or have received, a significant financial contribution (as determined by Minnesota Housing) from, a ~~tribal~~Tribal government, ~~tribally~~Tribally designated housing ~~entities, or tribal~~entity or Tribal corporate ~~entities~~entity.
2. The application must demonstrate that without the basis boost, a significant funding gap will remain for the proposed development, and the HTCs allocated in connection with the basis boost must be no more than needed to achieve financial feasibility.

~~*Requests by applicants or developers to Minnesota Housing to apply the 30% state designated basis boost must be formally made in writing. The request must clearly outline the reasons supporting the request and clearly demonstrate how the proposal meets the criteria established by Minnesota Housing for receiving boost considerations.~~

R. Reservations

Once Minnesota Housing has ranked applications and determined allowable HTC amounts for each application, staff will make recommendations to Minnesota Housing's board for final approval of the reservation of 9% HTCs.

Reservations are site specific. Changing a development's site could lead to the revocation of the HTC reservation/~~allocation~~Allocation.

Minnesota Housing's HTC program permits ~~its~~ owners to elect the applicable percentage either at the time of reservation or when placed in service. If the election is not made at the time the reservation letter is issued, the percentage will be fixed for the month in which the building is placed in service or as otherwise established by Section 42. Once made, the election is irrevocable. Upon receipt of the required documents, Minnesota Housing will complete its reservation review and send reservation agreements to be executed by the owner. ~~Each reservation must be conditioned upon receipt of written certification, evidence of timely progress toward completion of the project acceptable to Minnesota Housing, and evidence of compliance with federal tax requirements.~~

Choosing the gross rent floor date as the date of allocation or the date placed in service can be done at any time from reservation forward, but the election must be made, and the completed election form must be received by Minnesota Housing no later than the date the project is placed in service. If you choose to make the election as of the date of the reservation, submit a fully executed Gross Rent Floor Election Form including each building of the development in which there are HTC units. If the required owner-executed forms with all elections made by the owner are not submitted to Minnesota Housing by a date no later than the placed in service date, the gross rent floor date will be effective on the allocation date of the HTCs.

Selected applicants that will not place a project in service in the allocation year for which the reservation was issued may request a carryover allocation by submitting the required carryover application submissions.

S. Administrative Errors/Appeals Process

~~Applicants~~Minnesota Housing will consider appeals for applications requesting HTCs from the state's HTC ~~volume cap can request an appeal~~credit ceiling. If the applicant believes that Minnesota Housing has misinterpreted, was not aware of a submission item, or miscalculated the applicant's selection points or HTC amount, at the time of application/reservation, the applicant ~~must~~may submit ~~in writing evidence supporting their position~~an appeal by the appeal due date and time determined by Minnesota Housing, which is generally five business days after notification of application status. ~~The applicant's~~Notification of the appeal request deadline will be in the form of the selection or

non-selection letter. The first business day after the date on this letter will be the first day of the appeal period.

The appeal must be written in letter form containing a signature from an authorized representative of the applicant and stating that the communication is an appeal under Chapter 2.S. of this QAP. The applicant should articulate their position and may call Minnesota Housing's attention to particular application submissions that were properly and timely submitted by the application deadline. Minnesota Housing will not consider any supporting documentation not previously submitted as part of the application. The appeal letter may must be submitted via email to mhfa.htc.appeals@state.mn.us or mailed to:

~~Minnesota Housing
HTC Administrator
400 Wabasha Street North, Suite 400
St. Paul, MN 55102~~

An applicant is not permitted to contest the scores of other applicants. ~~Notification will be in the form of a selection or non-selection letter. The first business day after the date on this letter will be the first day of the notification period.~~

If ~~the evidence provided by~~ appeal is resolved in favor of the applicant ~~is accepted~~ and the selection points of the project are affected, Minnesota Housing will re-rank all projects in the order of descending selection points. ~~After an additional five-business day period, Minnesota Housing's rankings will stand and reservations for selected projects will be distributed.~~

T. Waiting List

In Round 2, eligible applications that were not selected or that were selected to receive a partial ~~allocation will~~ Allocation may be maintained on a waiting list until the end of the year in the event Minnesota Housing receives an increase in credits due to an IRS formula adjustment, National Pool, or unused and/or ~~any~~ returned HTCs. This excludes a return of credit ~~for~~ from projects requesting a reallocation. A project on the waiting list that is selected for its HTC request through the subsequent Round 1 will no longer be eligible to receive HTCs through the waiting list and will be removed from the list. Projects determined to meet the supplemental priority in accordance with this QAP will receive priority over other applicants. The waiting list will follow Minnesota Housing's order of ranking of competitive HTC points. Generally, projects will be chosen in order; however, depending on IRS rules and requirements, time, and funds available, Minnesota Housing reserves the right to make modifications to the waiting list or incorporate HTCs into subsequent rounds.

Projects placed on the waiting list must be fully evaluated for underwriting and market and financial viability prior to receiving consideration for an HTC ~~allocation~~Allocation. A project must satisfy these reviews to be eligible for selection from the waiting list. If an application is not selected for a reservation of HTCs by the end of the calendar year, there will be no further consideration. An applicant ~~currently~~ on the waiting list whose application is not selected for a reservation of HTCs by the end of the calendar year must submit a completely new application packet in the next funding round, which is a new HTC year, to receive consideration for an HTC ~~allocation~~Allocation.

U. Carryover Allocations

Federal law (IRC Section 42(h)(1)(E) - (F); IRS Treasury Regulation 1.42-6 Carryover Allocation) provides that Minnesota Housing may give a carryover allocation to certain qualified building(s), which are to be placed in service prior to the deadline established by Section 42, as may be extended by relief issued by the IRS. To receive a carryover allocation, the owner must submit a complete carryover application package to Minnesota Housing no later than ~~November~~October 1 of the allocation year for which the reservation was issued.

In the event Minnesota Housing receives an increase in HTCs due to an IRS formula adjustment, National Pool, or unused and/or returned HTCs, Minnesota Housing may allocate HTCs for any additional HTC requests based upon the score of the project's allocation request. This excludes a return of HTCs for projects requesting a reallocation. Generally, projects will be chosen in order; however, depending on IRS rules and requirements, time, and funds available, Minnesota Housing reserves the right to incorporate HTCs into subsequent rounds.

Federal law requires that more than 10% of the expected basis in the project (including land) must be expended by the ~~later of the date,~~ which is one year after the date that ~~the allocation is made or the close of the calendar year in which~~ the allocation is made. A written certified public accountant (CPA) certification must be submitted verifying the owner has incurred required expenditures. As decided by the owner, submission of the CPA certification may be made at the time of carryover application or at a later date as provided for by Section 42 and this QAP. However, the carryover allocation agreement must be executed prior to December 31 of the allocation year for which the reservation was issued.

For a carryover agreement to be valid, it must include, among other things:

1. The amount of the reasonably expected basis at the end of the second year after the ~~initial reservation~~allocation is made; and
2. The ~~carryover~~amount of that expected basis that must be expended or incurred by the date, which is one year from the date of the allocation.

If the final ~~CPA-certified~~CPA-certified carryover basis and expenditure information is not available at the time the carryover application is due, an estimate of the expenditure of greater than 10% of the expected basis must be performed by the owner and submitted to Minnesota Housing no later than ~~November~~October 1 of the allocation year for which the reservation was issued. The final CPA certifications must be submitted to Minnesota Housing prior to the deadlines established by Section 42, as may be extended by relief issued by the IRS, and by no later than Minnesota Housing's submission deadlines identified in Chapter 6.B. Failure to comply with the submission dates will result in significant penalties as outlined in Chapter 8.E. Additional carryover requirements are given in Chapter 6.B.

Minnesota Housing's HTC program carryover procedures are intended to conform to the federal laws and are based upon the limited guidance received from the IRS. At any time, additional IRS guidance may be issued that will require further adjustments to the QAP and additional reviews of developments relating to carryover.

V. Reallocation

Notwithstanding any other provisions of this QAP, when a project that has received a carryover allocation of 9% HTC from Minnesota Housing ~~has~~ determined that it will be unable to place in service by the date required pursuant to Section 42, an owner may request ~~(i)~~(1) that they be able to return the original ~~allocation~~Allocation of HTC and ~~(ii)~~(2) that Minnesota Housing reallocate the same amount of HTC in a future credit year.

Minnesota Housing reserves the right, at its sole discretion, to provide a new ~~allocation~~Allocation of 9% HTCs to a project that received a carryover allocation in a prior calendar year. An owner that requests a return and reallocation will not be required to submit a new application or be scored again under the QAP applicable to the future credit year. To be eligible for this return and reallocation of HTC, at a minimum, the following conditions must be met to Minnesota Housing's satisfaction:

1. The owner must provide written notice to Minnesota Housing in a timely fashion, describing the circumstances surrounding the request, all remedial measures attempted by the developer to mitigate the delay ~~and~~ any other pertinent information related to the inability to meet the required placed in service deadline, as part of their request to return their ~~allocation~~Allocation;
2. The reason for the request must be extenuating circumstances beyond the reasonable control of the owner. These circumstances may include but are not limited to delays such as fire, natural disaster, pandemic ~~or~~ other large-scale issues with a significant impact to the housing industry ~~;~~;

3. The project is economically viable without additional HTC's or other deferred funding from Minnesota Housing; and
4. Minnesota Housing must find that the project in all respects, except time to place in service, still meets the selection criteria and conditions upon which the HTC were originally allocated and the minimum ~~requirement~~ requirements of the QAP applicable to the future credit year, and that the project continues to meet affordable housing needs in the community for which it is planned.

An owner may only return and receive a reallocation once per project. A developer may only return and received a reallocation once per year.

The owner shall submit the required fee listed in Chapter 8 with the written request. The fee is non-refundable regardless of outcome. The request is subject to Minnesota Housing board approval. Applicants should not assume that this reallocation will be automatically provided or rely on this statement when determining the timeline of the proposed project.

Minnesota Housing, in its sole discretion, may assess negative ranking points on subsequent applications from the applicant (or related entity).

A project located in a HUD-designated ~~Difficult-to-Develop Area or Qualified Census Tract~~ DDA or QCT at the time of original ~~allocation~~ Allocation may retain its designation if consistent with Section 42. Effective dates can be based upon year of application or allocation. Refer to the HUD Designation Notice found on HUD's website for additional details.

W. Final Allocations and Awards

Except for carryover allocations, no ~~allocation~~ Allocation or Award of HTC's will be made until a building or project is placed in service and the proper documentation and fees have been received. The final amount of HTC's is determined when the project is placed in service.

Final ~~allocations~~ (Allocations and Awards (IRS Form 8609)) may be requested when all eligible buildings are placed in service and the proper documentation and fees have been received. Minnesota Housing may establish, at its sole discretion, required deadlines prior to year-end for final ~~allocation~~ requests in order to permit timely processing of documents.

If an owner of an HTC development does not intend to obtain a carryover allocation, but instead intends to take a project from HTC reservation directly to placed-in-service status, an ~~allocation~~ Allocation via issuance of IRS Form 8609 must be obtained prior to year-end of the allocation year for which the reservation was issued. For an IRS Form 8609 to be issued by Minnesota Housing prior to year-end, the ~~HTC~~ 8609 application ~~for issuance of such 8609s~~ must be submitted to Minnesota Housing on or before ~~November~~ October 1 of that year.

A project that has neither received a carryover allocation nor has been placed in service and issued appropriate [IRS Form 8609s](#) before December 31 of the year of allocation will lose its entire ~~allocation~~[Allocation](#) of HTC.

The HTC amount that will be allocated [or awarded](#) is based on Minnesota Housing's final determination of the qualified basis for the building or project and a review of the project costs as outlined in the QAP. The ~~allocation~~[Allocation or Award](#) may be reduced to comply with federal law based on the final review of the project.

Prior to final ~~allocation~~[Allocation or Award](#), the project owner is required to execute and record a LURA.

Non-compliance with the terms of a preliminary determination of HTCs or a carryover allocation ~~will~~[may](#) result in a loss of HTCs.

X. Monitoring for Compliance

Federal law requires that Minnesota Housing provide a procedure to monitor for compliance with Section 42 and to notify the IRS of noncompliance. Minnesota Housing is required to apply the monitoring procedure to all HTC projects developed within Minnesota Housing's jurisdiction, including HTCs issued in connection with tax-exempt volume limited bonds since the inception of the HTC program. Minnesota Housing will perform such duties in accordance with its Housing Tax Credit Compliance Guide. HTC projects must comply with the Housing Tax Credit Compliance Guide as it may be amended. In general:

1. All HTC recipients must submit an annual certification to Minnesota Housing in a manner, form, and time established by Minnesota Housing. Owners are required to certify whether or not the property is in compliance with Section 42 ~~regulations~~[and the applicable Treasury Regulations](#) and whether or not the property complies with the restrictions and/or set-asides under which the HTCs were allocated [or awarded](#). The certification will include, but is not limited to, certification statements required under IRS Treasury Regulation 1.42-5, the submission of completed IRS forms, and occupancy data including demographic data, income, student status, and rent. Annual monitoring fees will be due when the owner certification is due.
2. Minnesota Housing will conduct periodic inspections, including reviewing tenant files (including tenant applications, verification of income and income from assets, the tenant income certification, ~~and~~ documentation of eligible student status, etc.), a [completing a](#) physical inspection using HUD's ~~Uniform Physical Conditions~~[National](#) Standards, [for the Physical Inspection of Real Estate](#) and reviewing administrative records (including utility allowance and

source documentation, tenant selection plans, marketing, Affirmative Fair Housing Marketing Plan, etc.) in accordance with the HTC Compliance Guide. If a property received its HTC ~~allocation~~Allocation or Award based on serving specific targeted population(s), administrative records and/or tenant files must demonstrate that the property and/or unit is serving such population(s). Minnesota Housing will conduct its first monitoring inspection no later than the end of the second year of the compliance period.

3. A similar monitoring inspection will be conducted at least once every three years during the 15-year compliance period. Less frequent inspections may be conducted after the 15-year compliance period has expired. Minnesota Housing, at its sole discretion, reserves the right to conduct more frequent inspections.
4. ~~Minnesota Housing must have access to all official project records, including IRS reporting forms, upon reasonable notification.~~ All official project records or complete copies of such records, including IRS reporting forms, must be made available to Minnesota Housing upon request.
5. To accomplish its compliance monitoring responsibilities, Minnesota Housing will charge a ~~per-unit~~per-unit monitoring fee beginning with the first credit year. The fee will be due annually throughout the compliance period and extended use period. Refer to Sections 4.02 and 9.05 of the Housing Tax Credit Compliance Guide for details on the fee amount. Minnesota Housing reserves the right to adjust the fee depending upon the requirements of the U.S. Treasury, IRS, or Minnesota Housing's increased cost to monitor. The fee will be due in a manner and time as prescribed by Minnesota Housing. Minnesota Housing will provide prompt written notice to the owner of a low-income housing project if Minnesota Housing does not receive the annual certification and supporting documentation described above or discovers in an audit, inspection, or review, or in some other manner, that the project is not in compliance (or Minnesota Housing cannot determine the project is in compliance because the owner will not cooperate with or respond to monitoring requests) with the provisions of Section 42: and the applicable Treasury Regulations. The owner will be given a period of time to make corrections and supply evidence to Minnesota Housing that corrections have been made. Minnesota Housing will file Form 8823, Housing Credit Agencies Report of Non-Compliance, with the IRS no later than 45 days after the end of the correction period regardless of whether the noncompliance has been corrected.
6. Properties that received an HTC ~~allocation~~Allocation in 1990 and later are subject to a minimum 15-year extended use period, which begins after the close of the 15-year compliance period. Compliance requirements and monitoring procedures for properties in the extended use period are contained in Chapter 9 of the HTC Compliance Guide.
7. All project owners must maintain records in accordance with IRS Treasury Regulation 1.42-5. Refer to Chapter 3 of the HTC Compliance Guide for details.

Y. Qualified Contract

All properties will be subject to a LURA with a term of 30 years or longer. Section 42(h)(6)(E)(i)(II) of the IRC created a provision that housing credit agencies respond to the request for presentation of a Qualified Contract for HTC developments with expiring compliance periods. The request for presentation of a Qualified Contract is a request that the housing credit agency find a buyer (who will continue to operate the property as a qualified low-income property) to purchase the property for a qualified contract price pursuant to IRS regulations. If the housing credit agency is unable to find a buyer within one year, the extended-use period is terminated, subject to a three-year period following its termination, where existing low-income tenants cannot be evicted or have their tenancy terminated, other than for good cause, and rents cannot exceed the allowable HTC rent limits.

Owners of properties that receive 4% or 9% HTCs are required by Minnesota Housing to waive the right to request a Qualified Contract.

Z. Tenant Selection Plan

Minnesota Housing requires that a Tenant Selection Plan (TSP) be readily available to anyone interested in such TSP for review and/or retention. Minnesota Housing will not develop or provide ~~such~~ a TSP to owners or management companies. The TSP must be developed and implemented in accordance with Minnesota Housing's Tenant Selection Plan Guidelines document, which is published on Minnesota Housing's website.

AA. Other Conditions

No member, officer, agent, ~~or~~ employee of Minnesota Housing will be personally liable concerning any matters arising out of, or in relation to, the allocation ~~and~~ award or monitoring of HTCs.

BB. Amendments and Revisions to the Qualified Allocation Plan

This QAP has been prepared to comply with Section 42 and applicable state and federal requirements.

The QAP is subject to modification or amendment at any time to help ensure that the provisions conform to the requirements of the IRC and other federal and state requirements, to make population and date changes as needed, to facilitate the ~~award~~ allocation of HTCs that would not otherwise be ~~awarded~~ allocated, and to address unforeseen circumstances.

Minnesota Housing may make non-substantive administrative modifications to provisions of the QAP not mandated by Section 42 to the extent deemed necessary to facilitate the administration of the HTC program.

A substantive amendment to this QAP will occur only after public notice and public hearing. Any substantive amendments will require approval of the Minnesota Housing board and the governor or appropriate approval entity. Non-substantive amendments may be made by the Minnesota Housing board. The Minnesota Housing board is authorized to waive any conditions of this QAP that are not mandated by Section 42 on a case-by-case basis for good cause shown. Written explanation will be made available to the general public [via the Minnesota Housing website](#) for any ~~allocation~~[Allocation or Award](#) of HTC's that is not made in accordance with Minnesota Housing's established priorities and selection criteria.

To the extent that anything contained in the QAP does not meet the minimum requirements of federal law or regulations, such law or regulation will take precedence.

Chapter 3 – Federal Program Requirements

A. Eligible Activities

Eligible activities for HTC include new construction, rehabilitation, or acquisition with rehabilitation.

B. Applicable Percentage

There are two levels of applicable percentage, depending upon whether the building is new or existing, whether there are rehabilitation expenditures and whether the buildings are federally subsidized.

1. **New Buildings and Qualifying Rehabilitation Expenditures (if neither is federally subsidized):** With respect to new buildings or qualifying rehabilitation expenditures that are not subsidized, the applicable percentage is an amount resulting in aggregate HTCs having a present value of 70% of qualified basis. Traditionally, this has resulted in an HTC percentage of approximately 9%.
2. **New Buildings and Qualifying Rehabilitation Expenditures that are Federally Subsidized and Existing Buildings:** With respect to new buildings and qualifying rehabilitation expenditures that are federally subsidized and the acquisition of existing buildings that are rehabilitated, the applicable percentage is an amount that results in aggregate HTCs having a present value of 30% of qualified basis. Traditionally, this has resulted in an HTC percentage of approximately 4%.

~~The 9% and 4% HTC percentages represent the maximum potential rate.~~

Applicants are strongly advised to consult closely with their HTC professionals (legal and tax) for guidance with respect to structuring a project to use either the 9% or the 4% HTC.

C. Qualifying Rehabilitation

Rehabilitation expenditure requirements are established both by state and federal law.

Under Section 42(e), rehabilitation expenses qualify for HTCs if the expenditures for each building:

1. Are able to be ~~awarded~~allocated to one or more low-income units or substantially benefit one or more low-income units; and
2. Are equal to the greater of:

- a. An average qualified basis amount per low-income unit for a building that meets the inflation adjusted amount published by the IRS annually in accordance with Section 42(e)(3)(D); or
- b. An amount that is not less than 20% of the adjusted basis of the building, as determined pursuant to Section 42(e)(3).

In addition to the Section 42(e) requirements, Minnesota Statutes ~~Section~~, [section](#) 462A.221, ~~Subdivision~~[subdivision](#) 5 requires rehabilitation expenditures for the project of an average of at least \$5,000 per unit.

It is necessary to acquire an existing building in order to incur qualifying rehabilitation expenditures with respect to that building. In such a case, the costs of acquiring the existing building may be eligible for the 30% present value HTC and the rehabilitation expenditures may be eligible for the 70% present value HTC.

D. Existing Buildings

Existing buildings must meet the requirements of Section 42(d)(2). In order for an existing building to qualify for the 30% [present value](#) acquisition HTC in connection with rehabilitation, the building must meet the 10-year requirement (10-year rule), in accordance with Section 42(d)(2)(B) and have a period of at least 10 years between the date the building was acquired and the date it was last placed in service.

The 10-year rule also applies to existing HTC projects applying for a new ~~allocation~~[Allocation](#) of acquisition HTCs at the end of the original 15-year compliance period.

E. Exceptions to the 10-Year Rule

Exceptions to the 10-year rule are provided in Section 42(d)(6) for ~~federal or state-assisted~~[federally- or state-assisted](#) buildings, certain low-income buildings subject to mortgage prepayment, and buildings acquired from insured financial institutions in default. Certain other situations may be exempt from the 10-year rule, such as:

1. A person who inherits a property;
2. A government unit or qualified nonprofit group if income from the property is exempt from federal income taxation;
3. A person who gains a property through foreclosure (or instrument in lieu of foreclosure) of any purchase money security interest, provided the person resells the building within 12 months after placing the building in service following foreclosure; [and/or](#)
4. Single family residences that had no use during the prior 10-year period, except as an owner-occupied principal residence, will not be treated as being placed in service for purposes

of the 10-year holding period. Note that although the 10-year rule does not apply, the property must still be rehabilitated to claim the acquisition costs of such a property.

F. Federal Subsidies

The determination of whether a building is federally subsidized is addressed in Section 42(i)(2). In general, a building is treated as federally subsidized if there is financing with interest that is exempt from tax under Section 103 of the IRC, and the proceeds of which were used (directly or indirectly) in the building or its operation.

Federal grants are not to be taken into account in determining eligible basis. The eligible basis of a building must not include any costs financed with the proceeds of a federally funded grant.

Owners of a property receiving a federal subsidy have the option of treating the subsidy amount as if it were a federal grant and deducting the amount of the subsidy from the qualified basis or costs against which the amount of the HTC is calculated.

~~G. Review of Federally Assisted Projects~~

~~Minnesota Housing will review projects using Rural Development Section 515 Rural Housing Loan funds in accordance with Minnesota Housing's currently approved underwriting practices and procedures. To achieve a coordinated underwriting to the extent reasonably possible, it is the responsibility of the applicant to provide Minnesota Housing with available underwriting requirements and other requirements for the project that have been established by Rural Development. Prior to issuance of the IRS Form 8609, the applicant must submit to Minnesota Housing a copy of RD Form 3560-51, Multiple Family Housing Obligation — Fund Analysis for reference in the determination of the final allocation of HTCs to a project.~~

G. ~~H.~~ Federal Subsidy Layering Review

Section 911 of the Housing and Community Development Act of 1992 requires that specific procedures be followed for subsidy layering review when HTCs and HUD assistance are combined in a single project. Sponsors of projects that combine HUD assistance and HTCs should be aware that a subsidy layering review must be completed for their projects and should contact Minnesota Housing to receive additional information prior to submitting their application.

Suballocators are responsible for ensuring that subsidy layering reviews are completed for developments within their jurisdiction where they are the Allocating Agency.

Subsidy layering review is required for ~~the following programs~~, but not limited to, [the following programs](#):

1. ~~U.S. Housing and Urban Development (HUD)~~ Risk Sharing Insurance
2. Section 8 Project-Based Rental Assistance
3. HOME Investment Partnerships Program (HOME)
4. National Housing Trust Fund (NHTF)

~~At a minimum, the following documents must be submitted:~~

- ~~1. Partnership (Syndication) Agreement, spelling out the equity contributions and dates of disbursement; and~~
- ~~2. The Multifamily Workbook~~

H. ~~H.~~ Minimum Set-Aside Election

Applicants must set aside a minimum number of units that meet both rent and income restrictions to qualify for HTCs for each year of the HTC period. [Multifamily Tax Subsidy Project \(MTSP\) income limits, which are published by HUD, are established for different geographical areas.](#) A project must meet one of the following minimum tests no later than the close of the first year of the credit period and for the full term of the LURA:

1. **20/50 Test (20% at 50% MTSP):** To meet the 20/50 test, a minimum of 20% of the residential units must be both rent restricted and occupied by individuals whose income is at or below the 50% ~~Multifamily Tax Subsidy Project (MTSP)~~ income limit, ~~as established for different geographical areas and published by the U.S. Department of Housing and Urban Development (HUD)~~, adjusted for family size.
2. **40/60 Test (40% at 60% MTSP):** To meet the 40/60 test, a minimum of 40% of the residential units must be both rent restricted and occupied by individuals whose income is at or below the 60% MTSP income limit, adjusted for family size.
3. **Average Income Test (AIT):** To meet the AIT, a minimum of 40% of the residential units must be both rent restricted and occupied by individuals whose imputed income average at initial occupancy is at or below the 60% MTSP income limit, adjusted for family size. The set-aside allows projects to restrict a percentage of units at higher rent and income levels by agreeing to restrict a percentage of its units at lower rent and income levels. The allowable income and rent limit restrictions are the 20%, 30%, 40%, 50%, 60%, 70% and 80% MTSP limits. Only properties that are 100% HTC restricted are eligible to elect the AIT, and the owner must agree [to](#) and make a proper election per IRS instructions to treat all buildings as one multiple building project. If the AIT is elected, the owner also agrees to maintain the number of 20%, 30%, ~~and~~ 40% units throughout the extended use period that it represented in its application. The required number of units will be set forth in the LURA and cannot be changed without Minnesota Housing's prior written approval. The units may float throughout the property, but

the owner should be aware of potential fair housing concerns if the lower income and rent restrictions are not available in units with larger bedroom sizes.

After the initial HTC application has been submitted to Minnesota Housing and the project has been selected, the minimum set-aside cannot be changed without Minnesota Housing's prior written approval. Owners must demonstrate good cause for requesting a change. Once ~~form~~ [the IRS Form 8609\(s\)](#) ~~8609~~ are filed with the ~~Internal Revenue Service~~ [IRS](#), the minimum set-aside election is irrevocable.

All HTC units must comply with the respective minimum set-aside income and rent election. 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 at or below 50% MTSP.

The actual number of restricted units within the project must be consistent with the initial applicable fraction selected at the time of application. Also, the IRS defines each building as a separate project unless the owner elects to treat certain buildings as a multiple-building project on IRS ~~form~~ [Form 8609](#). Refer to the 8609 instructions for making a multiple-building election on ~~form~~ [IRS Form 8609](#).

The AIT is not an available minimum set-aside election under IRC Section 142 for tax-exempt bonds. Owners of properties financed with tax-exempt bonds may elect the AIT for the HTC ~~allocation~~ [Allocation](#) but will have to comply with the 20/50 or 40/60 minimum set-aside for bonds **AND** the AIT minimum set-aside for HTCs.

I. ~~J.~~ Affordable Rents

The rent restrictions for the units are governed by Section 42 and regulations, rulings, ~~and~~ and other announcements by the IRS. The following summary is not intended to be comprehensive. A violation of the tenant income or ~~rental~~ [rent](#) restrictions in Section 42 may result in project ineligibility or a reduction in basis and/or HTC amount.

For a unit to count as a low-income unit, the gross rent may not exceed 30% of the imputed tenant income limitation. The imputed income limitation applicable to a unit equals the permissible income limitations that would apply if the number of individuals occupying the unit were:

1. One individual in the case of a studio apartment; and
2. 1.5 individuals per bedrooms in the case of a unit with one or more separate bedrooms.

Therefore, the rent restrictions applicable to a low-income unit are determined by which test is elected and how many bedrooms are contained in the unit. Current income limits, as ~~derived~~ [from published by](#) HUD, for Minnesota counties are described in the Rent and Income [Limits](#) tables

found ~~in~~on the ~~Multifamily Common Application Reference Materials section~~Housing Tax Credit page of the Minnesota Housing website.

For HTC compliance purposes, “gross rent” means all payments by the tenant, including non-optional charges and payments for utilities other than telephone and cable. If the tenant pays utilities directly, the maximum rent that can be paid to the landlord is reduced by a utility allowance ~~determined in accordance with rules under Section 8 of the U.S. Housing Act of 1937 (Section 8).~~ IRS Treasury Regulation 1.42-10 Utility Allowance, as amended, provides guidance relating to utility allowances and lays out options for establishing them.

The following is a summary of the sources of utility allowances:

1. USDA Rural Housing Service (RHS) financed projects, or units with tenants receiving RHS assistance, must use the RHS utility allowance.
2. HUD regulated buildings must use the HUD utility allowance (project-based HUD financing).
3. Any individual apartments occupied by residents who receive HUD assistance (Section 8 Existing, etc.), must use the HUD utility allowance from the Public Housing Authority (PHA) administering the assistance.
4. For Section 42 buildings without RHS or HUD assistance, the following options may be used:
 - a. A PHA utility allowance from the local housing authority administering Section 8 Housing Choice Vouchers for the area in which the property is located;
 - b. A utility company estimate;
 - c. An Average of Actual Consumption using methodology described in the HUD published Multifamily Notice H2015-4A HUD Utility Schedule Model;or
 - d. An Energy Consumption Model using an energy and water and sewage consumption and analysis model.

The HTC Compliance Guide provides additional information and instructions for implementing utility allowances.

Federal, state,~~r~~ and local rental assistance payments (such as Section 8 payments) made on behalf of the tenant are not included in gross rent.

Additional rent restrictions may apply if the ~~allocation or award~~Allocation or Award of HTCs was made based on such additional restrictions.

J. ~~K~~**Tenant Eligibility**

To be a low-income unit for purposes of determining the qualified basis, the tenant must have income at or below 50% of the applicable MTSP income limits if the 20/50 test is elected or 60% of MTSP income limits if the 40/60 test is elected. If the AIT is elected, the tenant must have income at or

below the correct percent of MTSP income limits according to unit designation. The allowable income limit restrictions under the AIT are the 20%, 30%, 40%, 50%, 60%, 70%, and 80% MTSP limits. The unit must be rent restricted as set forth above, and the unit must be suitable for occupancy.

The combined household income of all tenants occupying an HTC eligible unit must be less than or equal to the elected income requirements as shown on Rent and Income Limits. Section 42 does not allow households comprised of full-time students to qualify as low-income units unless certain exceptions are met. 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:

1. 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;
2. 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;
3. 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));
4. 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; or
5. At least one member of the household was previously in foster care.

Households are required to certify student status annually, no later than the anniversary date of the previous certification. Refer to Section 5.11 of the HTC Compliance Guide and Chapter 17 of the ~~HTC~~ [ComplianceIRS](#) Guide for Completing Form 8823, Low-Income Housing Credit Agency's Report of Noncompliance or Building Disposition [Audit Technique Guide](#), for additional guidance.

K. ~~↳~~ **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 IRC 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:

1. The eligible basis may be increased for new buildings and rehabilitation to existing buildings that are located in designated QCTs, DDAs, or in 9% HTC developments utilizing the state designated basis boost. [See Chapter 2.Q.](#)

2. The cost of the non-low-income residential units in a building is included in eligible basis only if the quality of those units does not exceed the average quality of the low-income units. If the cost of a non-low-income unit exceeds the cost of a low-income unit (using the average cost per square foot and assuming the same size) by more than 15%, the entire cost of the non-low-income unit must be excluded from the building's eligible basis. If the excess cost is not more than 15%, the owner may make an election to exclude only the excess cost of the non-low-income unit(s) from eligible basis.
3. 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 available to all tenants in the project.
4. The cost of a community service facility is included in basis only if the building is located in a QCT. The eligible basis of that facility must not exceed 25% of the first \$15 million of eligible basis plus 10% of additional basis in the project. All community service facilities that are part of the same qualified low-income housing project will be treated as one facility. A community service facility is defined as a facility that is part of the qualified low-income housing project designed to serve primarily individuals, including tenants and non-tenants, whose income is 60% or less of area median income. ~~Only limited guidance has been issued by the IRS regarding this issue. No assurances can be given that additional IRS guidance will not require further adjustments to this QAP and additional reviews of selected developments.~~
5. Eligible basis is reduced by federal grants, residential rental units that are above the average quality standard of the low-income units, historic rehabilitation credits, and nonresidential rental property. Buildings located in areas designated as a QCT, DDA, or developments utilizing the state designated basis boost may ~~be eligible~~ qualify for an increase in ~~allowable~~ eligible basis.

L. ~~M.~~ Qualified Basis

Qualified basis is the portion of the eligible basis applicable to low-income housing units in a building. Qualified basis is the product of a ~~project's~~ building's eligible basis multiplied by the applicable fraction.

M. ~~N.~~ Applicable Fraction

The applicable fraction is the lesser of:

1. The unit fraction, which is the number of low-income units in a building divided by the total number of residential rental units in the building; or

2. The floor space fraction is the total floor space of the low-income units in the building divided by the total floor space of the residential rental units in the building.

A full-time resident manager's unit is not considered a residential unit and shall be excluded from the numerator and denominator for calculating the applicable fraction.

At initial application and at carryover, the **estimated project applicable fraction** will be used. It is calculated by project in order to obtain a rough estimate of the percentage of eligible units and square footage needed and an estimate of the total amount of HTCs necessary for a particular project.

At the time that the placed in service application for 8609 is made, the **targeted applicable fraction for each building** is calculated. The targeted applicable fraction is determined on a building-by-building basis. Each building in a multiple building development could have a different applicable fraction. Because the estimated project applicable fraction is approximate, the targeted applicable fraction calculated by building will frequently differ unless the project has a 100% applicable fraction. The targeted applicable fraction is also listed as part of the extended use criteria in the LURA, which is recorded and remains with the property.

N. ~~Q.~~ Annual HTC Amount

The HTC is available each year for 10 years. The amount of HTCs allocated or awarded is based on the qualified basis multiplied by the applicable percentage. However, Section 42(m)(2) requires Minnesota Housing to limit the amount of HTCs to the amount necessary to help ensure project feasibility under the rules established by the IRS; therefore, the actual amount of HTCs allocated or awarded could be less than the maximum allowable if the analysis reveals the project would still be feasible with fewer HTCs.

The IRS publishes the applicable percentages on a monthly basis. These figures are used to calculate the maximum allowable annual HTC amount for which the project will be eligible (also refer to Chapter 3.B.).

O. ~~P.~~ Declaration of Land Use Restrictive Covenants

As a condition of receiving HTCs, a project will be subject to a Declaration of Land Use Restrictive Covenants (LURA) between the owner and Minnesota Housing through which the owner commits the building(s) to low-income use for an extended use period of at least 15 years after the conclusion of the 15-year compliance period (a total of 30 years). The owner can elect to extend the term of the LURA and Section 42 income and rent restrictions up to 50 years. Owners of properties that receive 4% or 9% HTCs are required by Minnesota Housing to waive the right to request a Qualified Contract (refer to Chapter 2.Y.).

The LURA terminates upon foreclosure of the building (or deed in lieu of foreclosure) unless the ~~Secretary~~IRS determines that such acquisition is part of an arrangement with the taxpayer, a purpose of which is to terminate such period.

Throughout the term of the LURA and for a three-year period after the termination or expiration of the LURA, the owner must not evict or terminate the tenancy of an existing tenant of any low-income unit other than for good cause and must not increase the gross rent above the maximum allowed under the IRC with respect to such low-income unit.

The LURA must be recorded in accordance with Section 42(h)(6) as a restrictive covenant and submitted to Minnesota Housing prior to Minnesota Housing issuing the ~~allocation or award~~ (IRS Form 8609). The LURA will set forth the commitments made by the owner to Minnesota Housing in obtaining points, including any additional long term requirements placed upon the building at the time of ~~reservation~~Selection. Non-compliance with ~~these additional conditions~~the LURA may result in serious penalties ~~being applied to the owner entities that could result in a ban on future allocations of~~ HTCs being made to the owner entities, including but not limited to HTC disallowance or recapture and ineligibility for Minnesota Housing resources, including HTCs. Both Minnesota Housing and certain prospective, current or former tenants have, in addition to all other remedies provided by law or in equity, the right to enforce specific performance of the LURA. At its sole discretion, Minnesota Housing reserves the right to waive any criteria or requirement not required by law.

P. ~~Q.~~ **Ineligible Properties**

Any residential rental unit that is part of a hospital, nursing home, sanitarium, life care facility, trailer park, ~~or~~ intermediate care facility for the mentally and physically handicapped is not for use by the general public and is not eligible for HTCs under Section 42. Projects with buildings having four or fewer residential units must comply with Section 42(i)(3)(~~e~~C).

Q. ~~R.~~ **Passive Loss Restrictions**

There is a limit on the amount of HTCs any individual may effectively use due to passive loss restrictions and alternative minimum tax provisions. Consult your tax attorney or accountant for clarification of this regulation.

R. ~~S.~~ **State ~~Volume~~ Credit Ceiling Limits**

Each state is limited to the amount of 9% HTCs it may allocate annually. An estimate of Minnesota's annual ~~per capita volume limit~~credit ceiling is published on Minnesota Housing's website prior to allocation in Round 1.

Projects financed by tax-exempt volume limited bonds that are subject to a separate volume limitation are not counted against the state HTC ~~volume limit~~credit ceiling (refer to Chapter 7 for further details).

S. ~~T. Recapture~~Loss of Credits

Minnesota Housing reserves the right to ~~recapture HTCs from~~cancel a Selection or Allocation of HTCs to projects that do not provide evidence satisfactory to Minnesota Housing of progress toward completion of the project in accordance with the project schedule, ~~or~~ or noncompliance with the terms of the ~~allocation~~Selection or Allocation.

Part of the HTCs will also be disallowed or recaptured by the IRS if the qualified basis at the close of any year is less than the amount of such basis at the close of the preceding taxable year, ~~or~~ or if the minimum number of qualified low-income units is not maintained for the complete extended use period.

T. ~~U.~~Market Study

IRC Section 42(m)(1)(A)(iii) requires that all HTC projects conduct a comprehensive market study before an Allocation or Award is made. The study must examine the housing needs of low-income individuals in the area to be served by a developer's HTC project and must be conducted by a disinterested party, at the developer's expense, who is approved by the housing credit agency (refer to the Market Study Guidelines on Minnesota Housing's website).

U. Right of First Refusal

IRC Section 42(i)(7) permits qualified nonprofit organizations to hold a right of first refusal (ROFR) to purchase the property after the close of the compliance period. Minnesota Housing requires that all 4% and 9% HTC projects that involve ownership by a qualified nonprofit organization grant such a ROFR to the nonprofit, on the condition that the nonprofit continue to operate the project as an HTC project for at least the remaining term of the LURA. This includes all HTC projects that involve ownership by a qualified nonprofit organization, not only projects that receive HTC under the nonprofit set aside. Projects that elect Eventual Tenant Ownership as described in Chapter 3.W. are exempt from this requirement.

The ROFR permitted by Section 42(i)(7) is not the same as a right of first refusal under statutory, court-interpreted or common law. The ROFR cannot be conditioned upon receipt of a bona fide purchase offer from any party, including an unrelated third party. The ROFR purchase price must be calculated as the minimum purchase price permissible under Section 42. This ROFR purchase price must not automatically include unpaid fees or loans and must be calculated by the project

accountants and deemed final other than due to manifest error. The ROFR must be included in the partnership/operating agreement, must be recorded against the property and will be reflected in the HTC legal agreements and in the LURA.

V. Eventual Tenant Ownership

Minnesota Housing will review projects incorporating eventual tenant ownership (ETO) provisions in accordance with ~~See~~Section 42(h)(6), IRS Revenue Ruling 95-49~~,~~ and Minnesota Housing's requirements. Projects that include ~~eventual tenant ownership~~ETO will receive a preference during the selection process when reviewing tie breakers (refer to Chapter 5.~~CD~~).

The LURA will contain provisions ensuring compliance with these ETO commitments by the owner, including a ~~right of first refusal~~ROFR allowing tenants to purchase their units.

Until the time the HTC units are purchased by qualified tenants or in the event that not all HTC units are acquired by qualified tenants, the owner will extend the duration of low-income use for the full term of the LURA (refer to the Eventual Tenant Ownership Guide on Minnesota Housing's website).

W. Contract Compliance, Equal Opportunity~~,~~ and Fair Housing Policy

It is the policy of Minnesota Housing to practice affirmative action to provide equal opportunity in all our projects, programs~~,~~ and other endeavors. Minnesota Housing's goal is to achieve a client and recipient mix that is representative of the people who live in our state and our communities so that all employment and contractual benefits that develop as a result of our programs will be shared by all Minnesotans. This policy applies to all Minnesota Housing employees and Minnesota Housing's external partners.

Purpose

The purpose of this policy is to make Minnesota Housing's commitment to act affirmatively to achieve equal opportunity in all facets of its operation, clear to both internal staff and outside parties with whom we do business.

Goals

Our goal is to make certain that Black-, Indigenous-, People of ~~Color,~~Color-owned business enterprises and women-owned ~~businesses~~business enterprises have equal access to business opportunities ~~on~~resulting from Minnesota Housing-assisted developments. Minnesota Housing ~~financed projects and to encourage the presence of~~expects that projects that receive Allocations or Awards of HTC from Minnesota Housing will comply with the marketing and outreach requirements and performance goals described in the Multifamily Division Black, Indigenous, and People of ~~Color,~~

~~and women at all levels, including on the staffs of the program participants having contractual agreements with~~ [Color-owed Business Enterprise and Women-owned Business Enterprise Compliance Standards available on the Minnesota Housing](#). ~~Minnesota Housing's goal is to make certain that the workforces on the projects and programs that it finances reflect demographically the areas in which the projects are located. These goals apply for the length of the contract or the life of the mortgage. Minnesota Housing, at its sole discretion, may set numerical or percentage goals dependent on the location and size of a given project. Goals will be determined by staff based on the location of the project.~~ [website.](#)

Requirements

Minnesota Housing is required to comply with all applicable local, state, and federal laws. These requirements extend to everyone that Minnesota Housing does business with, either by contractual agreement or as a Minnesota Housing policy.

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, ~~as well as~~, [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; ~~or.~~
- ~~Refuse to make reasonable accommodations or modifications for persons with disabilities.~~

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 require ~~housing providers~~ those in the business of buying and selling dwellings to make reasonable accommodations and to allow ~~people~~ persons with disabilities to make reasonable modifications.

~~Affirmative Fair Housing Marketing Regulations, held as centrally important by Minnesota Housing, require that each applicant carry out an affirmative marketing program to attract prospective buyers or tenants in the housing market area who are least likely to apply, regardless of race, creed, color, religion, sex, national origin, marital status, status with regard to public assistance, disability, sexual orientation, gender identity, or familial status. Except as determined by Minnesota Housing, all applicants must submit an Affirmative Fair Housing Marketing Plan (AFHMP) documenting an acceptable plan to carry out an affirmative marketing program. Throughout the Extended Use Period, owners must regularly update their AFHMP and maintain a copy with their property records.~~

Applicants will be required to submit an Affirmative Fair Housing Marketing Plan (AFHMP) 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 receiving HTC 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 ~~Section 8~~ Housing Choice Voucher or other form of tenant-based rental assistance.

X. Occupancy Restrictions

Under the HTC general public use ~~regulations~~requirement, residential rental units must be for use by the general public, which incorporates HUD housing policy governing non-discrimination. Residential units provided only for a member of a social organization or provided by an employer for its employees are not considered ~~for~~ use by the general public and are examples of restrictions not allowed under the HTC program. Minnesota Housing has an obligation to affirmatively further fair housing, and occupancy restrictions must comply with the Fair Housing Act ~~and~~, the Minnesota Human Rights Act and other civil rights laws. Projects must also comply with any occupancy ~~limitations~~restrictions imposed ~~by any additional source of~~ in connection with any other funds provided by Minnesota Housing. Age-related occupancy restrictions or preferences will be approved only if set out in the QAP or if the property qualifies as housing for older or elderly persons under the Fair Housing Act ~~and~~, the Minnesota Human Rights Act and their federal regulations.

Chapter 4 – Development Standards

All applications to Minnesota Housing for HTC's will be evaluated according to the following standards. (~~small~~Small projects, local Community Development Initiative projects, and projects developed in a DDA may be considered eligible for variances from these standards, if justified).

A. Project Cost Reasonableness

Minnesota Housing will evaluate the costs of each proposed project in comparison to current comparable projects to determine whether the proposed costs are reasonable, taking into consideration unique characteristics of the project and its comparability to similar projects. Additional documentation will be required if the proposed costs are not comparable or reasonable.

HTC projects are subject to Minnesota Housing's Development Costs and Predictive Cost Model policy. Minnesota Housing will use its ~~predictive cost model~~Predictive Cost Model to test cost reasonableness for all projects. The model uses cost data from ~~HTC~~ properties that have received Minnesota Housing funding or HTC, industry cost data from RSMeans, and a regression analysis to predict total project costs. Based on a project's characteristics (type of development activity, building type, building characteristics, average unit size, project size, project location, population served, financing, etc.), the model predicts the total development costs. If a project's proposed costs exceed the applicable threshold set out in board policy, board action may be required. Developments with costs above the Predictive Cost Model may be notified and, if requested by the owner, will follow Minnesota Housing's process to determine if a waiver will be granted.

Minnesota Housing will evaluate the cost reasonableness of proposed acquisition costs through an as-is appraisal. Refer to the Minnesota Housing Multifamily Underwriting Standards for additional as-is appraisal requirements and details.

Minnesota Housing reserves the right to reject applications that appear, at Minnesota Housing's sole discretion, to have excessive costs, or to size ~~its award~~an Allocation or Award based on the lesser of the option/purchase agreement purchase price or the appraised value of the property.

B. Eligible Basis HTC Fees

Minnesota Housing will limit the amount of developer fees and general contracting fees (~~Contractor's Profit, General Requirements, Contractor's Overhead~~contractor's profit, general requirements, contractor's overhead) based on the requirements contained in the Minnesota Housing Multifamily

Underwriting Standards for the purposes of calculating eligible basis to determine the amount of HTC.

~~Syndication-related~~Syndication-related consultant fees are not to be included in the eligible basis of the project.

C. Reserves/Contingencies

Minnesota Housing will require documentation of the amount and disposition of reserves/contingencies. If they revert back to the developer, general partner, ~~and~~/managing member or any entity with an ownership interest in the project, Minnesota Housing will consider the reserves/contingencies as deferred developer fees and the above limits will apply. For letters of credit, bonds, etc., use the actual cost, not face value, when completing the development cost section of the Multifamily Workbook.

D. Comparative Analysis

Notwithstanding these development standards and the selection criteria within this QAP, each ~~and every~~ proposed project is analyzed on a comparative basis in a variety of categories to ensure the highest value for the HTCs allocated and awarded.

E. Property ~~Standard~~Standards

Minnesota Housing encourages sustainable, healthy housing that optimizes the use of cost-effective durable building materials and systems and that minimizes the consumption of natural resources during construction, and in the long-term, ~~and~~ maintenance and operation.

All completed developments **must** comply with the Minnesota Overlay to the Enterprise Green Communities Criteria and Minnesota Housing's Rental Housing Design/Construction Standards.

~~Minnesota Housing will not allow any significant~~Significant adjustments to these standards ~~without~~require prior approval ~~from Minnesota Housing~~

Additional design requirements will also be imposed if a developer claims and is awarded certain points on the Self-Scoring Worksheet (refer to Chapter 6).

The owner and architect must certify compliance with all required Minnesota Housing Rental Housing Design/Construction Standards, and where points have been awarded, that all applicable standards and development features have been incorporated into the final working plans.

Chapter 5 – Project Selection

A. First Round – Application Requirements

Minnesota ~~Statute~~Statutes, section 462A.222 ~~Subdivision, subdivision~~ 3(e) requires that all applications statewide applying for a portion of the state's HTC ~~volume cap~~credit ceiling in Round 1 meet one of the following minimum threshold types. The threshold type that the applicant applies under will become part of the HTC Reservation and Commitment. ~~It and~~ will be ~~secured by~~included in the LURA ~~for the term of the compliance period and, as applicable, the extended use period~~. An Allocating Agency will allocate HTCs only to the following types of projects:

1. In the Metropolitan Area:
 - a. New construction or Substantial Rehabilitation in which, for the term of the extended use period (term of the LURA), at least 75% of the total HTC units are single room occupancy, efficiency, ~~or~~ one-bedroom units with rents affordable to households whose income does not exceed 30% of the area median income. ;
 - b. New construction or Substantial Rehabilitation family housing projects that are not restricted to persons 55 years old or older in which, for the term of the extended use period (term of the LURA), at least 75% of the total HTC units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms. ; and
 - c. Substantial Rehabilitation projects in neighborhoods targeted by the city for revitalization.
2. Outside the Metropolitan Area:
 - a. Projects that meet a locally identified housing need, ~~or~~ and which are in short supply in the local housing market, as evidenced by credible data submitted with the application.
3. Projects that are not restricted to persons of a particular age group and in which, for the term of the extended use period (term of the LURA), a percentage of the units are set aside and rented to persons:
 - a. With a serious and persistent mental illness as defined in Minnesota Statutes ~~§, section~~ 245.462, Subdivisionsubdivision 20, paragraph (c);
 - b. With a developmental disability as defined in United States Code, ~~title~~Title 42, Section 6001, paragraph (8) ~~of the IRC~~, as amended through December 31, 1990;
 - c. Who have been assessed as drug dependent persons as defined in Minnesota Statutes ~~§, section~~ 254A.02, Subdivisionsubdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes ~~§, section~~ 254A.02, Subdivisionsubdivision 2;

- d. With a brain injury as defined in Minnesota Statutes ~~§~~, [section](#) 256B.093, ~~Subdivision~~[subdivision](#) 4, paragraph (a); or
 - e. With permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules ~~Chapter 1340~~, [chapter 1341](#).
4. Projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing, if the use of HTC is necessary to (1) prevent conversion to market rate use or (2) to remedy physical deterioration of the project, which would result in loss of existing federal subsidies.
 5. Projects financed by Rural Development, which meet statewide distribution goals.

B. Strategic Priority

To be eligible for HTCs from the state's ~~volume cap~~[credit ceiling](#), a developer must demonstrate that the project meets at least one of the HTC statutory strategic priorities or a strategic objective in Minnesota Housing's Strategic Plan. Residential rental housing projects financed with an allocation of tax-exempt bonds under [Minnesota Statutes](#), chapter 474A are the highest strategic priority for tax credits in accordance with ~~Minn. Stat.~~[Minnesota Statutes, section](#) 462A.222, ~~Subdivision~~[subdivision](#) 3(d) and such projects need not meet a separate strategic priority.

C. Selection and Preference Criteria

All HTC applications are scored and/or reviewed in accordance with the Selection [Criteria](#) and Preference Criteria required by Section 42 and Minnesota Housing.

To be eligible for HTCs from the state's ~~volume cap~~[credit ceiling](#) under Minnesota Housing's QAP, a developer must demonstrate that the project is eligible for no less than **80 points** in the Self-Scoring Worksheet. This excludes projects funded through the RD/Small Projects set-aside, which must be eligible for no less than **30 points**.

To be eligible for HTCs in association with tax-exempt volume limited bonds under Minnesota Housing's QAP, a developer must demonstrate that the project is eligible for no less than **40 points** in the Self-Scoring Worksheet.

For applicants requesting HTCs from the state's ~~volume cap~~[credit ceiling](#), Minnesota Housing will first rank proposals. The highest-ranking proposals will then be reviewed in accordance with the ~~following~~ ~~Project Selection~~[project selection](#) requirements described in sections ~~D~~[E](#) through ~~J~~[K](#) of this chapter. Minnesota Housing reserves the right to reject applications not meeting these project selection requirements or to revise proposal features, and decrease associated scoring, to help ensure the project meets the requirements. Lower ranking proposals will only be processed further if HTC ~~volume~~

~~cap remains~~remain available after the higher-ranking proposals are processed. Minnesota Housing may elect, at its sole discretion, not to give partial HTC to a higher-ranking application but to give the HTCs to the next ranking application that can use the balance of the HTCs ~~(refer to Chapter 5.1.)~~.

Selection Criteria consist of the following:

1. Large Family Housing;
2. Senior Housing;
3. Permanent Supportive Housing for Households Experiencing Homelessness; High Priority Homeless and Other Homeless;
4. People with Disabilities;
5. Preservation;
6. Rental Assistance: Project-Based Rental Assistance and Further Restricting Rental Assistance;
7. Serves Lowest Income Tenants/Rent Reduction;
8. Long-Term Affordability;
9. ~~5. Need for~~Access to More Affordable Housing ~~Options~~;
10. ~~6.~~ Workforce Housing Communities;
11. ~~7.~~ Transit and Walkability;
12. ~~8.~~ Community Development Initiative;
13. ~~9.~~ Equitable Development;
14. ~~10.~~ Rural/Tribal;
15. Qualified Census Tracts/Community Revitalization or Tribal Equivalent Area;
16. ~~11.~~ Multifamily Award History;
17. ~~12.~~ Black, Indigenous ~~and~~, People of Color-owned ~~/~~ Business Enterprises ~~or~~ Women-owned Business ~~Enterprise~~Enterprises (BIPOCBE/WBE);
- ~~13. Preservation~~
18. ~~14.~~ Financial Readiness to Proceed/Leveraged Funds;
19. ~~15.~~ Other Contributions;
20. ~~16.~~ Intermediary Costs;
21. Innovative Construction Techniques;
22. ~~17.~~ Universal Design;
- ~~18. Smoke-free Buildings~~
23. ~~19.~~ Enhanced Sustainability;
24. ~~20.~~ Sponsor Characteristics – Non-scoring selection criteria; and
25. ~~21.~~ Public Housing waiting lists – Non-scoring selection criteria.

Preference Criteria consist of the following:

1. Serves Lowest Income Tenants/~~Rents~~Rent Reduction;
2. Rental Assistance: Project-Based Rental Assistance and Further Restricting Rental Assistance;
3. ~~Long-Term~~Long-Term Affordability;
4. QCT/Community Revitalization; or Tribal Equivalent Areas; ~~and Opportunity Zones~~
5. Eventual Tenant Ownership – Non-scoring selection criteria.

D. Tie Breakers

If two or more proposals have an equal number of points, the following will be used to determine selection:

1. **First tie breaker:** Priority will be given to the project with the greater number of points in Preference ~~criteria~~Criteria; if a tie still remains;
2. **Second tie breaker:** Priority will be given to the project that will have an Eventual Tenant Ownership component; if a tie still remains;
3. **Third tie breaker:** Priority will be given to a project located in a city, township or tribal reservation that has not received an ~~allocation~~Allocation of HTC ~~volume cap~~from the annual credit ceiling from Minnesota Housing in the last two years; if a tie still remains;
4. **Fourth tie breaker:** Priority will be given to the project with the highest percentage of funds secured, awarded, ~~or~~ committed, as measured by the Financial Readiness to Proceed/Leveraged Funds selection criterion; if a tie still remains;
5. **Fifth tie breaker:** Priority will be given to the project with the lowest percentage of intermediary costs as measured by the Intermediary Costs selection criterion; if a tie still remains;
6. **Sixth tie breaker:** Priority will be determined by lot.

E. Market ~~Study~~ Review

Minnesota Housing will conduct a market ~~study~~ review (to determine the housing needs of low-income individuals in the area to be served by the project. Minnesota Housing will evaluate the ~~market study and~~ in-house occupancy data to determine the marketability of the proposed project. ~~For market consideration, applicants are responsible for providing evidence to document market feasibility at the time of application.~~ Minnesota Housing may contact the applicant if there is a question as to the marketability of the proposed projects. The applicant may be given an opportunity to adjust the unit mix and/or number of units and resubmit information prior to Minnesota Housing scoring of selection priority points.

Minnesota Housing may consult with local communities, Public Housing Authorities (PHAs), Housing and Redevelopment Authorities (HRAs), ~~RD~~, and HUD to determine the marketability of projects. If, in

the opinion of Minnesota Housing, the issuance of the HTCs to a project could be detrimental to existing rental property, Minnesota Housing may choose not to issue HTCs to the applicant. Proposed projects that do not appear marketable and do not modify their proposal will not receive further consideration in the current funding round.

F. Design Review

The proposed owner and architect must certify compliance with all required development features outlined in Chapter 5 of the Minnesota Housing Rental Housing Design/Construction Standards before the project will be scored and ranked (refer to Chapter 4.E.).

G. Development Team Review

Minnesota Housing will also consider the following factors when evaluating an application for an HTC ~~allocation or award~~ Allocation or Award:

1. The ability and capacity of the development team to proceed expeditiously to complete the proposed development and any previously selected projects still in process;
2. The prior record of the development team in meeting Minnesota Housing and IRS reporting requirements; and
3. The experience of the development team in developing and managing similar residential housing.
4. The development team's successful management of projects in its portfolio and in compliance with Minnesota Housing's compliance policies, procedures or requirements.

Proposed projects from applicants that do not appear to have the experience, capacity, or ability will not receive further consideration in the current funding cycle.

H. Site Review

Minnesota Housing staff may conduct a site inspection for each project passing ~~all~~ the project selection requirements described in ~~sections A through F of~~ this chapter for consistency with the principles of sound, affordable housing developments. Site inspections may be conducted to analyze physical characteristics; the surrounding property and community; the location of schools, shopping, public transportation, employment centers, community and housing service facilities; availability of utilities, water and sewage treatment facilities; and the suitability of the site for the proposed housing.

For purposes of Minnesota Housing's investment in affordable housing, the principles are as follows:

1. **Linkage:** Housing development must be part of a comprehensive community development effort that links housing, jobs, transportation, recreation, retail services, schools, and social and other services.
2. **Jobs:** Housing is part of the infrastructure necessary to sustain economic vitality. New housing must be located near jobs and in areas of job growth and must address housing needs of the local work force. Preference will be given to proposals that provide housing in communities with job growth.
3. **Land Use:** Housing must be developed to maximize the adaptive reuse of existing residential rental buildings and the use of existing infrastructure, where financially feasible. In cases of new developments, housing ~~that maximizes~~ must maximize the efficient use of land and infrastructure and minimizes the loss of agricultural and green space.
4. **Transportation:** Housing must be developed near regional and interregional transportation corridors and transit ways.

Minnesota Housing will consider, but is not limited to, the following environmental criteria when evaluating a proposed site:

1. Noise;
2. Flood plains and wetlands;
3. Site safety;
4. Toxic and hazardous waste;
5. Underground storage tanks; and
6. Asbestos and lead-based paint.

Minnesota Housing may, at its sole discretion, reject applications or ~~recapture~~ cancel an Award or Allocation of HTC from projects that appear unsuitable for the housing proposed.

I. Multifamily Underwriting Standards

Proposals must meet all applicable Multifamily Underwriting Standards to receive an ~~allocation or award~~ Allocation or Award of HTCs. The Multifamily Underwriting Standards will be used by Minnesota Housing for underwriting and sizing of the HTC ~~allocation~~ Allocation or Award.

All operating assumptions, including for rent, vacancy, operating expenses, reserves, inflation assumptions, and debt coverage ratios, must be consistent with the requirements of the Underwriting Standards. The structure of the development budget, including acquisition price; architect, general contracting, and developer fees; sales tax and energy rebates; as well as construction contingency, must also meet the Underwriting Standards.

Refer to the Minnesota Housing Multifamily Underwriting Standards and Multifamily Application Instructions: Consolidated RFP and HTC Rounds 1 and 2 for additional information and requirements.

J. Financial Feasibility

Proposals that meet the ~~Project Selection Requirements in sections A through H and J~~ [project selection requirements](#) will be evaluated for financial feasibility as required by [Section 42\(m\)\(2\)](#), IRS Treasury Regulation 1.42-17(a)(3) and Chapter 2. ~~ON~~. Projects determined not to be financially feasible will not be processed further in the current funding cycle.

An application's structuring may be revised by Minnesota Housing during this review to help ensure financial feasibility and/or to meet required components of the Multifamily Underwriting Standards, as applicable, and a reduction to the application's scoring may occur as a result of these revisions.

K. Development Cost Review

Minnesota Housing will review project costs based on comparability and reasonableness. Minnesota Housing may, at its sole discretion, reject applications that appear to have excessive project costs (also refer to Chapter 4.A. Project Cost Reasonableness).

Chapter 6 – Submission Requirements

It is the applicant's responsibility to be aware of the submission requirements needed to proceed to the next step in obtaining an HTC ~~allocation or award~~[Allocation or Award](#). If the applicant is unable to meet the submission requirements (financing, zoning, site control, syndication, construction start, etc.) in a timely manner, or if approvals have expired, the application will no longer be processed, and the application fee will be forfeited. **Any submissions not meeting the requirements below will be returned to the applicant and fees paid will not be refunded.**

A. Application Requirements

Required HTC application materials are incorporated into the Application Checklist in the Multifamily Customer Portal (Portal), including the Intent to Apply, which is due in advance of the application. The Multifamily ~~Application Instructions: Consolidated RFP and HTC Round 1 and 2~~[Standards](#) and the Scoring Guide provide comprehensive resources for these application materials and submittal instructions. The Multifamily and Housing Tax Credit application materials can be found in the Portal and on Minnesota Housing's Application Resources and [Housing](#) Tax Credits webpages (www.mnhousing.gov).

If a Minnesota Housing multifamily first mortgage and/or deferred loan are sought in conjunction with the HTC application, many HTC forms and submissions are identical to the forms and submissions required for other Minnesota Housing funding sources under the [Multifamily](#) Consolidated ~~Request for Proposals (RFP)~~ or open pipeline.

A complete application must be submitted no later than each of the application due dates in order to be considered for ~~selection~~[Selection](#), within the applicable competition.

Minnesota Housing will base its ~~selection~~[Selection](#) decision upon the application and attachments received on the application due date. Minnesota Housing reserves the right, in its sole discretion, to request additional information or deem an error related to an application to be immaterial.

No project may be divided into two or more projects during a single funding round to receive HTCs. Multiple applications, determined by Minnesota Housing to be one project, will be returned to the applicant and all fees forfeited. Minnesota Housing will consider factors such as, but not limited to, ownership entities, general ~~partnerships~~[partner/managing members](#), sponsor relationships, and location of project, if a contiguous site, to determine if a multiple application exists.

Upon receipt of an application, as required by federal law, Minnesota Housing will notify the Chief Executive Officer (or the equivalent) of the local jurisdiction where the proposed project is planned. This notification will include characteristics of the proposed HTC project and provide an opportunity for the local unit of government to comment on the project.

~~Information~~ [Much of the information](#) submitted in an application for HTCs is information that is accessible to the public pursuant to Minnesota Statutes, ~~Chapter~~ [chapter](#) 13.

Self-Scoring Worksheet

The Self-Scoring Worksheet and the Scoring Guide provide comprehensive resources for the documentation materials and submittal instructions.

Minimum Threshold Evidence

For Round 1, all 9% HTC projects are required to provide evidence of meeting one of the threshold types defined in Chapter 5.[A.](#) Copies of this QAP and a sample letter format can be found in the Housing Tax Credit Allocation or Housing Tax Credits Reference Materials sections. In meeting the requirements of the minimum thresholds, fractions of units are not counted as a whole unit. Where unit percentage calculations result in a fraction of a unit being required, the fraction of a unit must be rounded up to next whole unit.

Local HRA/PHA Certification

Section 42 of the IRC requires an Allocating Agency to give preference to owners that agree to utilize the local HRA or PHA waiting list to identify eligible individuals and households to fill vacant units. Applicants applying for HTCs must sign a certification agreeing to utilize the public housing and Section 8 waiting lists as applicable.

~~Preservation~~

~~Applicants applying for HTCs and claiming points under this section must provide all required supporting documentation, as detailed in the Multifamily Customer Portal and Scoring Guide.~~

~~Applicants must choose one of three thresholds: Risk of Loss Due to Market Conversion, Risk of Loss Due to Critical Physical Needs, or Risk of Loss Due to Ownership Capacity/Program Commitment.~~

~~Applicants meeting one of the three thresholds may claim points under Existing Federal Assistance — Tier 1, Existing Federal Assistance — Tier 2, or Critical Affordable Units at Risk of Loss. For more detailed information, refer to requirements contained in the Self-Scoring Worksheet.~~

~~Evidence for~~ People with Disabilities

~~To receive points under People with Disabilities (PWD), the proposal must meet all of the requirements contained in the Self-Scoring Worksheet.~~

~~People with Disabilities~~ Performance Requirement Relief Provisions

Specific performance requirement relief provisions are available for projects receiving points under the ~~category of the~~ People with Disabilities Selection Criterion of the Self-Scoring Worksheet for PWD Units.

If, for a particular unit meeting the criteria and receiving points under the People with Disabilities Selection Criterion (PWD Unit(s)), the necessary rental assistance or operating support (collectively PWD Unit Subsidy) is ~~(i1)~~ withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; ~~(ii2)~~ such withdrawal or termination materially adversely impacts the financial feasibility of the project; ~~(iii3)~~ alternative funding is unavailable; and ~~(iv4)~~ 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 PWD Unit(s). Such petition shall contain all material facts and supporting documentation substantiating the owner's request including, but not limited to, items ~~(i1)~~, ~~(ii2)~~, and ~~(iii3)~~ above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, the owner shall no longer be required to treat such PWD Unit(s) as PWD Unit(s) but must convert the rents of those units to the 50% HTC rent limit; **provided that more restrictive threshold, selection priority, or funding requirements, if any, do not apply.** If such conversion occurs, in order to retain the ~~allocation~~ 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, at any time after approving such relief, in its sole discretion, determines that a PWD Unit Subsidy may be available for the remainder of the HTC compliance and extended use periods that would not adversely affect the full availability of the HTC Allocation and would permit the PWD Unit(s) to again serve PWD households, then, at Minnesota Housing's request, the owner shall promptly apply for such PWD Unit Subsidy for the affected PWD Unit(s), upon terms reasonably acceptable to such owner. If such PWD Unit Subsidy is obtained, the owner shall again set aside such PWD Unit(s), when and to the extent then available, to people with disabilities needs qualifying individuals.

If, for a particular PWD Unit(s), the necessary tenant support services funding is ~~(i1)~~ withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; ~~(ii2)~~ alternative funding or an alternative service provider is unavailable; and ~~(iii3)~~ the project is otherwise in full

compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to modify its requirements for the provision of such tenant services for the affected PWD Unit(s). Such petition shall contain all material facts and supporting documentation substantiating the owner's request including, but not limited to, items ~~(i)~~(1) and ~~(ii)~~(2) of this paragraph. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, the owner shall modify its provision of such tenant support services for the affected PWD Unit(s) in a manner consistent with Minnesota Housing's modified requirements for the provision of tenant services for the PWD Unit(s), **provided that more restrictive threshold, selection priority, or funding requirements, if any, do not apply.**

~~If Minnesota Housing, at any time thereafter, in its sole discretion, determines that a PWD Unit Subsidy may be available for the remainder of the HTC compliance and extended use periods, that would not adversely affect the full availability of the HTC allocation, and would permit the PWD Unit(s) to again serve PWD households, then at Minnesota Housing's request, the owner shall promptly apply for such PWD Unit Subsidy for the PWD Unit(s), upon terms reasonably acceptable to such owner, and if such PWD Unit Subsidy is obtained, shall again set aside such PWD Unit(s), when and to the extent then available, to people with disabilities needs qualifying individuals.~~

~~In addition, if~~If Minnesota Housing, at any time ~~thereafter~~after approving such relief, in its sole discretion, determines that PWD Unit tenant support services funding may be available for the remainder of the HTC compliance and extended use periods, that would not adversely affect the full availability of the ~~allocation,~~HTC Allocation and would permit the affected PWD Unit(s) to again provide tenant support services to PWD households, then, at Minnesota Housing's request, the owner shall promptly apply for such PWD Unit tenant support services funding for the affected PWD Unit(s), upon terms reasonably acceptable to such owner, ~~and if~~. If such PWD Unit tenant support services funding is obtained, the owner shall resume providing PWD Unit tenant support services, when and to the extent then available, to people with disabilities needs qualifying individuals.

Evidence of ~~targeting units~~Targeting Units for Permanent Supportive Housing for High Priority Homeless

In accordance with Minnesota's Plan to Prevent and End Homelessness, Minnesota Housing is the lead agency for the action plan to increase affordable and supportive housing units to address the housing gap for people at risk of and experiencing homelessness. HTCs represent one of several resources identified to attain this goal. To receive points under Permanent Supportive Housing for High Priority Homeless, the proposal must meet all of the requirements contained in the Self-Scoring Worksheet.

High Priority Homeless Performance Requirement Relief Provisions

Specific performance requirement relief provisions are available for projects receiving points under the Permanent Supportive Housing for High Priority Homeless (HPH) selection criterion of the Self-Scoring Worksheet for HPH Units.

The following relief provisions may be considered for developments with HPH Units and are subject to Minnesota Housing approval:

1. An owner may request approval in writing from Minnesota Housing to prioritize filling a vacant HPH Unit(s) with the next highest need household in accordance with the Supportive Housing HPH prioritization procedure, as determined at the sole discretion of Minnesota Housing, if the HPH Unit(s) is unable to be filled with highest priority household on the permanent supportive housing list in the Coordinated Entry system.
2. If, after a minimum 60-day period, or other time period approved by Minnesota Housing when reasonable options have been exhausted, an HPH Unit(s) is unable to be filled by a household through the Coordinated Entry system or the prioritization process outlined above, temporary relief from the HPH Unit may be requested from Minnesota Housing to permit a non-HPH household to fill the unit. The next comparable available unit is subject to the HPH Unit requirements when a vacancy occurs.
3. If a particular HPH Unit(s) experiences unexpected loss of rental or operating support, or tenant support services funding (collectively HPH Unit Subsidy) and meets the conditions below, the owner may petition Minnesota Housing to eliminate its requirements for the affected HPH Unit(s):
 - (i) The HPH Unit Subsidy was 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 or an alternative service provider is unavailable; and
 - (iv) The project is otherwise in full compliance with all the terms of the funding for the project.

If any of the conditions of number three above are met, the owner may petition Minnesota Housing to eliminate its requirements for the affected HPH Unit(s). Such petition shall 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, the owner shall no longer be required to treat such HPH Unit(s) as HPH Unit(s) but must convert the rents of those units to the 50% HTC rent limit; provided that more restrictive threshold, selection priority, or funding requirements, if any, do not apply. If such

conversion occurs, in order to retain the ~~allocation~~Allocation, the above described 50% HTC rent limit and the IRC 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, at any time thereafter, in its sole discretion, determines that an HPH Unit Subsidy may be available for the remainder of the HTC compliance and extended use periods, that would not adversely affect the full availability of the HTC ~~allocation~~Allocation and would permit the HPH Unit(s) to again serve households experiencing homelessness, then at Minnesota Housing's request, the owner shall promptly apply for such HPH Unit Subsidy for the homeless unit(s), upon terms reasonably acceptable to such owner, ~~and if~~. If such HPH Unit Subsidy is obtained, the owner shall again set aside such HPH Unit(s), when and to the extent then available, to households experiencing homelessness.

Serves Lowest Income Tenants/Rent Reduction Units Performance Requirement Relief Provisions

Specific performance requirement relief provisions are available for projects receiving points under the Serves Lowest Income Tenants/Rent Reduction selection criterion of the Self-Scoring Worksheet for 30% MTSP Units.

If, for a particular unit meeting the criteria and receiving points under the Serves Lowest Income Tenants/Rent Reduction selection criterion for further restricting rents to at or below 30% MTSP (30% Unit(s)), the owner may petition Minnesota Housing to eliminate its requirements for the affected Further Restricted Rental Assisted Units (FRRRA Unit(s)). Such petition shall contain all material facts and supporting documentation substantiating the owner's request. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, the owner shall no longer be required to treat such 30% Unit(s) as 30% Unit(s) but must convert the rents of those units to the 50% HTC rent limit; **provided that more restrictive threshold, selection priority, or funding requirements, if any, do not apply.** If such conversion occurs, in order to retain the ~~allocation~~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, at any time thereafter, in its sole discretion, determines that a 30% Unit may be available for the remainder of the HTC compliance and extended use periods, ~~that~~ would not adversely affect the full availability of the ~~allocation~~Allocation and would permit the 30% Unit(s) to again restrict rents to the 30% HTC rent limit.

Rental Assistance Performance Requirement Relief Provisions

~~Specific performance requirement relief provisions are available for projects receiving points under the Rental Assistance selection criterion of the Self-Scoring Worksheet for Rental Assisted Units.~~

~~If, for a particular unit meeting the criteria and receiving points under the Rental Assistance selection criterion for Rental Assisted Units (RA Unit(s)), the necessary rental assistance or operating support (collectively RA Unit Subsidy) is (i) not renewed, withdrawn, or terminated due to reasons not attributable to the actions or inactions of the owner; ii) alternative funding is unavailable; and (iii) 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 RA Unit(s). Such petition shall 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, the owner shall no longer be required to treat such RA Unit(s) as RA Unit(s) but must convert the rents of those units to the 50% HTC rent limit; provided that more restrictive threshold, selection priority, or funding requirements, if any, do not apply. If such conversion occurs, in order to retain the 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 15-year period.~~

~~If Minnesota Housing, at any time thereafter, in its sole discretion, determines that an RA Unit Subsidy may be available for the remainder of the 15-year period, that would not adversely affect the full availability of the allocation, and would permit the RA Unit(s) to again serve 30% income households, then at Minnesota Housing's request, the owner shall promptly apply for such RA Unit Subsidy for the RA Unit(s), upon terms reasonably acceptable to such owner, and if such RA Unit Subsidy is obtained, shall again set aside such RA Unit(s), when and to the extent then available, to income qualifying individuals.~~

~~Further Restricted Rental Assisted Units Performance Requirement Relief Revisions~~

Specific performance requirement relief provisions are available for projects receiving points under the Rental Assistance selection criterion ~~for Further Restricted Rental Assistance~~ of the Self-Scoring Worksheet for [units with project-based rental assistance and Further Restricting Rental Assistance units \(collectively, RA Units\)](#).

If, for a particular unit meeting, the criteria and receiving points under the Rental Assistance selection criterion for ~~Further Restricted Rental Assisted Units (FRRRA~~[RA](#) Unit(s)), the necessary rental assistance or operating support (collectively ~~FRRRA~~[RA](#) Unit Subsidy) is ~~(i1)~~ [not renewed](#), withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; ~~(ii2)~~ such [nonrenewal](#), withdrawal or termination materially adversely impacts the financial feasibility of the project; ~~(iii3)~~ alternative funding is unavailable; and ~~(iv4)~~ 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 ~~FRRRA~~[RA](#) Unit(s). Such petition shall contain all material facts and supporting documentation substantiating the owner's request including, but not limited to, items ~~(i1)~~, [\(i1\)](#),

~~(#2)~~ and ~~(#3)~~ above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, the owner shall no longer be required to treat such ~~FRRARA~~ Unit(s) as ~~FRRARA~~ Unit(s) but must convert the rents of those units to the 50% HTC rent limit; **provided that more restrictive threshold, selection priority, or funding requirements, if any, do not apply.** If such conversion occurs, in order to retain the ~~allocation~~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~~15-year period.

If Minnesota Housing, at any time thereafter, in its sole discretion, determines that an ~~FRRARA~~ Unit Subsidy may be available for the remainder of the ~~HTC compliance and extended use periods~~15-year period that would not adversely affect the full availability of the ~~allocation, and would permit the FRRARA Unit(s) to again serve 30% income households~~HTC Allocation, then at Minnesota Housing's request, the owner shall promptly apply for such ~~FRRARA~~ Unit Subsidy for the ~~FRRARA~~ Unit(s), upon terms reasonably acceptable to such owner, ~~and if~~ if such ~~FRRARA~~ Unit Subsidy is obtained, the owner shall again set aside such ~~FRRARA~~ Unit(s), when and to the extent then available, to income qualifying individuals.

B. Carryover Requirements

~~Several changes to Section 42 of the IRC were included in legislation passed by Congress in July 2008 as part of the Housing and Economic Recovery Act of 2008. These amendments made certain changes to the carryover allocation requirements. Only limited guidance has been issued by the IRS regarding these changes. No assurances can be given that additional IRS guidance will not require further adjustments to the QAP and additional reviews of selected developments relating to carryover.~~

In addition to meeting requirements of federal law, the applicant of a selected project must provide no later than ~~November~~October 1 (or the next calendar business day if ~~November~~October 1 is not a business day) of the year in which the reservation was issued, a complete carryover package in final form containing all required documents in a form satisfactory to Minnesota Housing. Late fees will be enforced (refer to Chapter 8). All required carryover application materials are incorporated into the Carryover checklist and must be submitted through the Multifamily Customer Portal. See Appendix A for additional guidance.

New requests by applicants/developers to Minnesota Housing to apply the 30% state designated basis boost at the time of carryover application must be formally made in writing. The request must clearly outline the reasons supporting the request and clearly demonstrate how the proposal meets the criteria established by Minnesota Housing for receiving boost considerations. (Refer to Chapter 2.Q.)

~~Application forms containing incomplete revisions are not acceptable, and at Minnesota Housing's sole discretion, may be returned to the applicant.~~

~~Owner Certification/Application for Carryover Allocation~~

~~Provide a signed and notarized Owner Certification/Application for Carryover Allocation Form.~~

~~Building Information~~

~~Provide a completed Building Information Form.~~

~~Attorney's Opinion Letter~~

~~Provide an attorney's opinion letter in an approved Minnesota Housing Form verifying:~~

- ~~1. The legal description of the project property (to be attached to the opinion letter and labeled Exhibit A) and that it is correct and identical to the property identified in the application and the reservation letter.~~
- ~~2. The name of the entity that will be/is the owner for tax purposes, and/or has demonstrated continued site control of the land and depreciable real property identified as the project in the application and the reservation letter.~~
- ~~3. The name, legal designation, and Tax Identification Number (TIN) of the ownership entity that will receive the HTC's and the legal designation of the party that signed the application.~~
- ~~4. The name, legal designation, and Tax Identification Number (TIN) of all the general partner(s), and the names of the managing partner(s), contact person(s) and the required authorized signatories. If the partners are an organized entity, such as a limited liability corporation, a limited liability partnership, or an organized partnership, provide the above information for each such entity.~~
- ~~5. Identification and copies of any waivers required by Section 42 obtained from the IRS.~~
- ~~6. The buildings identified in the application qualify for an award or allocation of HTC's under Section 42.~~
- ~~7. Any additional information deemed necessary and requested by Minnesota Housing.~~

~~Certified Public Accountant Certification~~

~~Provide a written Certified Public Accountant's Certification in an approved Minnesota Housing format verifying:~~

- ~~1. The amount of the reasonably expected basis, the carryover basis, and the percent of the expenses incurred.~~
- ~~2. More than 10% of the reasonably expected basis on the project must be expended by the later of the date, which is one year after the date that the allocation is made or the close of the calendar year in which the allocation is made. If the final carryover basis and expenditures~~

~~information is not available at the time the carryover application is due, the application must include a written estimate of this information prepared by the owner. Final CPA certifications of this information must be submitted to Minnesota Housing prior to the deadlines established by Section 42 and by no later than Minnesota Housing's submission deadline of May 1 of the calendar year after the allocation is made. If May 1 is not a business day, then certification will be due the next calendar business day. Minnesota Housing will consider an extension to this deadline via written request by the owner/applicant. The request for extension must be submitted by May 1 and also include information explaining why the extension is requested. Minnesota Housing will issue a written response to all extension requests. An extension until October 1 of the calendar year after the allocation is made will be the maximum allowable. If October 1 is not a business day, then the certification will be due the next calendar business day.~~

~~3. A statement of non-affiliation with the developer and/or owner.~~

Sources of Funds

~~Identify the sources of construction, interim, and permanent financing. The agreement must:~~

- ~~1. Be in writing~~
- ~~2. Specify the consideration for the transaction and pertinent terms~~
- ~~3. Be signed by both the lender and the borrower~~
- ~~4. Be current and state both the effective and expiration dates~~

Gross Rent Floor Election

~~If choosing to make the election at this time, supply a fully executed Statement of Election of Gross Rent Floor and include each building of the development in which there are HTC units. If the required fully executed form(s) with all elections made by the owner are not submitted to Minnesota Housing by a date no later than the date the project is placed in service, the gross rent floor will be determined to have been elected as the gross rent effective on the allocation date (the earlier of carryover or 8609) of the HTCs.~~

Fair Housing and Equal Employment Opportunity Forms

~~It is the policy of Minnesota Housing to take affirmative action to provide equal opportunity in all of its endeavors. Complete, execute, and return the following forms:~~

- ~~1. An Affirmative Fair Housing Marketing Plan (AFHMP) describing the marketing strategies that an owner will use including, but not limited to, special efforts the owner will make to attract people who are least likely to apply, in addition to a broad cross section of the local population without regard to protected classes under federal fair housing law: race, color, religion, sex,~~

~~national origin, disability, or familial status; or under Minnesota law: marital status, status with regard to public assistance, creed, and sexual orientation.~~

~~2. An Equal Employment Opportunity Policy Statement.~~

Tenant Selection Plan

~~Provide a written tenant selection plan (TSP) describing the tenant selection policy that an owner will use. The TSP must be submitted and reviewed by Minnesota Housing prior to the issuance of IRS Form 8609. The TSP must be developed and implemented in accordance with Minnesota Housing's Tenant Selection Plan Guidelines document, which is published on Minnesota Housing's website.~~

Identity of Interest

~~Provide a written disclosure as to any and all Identity of Interest parties (refer to Chapter 2.L. and 2.M.).~~

Allocation (Carryover) Fee

~~Submit the allocation (Carryover) fee based on the annual HTC reservation amount (refer to Chapter 8). Additional fees for additional HTCs secured at carryover will be collected following the allocation. Complete a Fee Remittance Form and mail it with the payment to Minnesota Housing's office.~~

C. Placed in Service/Application for Issuance of IRS Form 8609

Generally, the placed in service date for HTC purposes, for a newly constructed building or for rehabilitation expenditures in an existing building, is the date when the first unit in the building is certified as available for occupancy. The placed in service date must occur for all buildings within a project by the due date required by Section 42, as may be extended by relief issued by the IRS.

Subsequent to the project being placed in service and prior to Minnesota Housing issuing an IRS Form 8609 for the project, the owner must submit an application for the issuance of IRS Form 8609 to Minnesota Housing. All required application materials are incorporated into the 8609 checklist in the Multifamily Customer Portal. If Minnesota Housing is the Allocating Agency, all required 8609 application materials must be submitted through the Multifamily Customer Portal. The ~~Owner must also~~ owner may be required to submit an IRS Form 8609 fee based upon the requested annual HTC amount (refer to Chapter 8). See Appendix A for additional guidance.

A Minnesota Housing approved IRS Form 8609 ~~form~~ must contain the signature of the authorized Minnesota Housing representative. Minnesota Housing will make reasonable efforts to issue an approved IRS Form 8609 within 60 days after all the required items have been received by Minnesota Housing in a satisfactory form and substance. Issuance of the Minnesota Housing approved IRS Form

8609 is to be done only by Minnesota Housing or, as applicable, an authorized ~~suballocator~~[Suballocator](#). An approved [IRS](#) Form 8609 must not be created by any other entity. The owner/agent must not file a [IRS](#) Form 8609 with the IRS in advance of the owner/agent's receipt of the Minnesota Housing signed version of the approved [IRS](#) Form 8609. In addition, the owner/agent must not electronically file ~~a~~[an IRS](#) Form 8609 with the IRS that does not accurately reflect the information contained on the Minnesota Housing signed version of the approved [IRS](#) Form 8609 (also refer to Chapter 2.J. Unacceptable Practices). A condition to this effect will be added to the Carryover Agreement.

To optimize timely processing of requests for issuance of [IRS](#) Form 8609, it is recommended the owner make every effort to submit the complete 8609 application package to Minnesota Housing no later than 30 days following completion of the project and at least 60 days in advance of any required filing deadline. [Applications that are not submitted within this timeframe may be considered late and subject to a fee \(refer to Chapter 8\).](#)

If a complete 8609 application package is not received within 15 days of the last day of the first year of the HTC period, the application will be considered late and may be subject to a penalty [and/or fee](#) (refer to Chapter 2.J. [and Chapter 8](#)).

Transmittal Letter

~~Provide a transmittal letter indicating the project name, address, and Minnesota Housing assigned HTC number. The letter must request the issuance of IRS Form 8609 and list the required documents. In the letter, please list any revised information and explain the basis reason for the changes. The letter must be dated and signed by the owner or legally authorized individual.~~

Placed in Service Evidence

~~Provide evidence that all buildings have been placed in service. Submit a copy of the Certificate of Occupancy or Temporary Certificate of Occupancy provided by the local governmental authority having jurisdiction for each building. If not available from the local government, a Certificate of Substantial Completion prepared by the architect will be accepted. For acquisition and rehabilitation, the developer must provide supporting documentation for the elected date.~~

Utility Allowance Schedule

~~Provide a current utility allowance in a manner consistent with the options provided in IRS Treasury Regulation 1.42-10 (i.e., as appropriate, a utility allowance from RD, HUD, a PHA/HRA, a local utility company, an Agency Estimate Minnesota Housing Average of Actual Consumption using the methodology described in the HUD published Multifamily Notice H-2015-4, a HUD utility Schedule Model, an Energy Consumption Model). Include a breakdown of the utilities that a tenant pays directly (heat, electricity, etc.), the utility allowance for each type of utility (gas, electric, etc.), for the various unit types (one bedroom, two bedroom, etc.) and housing types (apartments, townhomes, etc.). Also include a list of each unit type, total tenant paid utilities, contract rent and gross rent (refer to Chapter 3.J.).~~

Final Cost Certification

~~Provide a final cost certification when total development costs are final that evidences the CPA's audit report and cost certification based upon an audit of the owner's schedule of total project costs.~~

~~All costs of projects with five or more units owned by all entities must be cost certified by a CPA when construction has been completed and before Minnesota Housing can complete its final evaluation.~~

~~Projects with four or fewer units must submit a sworn construction statement and/or certification by the owner, as appropriate.~~

Attorney's Opinion Letter

~~Provide an attorney's opinion letter in an approved Minnesota Housing form format, which can be found on Minnesota Housing's Tax Credits webpage, verifying:~~

- ~~1. The legal description of the project property (to be attached to the opinion letter and labeled as Exhibit A) and that it is correct and identical to the property identified in the application, the reservation letter, and the carryover agreement (if one was issued for the project) or preliminary determination letter issued by Minnesota Housing and the legal description of the property financed with tax-exempt volume limited bonds.~~
- ~~2. The name of the entity that is the owner for tax purposes of the property to be part of the project and which is described in Exhibit A of the opinion letter.~~
- ~~3. The name, legal designation, and Tax Identification Number (TIN) of the ownership entity that will receive the HTC's, the legal designation of the party that signed the application, and that the business remains in good standing and is duly authorized in Minnesota.~~
- ~~4. The name, legal designation, and Tax Identification Number (TIN) of all the general partner(s), and the names of the managing partner(s), contact person(s) and the required authorized signatories. If the partners are an organized entity, such as a limited liability corporation, a limited liability partnership, or an organized partnership, provide the above information for each such entity.~~
- ~~5. Identification and copies of any waivers required by Section 42 obtained from the IRS.~~
- ~~6. The A statement indicating that the buildings identified in the application satisfy the requirements for an award or allocation of HTC's under Section 42.~~
- ~~7. Any additional information deemed necessary and requested by Minnesota Housing.~~

Reserves, Contingencies, and any Cash Savings

~~Provide a signed and dated statement documenting the amount and disposition of reserves, contingencies, and any cash savings. If any of the above reverts back to developer/owner, general partner or any ownership interest, Minnesota Housing will consider them deferred developer fees, and for purposes of HTC allocation, restrict the developer fees as specified in the Underwriting Standards.~~

Minnesota Housing Declaration of Land Use Restrictive Covenants

~~Provide a copy of the completed but unrecorded Minnesota Housing LURA for review well in advance of its required filing deadline. The LURA must be completed and recorded before the end of the first HTC period to preserve the HTC's allocated to the project. Check with your tax advisor as to timing of filing and claiming of HTC's. HUD may require that certain riders be attached to your HTC LURA if your~~

development has primary financing via a HUD direct insured loan. Check with your financing and legal advisors to determine if this may be required of your development.

Final HTC Proceeds or Receipts

Provide documentation of the final amount of HTC proceeds or receipts generated. Provide an executed copy of the final Syndication, Private Placement, or Individual Investment Agreements disclosing terms and conditions.

Multifamily Intended Methods Worksheet

Provide the Minnesota Housing Multifamily Intended Methods Worksheet for compliance with the Minnesota Overlay to the Enterprise Green Communities Criteria.

IRS Form 8609 Certification by Owner/Application Form

Provide a completed, executed, and notarized original 8609 Certification by Owner/Application Form (HTC 3), verifying:

1. The placed in service date as defined in IRS Notice 88-116 for each building and/or type of HTC. Month The month and year must correspond with the occupancy certificate(s). If the month and year do not correspond, submit a written statement indicating the reason.
2. It is highly recommended that owners/developers of projects financed with the proceeds of tax-exempt volume limited bonds seek the appropriate legal and bond professional advice on these matters.
3. Compliance with all applicable design requirements.
4. Compliance with all requirements of this QAP, selection, and additional or special conditions of reservation, commitment, or carryover or the preliminary determination letter issued by Minnesota Housing on the project.
5. Final Executed Loan or Grant Documents.
6. Provide copies of the final executed permanent loan and/or grant documents for all sources of funds (loan/grant agreements, mortgage and note) that support the amount, terms, and conditions stated on the Multifamily Workbook. Minnesota Housing must evaluate all final sources of funds to help ensure the amount of HTCs allocated to a project does not exceed the amount necessary for financial feasibility. Therefore, Minnesota Housing will not issue an IRS form 8609 prior to the execution of the final permanent loan documents, or its equivalent, for all funding sources.

~~Governmental Assistance and/or Rental Assistance~~

~~If not previously provided as part of a carryover or preliminary determination application, provide a description of any governmental assistance and/or rental assistance. This includes copies of any contracts/agreements executed or any applications made for rental assistance for the project. This also includes copies of Cooperatively Developed Housing Plans/Agreements between the owner and the local housing authority, PHA or other similar entity if rental assistance points were awarded to the development (refer to the Rental Assistance section of the Self-Scoring Worksheet).~~

~~Transfer Ownership~~

~~If the ownership entity has changed, provide a copy of the assignment, a revised Transfer Agreement (HTC 20) and Notice of Intent to Transfer Ownership (HTC 27), an updated Qualification Form for all the new team members, and Release of Information Authorization Form (HTC 17) (refer to Chapter 2.I. and 2.J.) and the Transfer of Ownership Fee (refer to Chapter 8).~~

~~Partnership Agreement~~

~~Provide a copy of the executed final Partnership Agreement.~~

~~Building Map Form~~

~~Provide a completed Building Map Form for each building. The applicable fraction on the building map must be the same applicable fraction for each respective BIN on Exhibit B of the LURA.~~

~~Identity of Interest~~

~~Provide a written disclosure as to any and all Identity of Interest parties (refer to Chapter 2.L. and 2.M.).~~

~~Affirmative Action and Equal Opportunity Forms~~

~~It is the policy of Minnesota Housing to take affirmative action to provide equal opportunity in all of its endeavors. Complete, execute, and return the following forms:~~

- ~~1. An AFHMP describing the marketing strategies that an owner will use including, but not limited to, special efforts the owner will make to attract people who are least likely to apply in addition to a broad cross section of the local population without regard to protected classes under federal fair housing law: race, color, religion, sex, national origin, disability or familial status; or under Minnesota law: marital status, status with regard to public assistance, creed and sexual orientation.~~

~~2. An Equal Employment Opportunity Policy Statement:~~

Tenant Selection Plan

~~Provide a written tenant selection plan (TSP) describing the tenant selection policy that an owner will use. The TSP must be submitted and reviewed by Minnesota Housing prior to the issuance of IRS Form 8609. The TSP must be developed and implemented in accordance with Minnesota Housing's Tenant Selection Plan Guidelines document, which is published on Minnesota Housing's website.~~

Allocation (IRS Form 8609) Fee

~~Submit the allocation (IRS Form 8609) fee based on the annual HTC allocation amount (if not already paid at carryover) (refer to Chapter 8). Complete a Fee Remittance Form and mail it with the payment to Minnesota Housing.~~

Chapter 7 – Projects Financed by Tax-Exempt Volume Limited Bonds_ Seeking HTCs

A. General

Section 42 of the IRC establishes a separate set of procedures to obtain 4% HTCs through the issuance of tax-exempt volume limited bonds.⁴³

Section 42 (m)(1)(D) provides that in order for a project to receive an ~~award~~Award of HTCs through the issuance of tax-exempt volume limited bonds, the project must satisfy the requirements for allocation contained in the QAP applicable to the area in which the project is located. The Minnesota Housing QAP applies to all projects for which Minnesota Housing is the issuer of the bonds and all other projects for which the issuer is not located within the area covered by a ~~suballocator~~Suballocator QAP.

The project must comply with the QAP that is in effect for the calendar year in which tax-exempt volume limited bonds are issued sufficient, together with any tax-exempt volume limited bonds issued in a prior calendar year, to finance at least 50% of the aggregate basis of the building and the land it is located on.

If a development was selected or selected for further processing for tax-exempt bonds with a 4% HTC financial structure through a previous Minnesota Housing Consolidated RFP, and satisfied pointing and related requirements applicable to that Multifamily Consolidated RFP, the development may be deemed to meet the scoring and related requirements of the QAP in effect during the year in which the tax-exempt volume limited ~~boards~~bonds are issued sufficient to finance at least 50% of the aggregate basis of the building and the land that it is located on.

Developers must also be aware of the requirements of ~~Minn. Stat. §~~Minnesota Statutes, section 474A.047, including ~~Subdivision~~subdivision 1, which require the extension of existing HUD Housing Assistance Payment (HAP) contracts to the full extent available.

⁴³ Tax-exempt volume limited bonds are “residential rental bonds” that are taken into account under the state ceiling on the aggregate face amount of tax-exempt private activity bonds pursuant to Section 146 of the IRC. Residential rental bonds are exempt facility bonds issued pursuant to Section 142(d) of the IRC to finance a qualified residential rental project.

For projects to which the Minnesota Housing QAP applies, Minnesota Housing must make a determination that all requirements are satisfied. After this determination, Minnesota Housing will issue a preliminary determination letter. **Except as determined by Minnesota Housing, applications for this determination (42(m) application) must be submitted to Minnesota Housing at least 60 days prior to the issuance of the tax-exempt volume limited bonds sufficient, together with any tax-exempt volume limited bonds issued previously for the same project, to finance at least 50% of the aggregate basis of the building(s) and land it is located on. Applications that are not submitted within this timeframe may be considered late and subject to a fee (refer to Chapter 8).**

The threshold type requirements in Chapter 5.A. do not apply to projects not receiving HTCs counted in the HTC ~~volume cap~~ credit ceiling for the state.

~~In order to~~ To receive the preliminary determination described above, the applicant must submit to Minnesota Housing all documents required for an application for HTCs as established by the Minnesota Housing QAP and any additional information requested. These documents are those required for an application for HTCs under Chapter 6.A. incorporated into the Application Checklist in the Multifamily Customer Portal and any additional information required by Minnesota Housing. The developer must also submit to Minnesota Housing the required application fees identified. See Appendix A for additional guidance.

B. Pre-Application for Projects Seeking an Allocation of Tax-Exempt Volume Limited Bonds from Minnesota Management and Budget (MMB)

Applicants may receive a ~~predictive cost model~~ Predictive Cost Model and scoring determination prior to requesting preliminary determination via the pre-application process. Pre-application is strongly encouraged in order to receive a determination prior to seeking an allocation of a portion of the state ceiling for tax-exempt volume limited bonds.

Preliminary Predictive Cost Model Determination

A ~~predictive cost model~~ Predictive Cost Model analysis can be pursued earlier than the submission of the 42(m) application. Applicants must submit the ~~predictive cost model~~ Predictive Cost Model determination document and will receive a determination letter upon review. The letter will consist of Minnesota Housing's determination, the expiration date of the determination, the project's current percentage of the ~~predictive cost model~~ Predictive Cost Model and the project cap ~~for per-unit costs in excess of an allowable threshold of which, beyond which a~~ board action may be required, for per-unit costs. Developments with costs above the ~~predictive cost model~~ Predictive Cost Model will be notified and, if requested by the developer, will follow Minnesota Housing's process to determine if approval will be granted.

Preliminary Scoring Determination

Applicants **must** submit all required pre-application documentation a minimum of 30 days prior to the 42(m)(1)(D) application submittal in order for staff to make a preliminary determination of eligibility. Failure to submit all required pre-application materials may result in rejection of the pre-application.

Pre-application Documents:

1. Multifamily Workbook;
2. Self-Scoring Worksheet – Corresponding with the year in which bond issuance sufficient to meet the 50% test is anticipated; and
3. Scoring Documentation.

If the project is determined to be eligible for the required minimum points, the applicant will receive a Preliminary Scoring Determination letter from Minnesota Housing that details the points awarded. This letter is to be submitted with the complete 42(m)(1)(D) application. The 42(m)(1)(D) application may only be submitted following an allocation of a portion of the state ceiling for tax-exempt volume limited bonds.

C. Application for Issuance of Preliminary Determination Letter

For projects in which Minnesota Housing is the Allocating Agency, the developer must submit an application fee (review fee) (refer to Chapter 8). In addition, if the issuer of the bonds is not Minnesota Housing, the ~~initial submission~~ 42(m) application must include evidence from the issuer that the project received an approval of an allocation of a portion of the state ceiling for tax-exempt volume limited bonds from the state of Minnesota and a preliminary determination issued by the issuer of the bonds addressing the HTC dollar amount and project costs pursuant to Section 42(m)(2)(D) of the IRC.

In addition to complying with the requirements for HTC allocation, Section 42(m)(2)(D) provides that in order for a project to receive an ~~award~~ Award of HTCs through the issuance of tax-exempt volume limited bonds, the governmental unit that issues the bonds (or on behalf of which the bonds were issued) and the Allocating Agency must make a determination that the HTC amount to be claimed does not exceed the amount necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the HTC period.

For projects to which the Minnesota Housing QAP applies, the determination by the issuer must be made in a manner consistent with Minnesota Housing's QAP. Evaluation of the issuer and Allocating Agency must consider in accordance with Section 42:

1. The sources and uses of funds and the total financing planned for the project;
2. Any proceeds or receipts expected to be generated by reason of tax benefits;
3. The percentage of the HTC dollar amount used for project costs other than the cost of intermediaries; and
4. The reasonableness of the developmental and operational costs of the project.

Section 42(h)(6)(C)(ii) provides that the HTC amount claimed for buildings financed by tax-exempt volume limited bonds by the taxpayer/owner under Section 42(h)(4) may not exceed the amount necessary to support the applicable fraction specified in the ~~use agreement~~ LURA for the buildings.

Based upon the submission of ~~documents~~ the 42(m) application, Minnesota Housing will prepare a letter with its preliminary determination pursuant to Section 42(m)(1)(D) as to whether the project satisfies the requirements and any additional conditions identified for an ~~award~~ Award of HTCs under the QAP. A preliminary determination fee must be submitted to Minnesota Housing prior to release of the letter (refer to Chapter 8). **This process may take eight weeks or more from the time the full application package is submitted. All applicants should develop their timelines and schedules accordingly.**

~~D. Election of Applicable Percentage~~

~~Section 42 of the IRC requires that the owner elect the applicable percentage for the project. The election is made at the time any tax-exempt volume limited bonds are issued for a project to fix the percentage for the month in which the building is placed in service or the month in which any tax-exempt volume limited bonds are issued. If the election is not made at the time any tax-exempt volume limited bonds are issued, the percentage will be fixed for the month in which the building is placed in service. Once made, the election is irrevocable.~~

~~E. Requests for Building Identification Numbers (BIN)~~

~~At the time of application for issuance of a Preliminary Determination letter, the applicant must obtain a Building Identification Number (BIN) for each of the proposed buildings in the development. Minnesota Housing will assign all BINs. An address or other specific legal description is needed to identify with each BIN. The address and BIN will be needed as part of an application for Form 8609.~~

~~F. Election of Gross Rent Floor~~

~~The owner/taxpayer of a qualified HTC project financed with tax-exempt volume limited bonds is permitted under IRS Revenue Procedure 94-57 to fix the date of the gross rent floor to be the date on which Minnesota Housing initially issues its Preliminary Determination letter to the building or the placed in service date (Gross Rent Floor Election Form). The election of one of the two timing options~~

~~must be completed, and the election form(s) received by Minnesota Housing by a date no later than the date the project is placed in service. If no election is made and/or Minnesota Housing does not receive forms by a date no later than the date the project is placed in service, then the gross rent floor date will automatically be fixed by Minnesota Housing to be the initial issuance date of the Preliminary Determination letter for the building.~~

D. ~~G.~~ **Placed in Service/Application for Issuance of IRS Form 8609**

Placed in service dates for HTC purposes must be established for all buildings using HTCs, including acquisition HTCs, which are treated as a separate building for HTC purposes. Generally, the placed in service date for a newly constructed building or for rehabilitation expenditures in an existing building, is the date when the first unit in the building is certified as available for occupancy. The placed in service date for acquisition HTCs is generally the date of the acquisition of the building. It is highly recommended that owners/developers of projects financed with the proceeds of tax-exempt volume limited bonds seek the appropriate legal and bond professional advice on these matters.

Subsequent to the project being placed in service and prior to Minnesota Housing issuing an IRS Form 8609 for the project, the owner must submit an application for the issuance of IRS Form 8609 to Minnesota Housing.

The application must contain all documents identified in this ~~Section~~[Chapter 7.G.](#) and under Chapter 6.C., in addition to any other submissions deemed necessary and requested by Minnesota Housing. All required application materials are incorporated into the 8609 checklist in the Multifamily Customer Portal. The Owner must also submit an IRS Form 8609 fee based upon the requested annual HTC amount (refer to Chapter 8). [See Appendix A for additional guidance.](#)

A Minnesota ~~Housing-approved~~[Housing-approved IRS](#) Form 8609 must contain the signature of the authorized Minnesota Housing representative. Minnesota Housing will [make reasonable efforts to](#) issue an approved IRS Form 8609 within 60 days after all of the following items have been received by Minnesota Housing in a satisfactory form and substance. Issuance of the Minnesota Housing approved IRS Form 8609 is to be done only by Minnesota Housing or, as applicable, an authorized ~~suballocator~~[Suballocator](#). An approved [IRS](#) Form 8609 must not be created by any other entity. The owner/agent must not file ~~a~~[an IRS](#) Form 8609 with the IRS in advance of the owner/agent's receipt of the Minnesota Housing signed version of the approved [IRS Form](#) 8609. In addition, the owner/agent must not electronically file ~~a~~[an IRS](#) Form 8609 with the IRS that does not accurately reflect the information contained on Minnesota Housing's signed version of the approved [IRS](#) Form 8609 or information contained in the preliminary determination. (Also refer to Chapter 2.J. Unacceptable Practices.)

To optimize timely processing of requests for issuance of IRS Form 8609, it is recommended the owner make every effort to submit the complete 8609 application package to Minnesota Housing no later than 30 days following completion of the project and at least 60 days in advance of any required filing deadline. Applications that are not submitted within this timeframe may be considered late and subject to a fee (refer to Chapter 8).

If a complete 8609 application package is not received within 15 days of the last day of the first year of the HTC period, the application will be considered late and may be subject to a fee (refer to Chapter 8).

Evidence of Tax-Exempt Volume Limited Bonds

If the issuer of the bonds is not Minnesota Housing, submit evidence from the issuer of the bonds that the project received an ~~approval of an allocation~~ of a portion of the state ceiling for the issuance of tax-exempt volume limited bonds from the state of Minnesota.

Determination of Credits

~~Provide evidence that the governmental unit that issued the tax-exempt volume limited bonds (or on behalf of which the bonds were issued) made a determination that the amount of HTC's awarded to the project does not exceed the amount necessary to ensure project feasibility pursuant to Section 42(m)(2)(A) and (B), including a copy of the final written determination (and the analysis on which it was based) that the HTC's awarded to the building did not exceed the maximum HTC's based upon the lesser of the eligible basis or the amount necessary to achieve financial feasibility. The issuer analysis and determination must address all of the items set forth in Section 42(m)(2)(B). The determination must be made by the issuer based upon review of the submission items required in Chapter 6.C.~~

Chapter 8 – Fees

For estimates of HTC ~~allocation~~ fees, reference the [Multifamily Loan Programs and Housing Tax Credit Fee Schedule and Remittance Form on the Minnesota Housing website](#). All fees are non-refundable and will not be adjusted if the final HTC amount is reduced, ~~or~~ [recaptured](#), or the HTCs are returned or unused.

A. Application Fee

An application fee must be submitted with all applications. For dual applications, Minnesota Housing will require a single fee. For multi-building projects, Minnesota Housing will require only one application and a single fee.

B. Supplemental Application Fee

A fee for projects requesting supplemental HTCs. This fee will be charged to projects that resubmit their proposals in Round 2 of the allocation year and were underwritten by Minnesota Housing in Round 1.

1. A non-selected project will be required to submit a new application package as described in Chapter 2.P.
2. A selected project (must have been selected in the same year) requesting additional HTCs will be required to submit a new application package as described in Chapter 2.O.

C. Reservation Fee

After the project has been selected to receive HTCs from the state's HTC ~~volume cap~~ [credit ceiling](#), a reservation fee must be paid to Minnesota Housing. An additional reservation fee must also be paid for any additional HTCs allocated through carryover and must be paid following issuance of the Carryover Agreement.

D. Allocation Fee – Carryover, 8609, Reallocation

At the time the taxpayer/owner submits an application for a carryover allocation or for issuance of IRS Form(s) 8609 (whichever occurs earlier), an allocation fee will be due. Refer to Section C. (immediately above) for fee information relating to additional HTCs allocated at carryover.

A reallocation fee must be submitted to Minnesota Housing for projects requesting a return and reallocation of HTC's.

E. ~~Allocation~~Application Late Fee – 42M, Carryover, 8609

42M or 8609 applications that are not submitted for processing within the applicable timeline set out in this QAP (refer to Chapter 7.A and Chapter 6.C) may be considered late and subject to a fee.

~~Developers~~A Taxpayer/owner submitting a carryover ~~package~~application or, if an owner has elected not to request a carryover, an 8609 ~~package~~application prior to the end of the year of allocation for which the reservation was issued who:

- ~~1- does~~ Do-not submit a carryover/8609 application by the established due date and time;~~or~~
- ~~2- (refer to Chapter 7.B), submits~~ Submit-a substantially incomplete carryover/8609 application by the established due date and time;~~or~~

~~3- does~~ Do-not submit the carryover CPA final certification by the established due date and time may be subject to ~~Must pay a late~~ fee plus an additional penalty fee for each business day from the original due date and time through the date on which Minnesota Housing receives a substantially complete carryover/8609 application.

The fee will not be allowed as an eligible cost in carryover/8609 basis and must be paid at the time the carryover/8609 application is substantially complete.

F. Preliminary Determination Fee

A preliminary determination fee must be submitted to Minnesota Housing prior to issuance of a ~~Preliminary Determination~~preliminary determination letter for projects for which Minnesota Housing is the Allocating Agency.

G. Monitoring Fee

Minnesota Housing will charge a ~~per unit~~per-unit monitoring fee beginning with the first credit year. The fee will be due annually throughout the compliance period and extended use period. Refer to Sections 4.02 and 9.05 of the Housing Tax Credit Compliance Guide for details on the fee amount. Minnesota Housing reserves the right to adjust the fee depending upon the requirements of the U.S. Treasury, IRS,~~or~~ Minnesota Housing's increased cost to monitor. The fee will be due in a manner and time as prescribed by Minnesota Housing.

H. Transfer of Ownership Fee

Projects that have a transfer of ownership subject to Minnesota Housing approval, as described in Chapter 2.I., may be subject to a transfer of ownership fee.

~~All changes in ownership must be approved by Minnesota Housing. If the transfer occurs prior to a date five years after the project's new construction/rehabilitation placed in service date~~after Allocation and prior to the issuance of IRS Form 8609, a transfer of ownership fee must be submitted to Minnesota Housing,~~along with updated materials of the new owner/management team for each project in which 50% or more of the ownership entity is new since reservation or carryover allocation. After the five year period.~~ After the issuance of IRS Form 8609, owners must submit an RFA ~~non-refundable processing~~for transfer of ownership and may be subject to an RFA fee. Refer to the Servicing page on Minnesota Housing's website (also refer to Chapter 2.J.– Unacceptable Practices) for further details on Transfer of Ownership.

I. Check Cashing Procedure

Applicant's payments for fees (in the form of checks) will be held pending verification of the accuracy of the amount tendered and submitted materials.

J. Right to Adjust Fees

Minnesota Housing reserves the right to adjust fees due to changing circumstances in order to cover its costs associated with producing and delivering Minnesota's HTC Program.

K. Appraisal Fee

If the as-is appraisal is ordered by Minnesota Housing, all costs will be the responsibility of the applicant. The appraisal fee will be determined based on fees charged by the appraiser to complete Minnesota Housing's requirement for an as-is appraisal. These fees are subject to change at Minnesota Housing's sole discretion based upon changes in fee structures found in the appraisal marketplace and on the type of appraisal required by Minnesota Housing for a particular application type.

Chapter 9 – Tentative Allocation Schedule of Critical Dates

A. Allocation Dates

A list of important allocation dates is identified in the Multifamily ~~Application Instructions-~~
~~Consolidated RFP and HTC Round 1 and 2~~ [RFP Standards available on the Minnesota Housing website](#).

B. Previous Year's Allocation of HTCs

~~Placed in Service Allocation~~ [8609 application](#): To optimize timely processing of requests for issuance of IRS Form 8609, it is recommended that the owner make every effort to submit the complete ~~Application~~ [application](#) for 8609 to Minnesota Housing no later than 30 days following completion of the project.

At the latest, complete 8609 application packages are due no later than 15 days after the last day of the first year of the HTC period. Section 42 states the owner must elect the first year of the HTC period in the year the project is placed in service or the year following.

C. Compliance Dates

[Annual](#) Owner Certifications, compliance reporting, and monitoring fees are due February 15 (or the next business day if February 15 is not a business day) of each year.

When filed with IRS: Completed first year [IRS Form](#) 8609 with Part II completed.

Chapter 10 – Index of HTC Forms

A. Application Materials

All HTC Application Forms are available on Minnesota Housing's ~~Multifamily~~ website and in the Multifamily Customer Portal.

B. Post-Selection Materials

All Post-Selection materials are available on Minnesota Housing's ~~Multifamily~~ website and in the Multifamily Customer Portal.

Appendix A: Carryover Allocations, 42M and Placed in Service/Issuance of IRS Form 8609 Application Requirements

The table below outlines certain application requirements for carryover, 42M and Placed in Service/Application for Issuance of IRS Form 8609. For additional information, refer to the help text found in the Multifamily Customer Portal and other resources found on Minnesota Housing's website. See descriptions of the application requirements below the table.

Table 1: Application Requirements for Housing Tax Credits

<u>Application Requirements</u>	<u>Chapter 6B Carryover Application</u>	<u>Chapter 7C 42M Application</u>	<u>Chapter 6C Placed in Service 8609 9% HTC</u>	<u>Chapter 7H Placed in Service 8609 4% HTC</u>
<u>Market Study</u>	<u>Yes</u>	<u>Yes</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>Owner Certification/Application for Carryover Allocation</u>	<u>Yes</u>	<u>Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>Election of Applicable Percentage</u>	<u>Not applicable (Election completed at Reservation)</u>	<u>Yes</u>	<u>Not applicable- (Election completed at Reservation)</u>	<u>Yes</u>
<u>Building Information (HTC 5)</u>	<u>Yes</u>	<u>Yes</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>Attorney's Opinion Letter</u>	<u>Yes</u>	<u>Not applicable</u>	<u>Yes</u>	<u>Yes</u>
<u>Certified Public Accountant Certification</u>	<u>Yes</u>	<u>Yes (50% Test Verification Letter)</u>	<u>Yes</u>	<u>Yes</u>
<u>Gross Rent Floor Election</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>
<u>Affirmative Fair Housing Marketing Plan</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>
<u>Tenant Selection Plan</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>
<u>Identity of Interest</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>
<u>Determination of Bond Issuer</u>	<u>Not applicable</u>	<u>Yes</u>	<u>Not applicable</u>	<u>Yes</u>
<u>Placed in Service Evidence</u>	<u>Not applicable</u>	<u>Not applicable</u>	<u>Yes</u>	<u>Yes</u>
<u>Utility Allowance</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>
<u>Reserves, Contingencies and any</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>

<u>Application Requirements</u>	<u>Chapter 6B Carryover Application</u>	<u>Chapter 7C 42M Application</u>	<u>Chapter 6C Placed in Service 8609 9% HTC</u>	<u>Chapter 7H Placed in Service 8609 4% HTC</u>
<u>Cash Savings</u>				
<u>Minnesota Housing Declaration of Land Use Restrictive Covenants (LURA)</u>	<u>Not applicable</u>	<u>Not applicable</u>	<u>Yes</u>	<u>Yes</u>
<u>8609 Certification by Owner/Application Form</u>	<u>Not applicable</u>	<u>Not applicable</u>	<u>Yes</u>	<u>Yes</u>
<u>Final Loan or Grant Documents</u>	<u>Not applicable</u>	<u>Not applicable</u>	<u>Yes</u>	<u>Yes</u>
<u>Partnership/Operating Agreement</u>	<u>Yes, if available</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>
<u>Building Map Form</u>	<u>Not applicable</u>	<u>Not applicable</u>	<u>Yes</u>	<u>Yes</u>
<u>Evidence of Tax-Exempt Volume Limited Bonds</u>	<u>Not applicable</u>	<u>Yes</u>	<u>Not applicable</u>	<u>Yes</u>

Carryover Allocations, 42M and Placed in Service/Issuance of IRS Form 8609

Application Requirements Descriptions

Market Study

Minnesota Housing will conduct a market study review to determine the housing needs of low-income individuals in the area to be served by the project. Minnesota Housing will evaluate the market study and in-house occupancy data to determine the marketability of the proposed project. For market consideration, applicants are responsible for providing evidence to document market feasibility. Minnesota Housing may contact the applicant if there is a question as to the marketability of the proposed projects.

Minnesota Housing may consult with local communities, Public Housing Authorities (PHAs), Housing and Redevelopment Authorities (HRAs), RD and HUD to determine the marketability of projects. If, in the opinion of Minnesota Housing, the issuance of the HTC's to a project could be detrimental to existing rental property, Minnesota Housing may choose not to issue HTC's to the applicant. Proposed projects that do not appear marketable and do not modify their proposal may not receive further consideration.

Owner Certification/Application for Carryover Allocation

Provide a signed Owner Certification/Application for Carryover Allocation Form.

Election of Applicable Percentage

Section 42 of the IRC requires that the owner make an election to determine the applicable percentage for the project. The applicable percentage will, by default, be the appropriate percentage for the month that the building is placed in service, unless the owner makes an alternate, timely election. For Allocations of 9% HTC, the owner may elect the month in which the owner and Allocating Agency enter into the reservation agreement. For Awards of 4% HTC, the owner may elect the month in which the tax-exempt volume limited bonds are issued. Such an election must be made no later than the 5th day after the close of the month in which the bonds were issued. . Once made, the election is irrevocable.

Building Information (HTC 5)

Provide a completed Building Information Form.

Attorney's Opinion Letter

Provide an attorney's opinion letter in the approved Minnesota Housing form applicable to the application stage. The approved form of opinion can be found in the Multifamily Customer Portal and on Minnesota Housing's Tax Credits webpage.

Certified Public Accountant Certification

Provide a written certification in the approved Minnesota Housing form applicable to the application stage. The approved forms of certification can be found in the Multifamily Customer Portal and on Minnesota Housing's Tax Credits webpage.

Gross Rent Floor Election

The gross rent floor date will, by default, be the date of allocation (for 9% HTC) and the date that the preliminary determination letter is issued (for 4% HTC), unless the owner makes an alternate, timely election. By election, owners may choose to set the gross rent floor date as the date the building is placed in service. To make such an election, the completed election form must be received by Minnesota Housing no later than the date the project is placed in service. Supply a fully executed Statement of Election of Gross Rent Floor and include each building of the development in which there are HTC units. Once made, the election is irrevocable.

Affirmative Fair Housing Marketing Plan

It is the policy of Minnesota Housing to take affirmative action to provide equal opportunity in all of its endeavors. Complete, execute and return the Affirmative Fair Housing Marketing Plan (AFHMP) describing the marketing strategies that the owner will use including, but not limited to, special efforts the owner will make to attract people who are least likely to apply, in addition to a broad cross section of the local population without regard to protected classes under federal fair housing law: race, color, religion, sex, national origin, disability or familial status; or under Minnesota law: marital status, status with regard to public assistance, creed and sexual orientation.

Tenant Selection Plan

Provide a written Tenant Selection Plan (TSP) describing the tenant selection policy that the owner will use. The TSP should be in place prior to closing but in any case, must be submitted and reviewed by Minnesota Housing prior to the issuance of IRS Form 8609. The TSP must be developed and implemented in accordance with Minnesota Housing's Tenant Selection Plan Guidelines document, which is published on Minnesota Housing's website.

Identity of Interest

Provide a written disclosure as to any and all Identity of Interest parties (refer to Chapter 2.L. and 2.M.).

Determination of Bond Issuer

If the issuer of the bonds is not Minnesota Housing, provide evidence from the issuer that the project received an allocation of a portion of the state ceiling for tax-exempt volume limited bonds from the state of Minnesota and the issuer's determination, preliminary or final as applicable to the application stage, that the HTC amount to be claimed does not exceed the amount necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the HTC period. The issuer must consider the sources and uses of funds and the total financing planned for the project; any proceeds or receipts expected to be generated by reason by tax benefits; the percentage of the HTC dollar amount used for project costs other than the cost of intermediaries; and the reasonableness of the developmental and operational costs of the project.

Placed in Service Evidence

Provide evidence that all buildings have been placed in service. Submit a copy of the Certificate of Occupancy or Temporary Certificate of Occupancy provided by the local governmental authority having jurisdiction for each building. If not available from the local government, a Certificate of Substantial Completion prepared by the architect will be accepted. For acquisition and rehabilitation, the developer must provide supporting documentation for the elected date(s).

Utility Allowance

Provide a current utility allowance in a manner consistent with the options provided in IRS Treasury Regulation 1.42-10 (i.e., as appropriate, a utility allowance from RD, HUD, a PHA/HRA, a local utility company, an Agency Estimate Minnesota Housing Average of Actual Consumption using the methodology described in the HUD published Multifamily Notice H-2015-4, a HUD utility Schedule Model, an Energy Consumption Model). Include a breakdown of the utilities that a tenant pays directly or through a submetering arrangement (heat, electricity, etc.), the utility allowance for each type of utility (gas, electric, etc.), for the various unit types (one-bedroom, two-bedroom, etc.) and housing types (apartments, townhomes, etc.). Also include a list of each unit type, total tenant paid utilities, contract rent and gross rent (refer to Chapter 3.J.). For utilities paid through a submetering arrangement, Minnesota Housing may require additional documentation.

Reserves, Contingencies and any Cash Savings

Provide a signed and dated statement documenting the amount and disposition of reserves, contingencies and any cash savings. If any of the above reverts back to developer/owner, general partner/managing member or any entity with an ownership interest in the project, Minnesota Housing will consider them deferred developer fees and, for purposes of the HTC Allocation or Award, restrict the developer fees as specified in the Underwriting Standards.

Minnesota Housing Declaration of Land Use Restrictive Covenants (LURA)

The LURA must be completed, executed and recorded before the end of the first year of the HTC period to preserve the HTCs allocated or awarded to the project. Check with your tax advisor as to timing of filing and claiming of HTCs. HUD may require that certain riders be attached to your HTC LURA if your development has primary financing via a HUD direct insured loan. Check with your financing and legal advisors to determine if this may be required of your development. Minnesota Housing will amend and restate and record all LURAs that have been executed and recorded prior to submission of the 8609 application.

8609 Certification by Owner/Application Form

Provide a completed and executed 8609 Certification by Owner/Application Form (HTC 3), verifying:

1. The placed in service date as defined in IRS Notice 88-116 for each building and/or type of HTC. The month and year must correspond with the Placed In Service evidence (see above).
 - a. If the month and year do not correspond, submit a written statement indicating the reason.
 - b. It is highly recommended that owners/developers of projects financed with the proceeds of tax- exempt volume limited bonds seek the appropriate legal and bond professional advice on these matters.
2. Compliance with all applicable design requirements.
3. Compliance with all requirements of this QAP, Selection and additional or special conditions of reservation, commitment or carryover or the preliminary determination letter issued by Minnesota Housing on the project.

Final Loan or Grant Documents

Provide copies of the final executed permanent loan and/or grant documents for all sources of funds (loan/grant agreements, mortgage and note) that support the amount, terms and conditions stated on the Multifamily Workbook. Minnesota Housing must evaluate all final sources of funds to help ensure the amount of HTCs allocated or awarded to a project does not exceed the amount necessary

for financial feasibility. Therefore, Minnesota Housing will not issue an IRS Form 8609 prior to the execution of the final permanent loan documents, or its equivalent, for all funding sources.

Partnership/Operating Agreement

Provide a copy of the partnership/operating agreement. The executed final agreement and amendments must be submitted at 8609.

Building Map Form

Provide a completed Building Map Form for each building. The applicable fraction on the building map must be the same applicable fraction for each respective BIN on Exhibit B of the LURA.

Evidence of Tax-Exempt Volume Limited Bonds

If the issuer of the bonds is not Minnesota Housing, submit evidence from the issuer of the bonds that the project received an allocation and issuance, as applicable, of a portion of the state ceiling for the issuance of tax-exempt volume limited bonds from the state of Minnesota.

Summary report: Litera Compare for Word 11.7.0.54 Document comparison done on 11/12/2024 10:44:59 AM	
Style name: QAP Comparison	
Intelligent Table Comparison: Active	
Original filename: 2024-2025 HTC QAP Formatted.docx	
Modified filename: 26-27 QAP Use for Nov board CLEAN.docx	
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~~Delete~~	1099
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<u>Move To</u>	130
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Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	2490



2026-2027 Qualified Allocation Plan

Housing Tax Credit Program

Last Updated: November 2024



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An equal opportunity employer.

This information will be made available in alternative format upon request.

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Chapter 1 – Introduction and Preparation of the Qualified Allocation Plan

The Federal Tax Reform Act of 1986 created the Low-Income Housing Tax Credit (Housing Tax Credit) Program (refer to Section 42 of the Internal Revenue Code) for qualified residential rental properties. The Housing Tax Credit (HTC) offers a reduction in federal income tax liability to owners and investors in eligible low-income rental housing projects involving new construction, rehabilitation or acquisition with rehabilitation.

The Minnesota Housing Finance Agency (Minnesota Housing) was designated by the Minnesota Legislature as the primary HTC Allocating Agency for the State of Minnesota, with certain other cities and counties also designated as Suballocators of HTCs.¹

Section 42 of the Internal Revenue Code (IRC) requires that HTC allocating agencies develop and adopt a Qualified Allocation Plan (QAP) for the distribution of HTCs within the jurisdiction of the Allocating Agency.

Minnesota Housing's QAP is developed in accordance with federal law, and all applicable federal requirements are hereby incorporated by reference.² The QAP sets forth selection criteria that are appropriate to local conditions and priorities for allocating HTCs to housing projects. The selection criteria include project location, housing needs characteristics, project characteristics, including whether the project includes the use of existing housing as part of a community revitalization plan, sponsor characteristics, tenant populations with special housing needs, public housing waiting lists, tenant populations of individuals with children, projects intended for eventual tenant ownership, the energy efficiency of the project and the historic nature of the project.

The QAP gives preference as required by federal law to:

1. Projects serving the lowest income tenants;
2. Projects obligated to serve qualified tenants for the longest periods; and
3. Projects in Qualified Census Tracts (QCTs) that are part of a concerted community revitalization plan.

¹ Minnesota Statutes sections 462A.221 to 462A.225

² Section 42(m) of the Internal Revenue Code; IRS Treasury Regulation 1.42-17.

This document and the Self-Scoring Worksheet, make up Minnesota Housing's QAP. The QAP is subject to modification or amendment to help ensure the provisions conform to the requirements of Section 42 and applicable state statutes.

Minnesota Housing's policies and procedures are incorporated into multiple resources and guides. The list below includes key documents, but this list is not an exclusive list of all Minnesota Housing materials. Visit Minnesota Housing's website (www.mnhousing.gov) or contact Minnesota Housing for more information.

- **Affordable Housing Plan:** Sets forth Minnesota Housing's business plan to carry out the Agency's core work and implement the Strategic Plan.
- **Housing Tax Credit Program Compliance Guide:** Sets out the procedures to be followed by Minnesota Housing and the owners of HTC projects in order to comply with the requirements of Section 42 and the applicable Treasury Regulations.
- **Multifamily Underwriting Standards:** Outlines the Minnesota Housing's general approach to underwriting.
- **Multifamily Rental Housing Design/Construction Standards:** Contains design/construction standards to meet Minnesotans' needs for decent, safe and sustainable affordable housing.
- **Qualified Allocation Plan Methodology Guide:** Provides additional information related to application of Minnesota Housing's geographic priorities, as reflected in the Self Scoring Worksheet, for effectively distributing HTCs throughout the state.
- **Strategic Plan:** Outlines how the Agency will use its financial, programmatic, operational and human resources to achieve its strategic priorities and sustain a healthy organization over the long term.
- **Tenant Selection Plan Guidelines:** Provides requirements and best practices for the tenant selection plans, required of all developments receiving Minnesota Housing funding and those that receive HTC in accordance with this QAP.

Minnesota Housing has no jurisdiction to interpret or administer Section 42, except in those instances where it has specific delegation.

Minnesota Housing is required to monitor HTC projects during the compliance period and to notify the Internal Revenue Service (IRS) of any noncompliance, with the requirements of Section 42 of which it becomes aware. All applicants should review IRS Treasury Regulation 1.42-5 Monitoring Compliance. In addition, Minnesota Housing will monitor the projects during the remaining term of the Declaration of Land Use Restrictive Covenants (LURA) following the conclusion of the compliance period.

Minnesota Housing is under no obligation to undertake an investigation of the accuracy of the information submitted in an application. Minnesota Housing's review of a proposed housing project does not constitute a warranty of the accuracy of the information, nor of the quality, suitability,

feasibility or marketability of the housing to be constructed or rehabilitated. If any information submitted to Minnesota Housing by the applicant is later found to have been incorrect or there has been a subsequent change in any material respect, it is the responsibility of the applicant to inform Minnesota Housing and to request a reexamination of the application.

This QAP is provided solely for use in applying for HTC's from Minnesota Housing and may not be relied upon in structuring or investing in specific transactions or complying with the IRC, IRS Treasury Regulations or any other laws or regulations governing HTC's. Interested parties should consult with a knowledgeable tax professional prior to entering into any commitment concerning the use and claiming of HTC's.

Minnesota Housing maintains the right not to award or allocate HTC's for any project if it determines, in its sole discretion, that an Allocation or Award for such project does not further the purpose and goals as set forth in this QAP.

Chapter 2 – Policies and Procedures

A. Definitions

As used in this QAP, the following capitalized terms have the definitions set forth below.

4% HTC: HTC which are not taken into account in the state’s annual credit ceiling, pursuant to Section 42(h)(4).

9% HTC: HTC which are taken into account in the state’s annual credit ceiling, pursuant to Section 42(h)(1).

Allocating Agency: Any entity authorized by the state of Minnesota and Section 42 to allocate or award HTCs in Minnesota.

Allocation: Any amount of HTCs issued to a building which are taken into account in the state’s annual credit ceiling, pursuant to Section 42(h)(1).

Award: Any amount of HTCs issued to a building which are not taken into account in the state’s annual credit ceiling, pursuant to Section 42(h)(4).

Federally Assisted Building: The term “Federally Assisted Building” as defined by Section 42(d)(6)(C) means any building which is substantially assisted, financed or operated under Section 8 of the United States Housing Act of 1937, Section 221(d)(3), 221(d)(4) or 236 of the National Housing Act, Section 515 of the Housing Act of 1949 or any other housing program administered by the United States Department of Housing and Urban Development (HUD) or by the Rural Housing Service of the United States Department of Agriculture Rural Development (RD).

Greater Minnesota: Greater Minnesota means any area which is not included in the Metropolitan Area as defined below.

Internal Revenue Code (IRC): Title 26 of the United States Code.

Metropolitan Area: As set out in Minnesota Statutes, section 473.121, subdivision 2, Metropolitan Area means the area over which the Metropolitan Council has jurisdiction, including the counties of Anoka, Carver, Dakota (excluding the cities of Northfield and Cannon Falls), Hennepin (excluding the cities of Hanover and Rockford), Ramsey, Scott (excluding the city of New Prague) and Washington.

Qualified Allocation Plan (QAP): As defined in Section 42 (m)(1)(B) and including the Self-Scoring Worksheet and this document.

Section 42: Low-Income Housing Tax Credit (26 USC § 42), as amended.

Selection: For purposes of an Allocation, the Minnesota Housing board action to select a project for future reservation and allocation of HTC through Round 1 or Round 2. For purposes of an Award, the issuance of the preliminary determination letter by Minnesota Housing.

Suballocator(s): Any Allocating Agency, other than Minnesota Housing, authorized by the state of Minnesota and Section 42 to allocate HTCs in Minnesota.

Substantial Rehabilitation: As used in this QAP, Substantial Rehabilitation means rehabilitation that meets the definition of “Substantial rehabilitation” as defined in Minnesota Statutes, section 462A.221, subdivision 5 and that also meets the rehabilitation expenditure requirements set forth in Section 42(e).

B. Geographic Distribution

The HTC available for allocation within the state of Minnesota are divided into two general geographic pools: (1) the Metropolitan Area pool; and (2) the Greater Minnesota pool. Distribution of HTCs between the two general pools is based on the share of the state’s public assistance recipients residing in each area, pursuant to Minnesota Statutes, section 462A.222, subdivision 1a.

Under Minnesota Statute 462A.222, certain cities and counties have been designated as Suballocators to allocate HTCs to eligible projects in their cities or counties. Some Suballocators have entered into a Joint Powers Agreement with Minnesota Housing under which Minnesota Housing will perform the HTC allocation and compliance monitoring. These Suballocators currently are the cities of Duluth, St. Cloud and Rochester. Minnesota Housing will post updates to Suballocator information on Minnesota Housing’s website.

The HTC distribution plans for Greater Minnesota and the Metropolitan Area will be formulated in accordance with Minnesota Statutes, section 462A.222, subdivision 4. The Greater Minnesota distribution plan will provide for the allocation of the following HTC: (1) the Rural Development (RD)/Small Project set-aside (refer to Chapter 2.D.); (2) any HTC reserved to a Suballocator located in Greater Minnesota; (3) the portion of the nonprofit set-aside (refer to Chapter 2.C.) allotted to Greater Minnesota; and (4) the balance of the Greater Minnesota pool.

The Metropolitan Area distribution plan will provide for the allocation of the following HTCs: (1) any HTC reserved to a Suballocator located in the Metropolitan Area; (2) the portion of the nonprofit set-aside (refer to Chapter 2.C.) allotted to the Metropolitan Area; and (3) the balance of the Metropolitan Area pool.

Minnesota Housing will update the distribution between the Greater Minnesota pool and the Metropolitan Area pool for the 2026-2027 QAP based upon updated demographic data in early 2025 and 2026, and the applicable distribution will be posted on Minnesota Housing’s website.

C. Nonprofit Set-Aside

Federal law requires that 10% of the state's HTC credit ceiling be reserved exclusively for projects involving qualified nonprofit organizations (Nonprofit Set-Aside). Minnesota Housing administers the Nonprofit Set-Aside. On an annual basis, Minnesota Housing and Suballocators may agree to reserve an additional 5% of the total annual HTC credit ceiling for a total annual Nonprofit Set-Aside of 15%. Applicants to the Nonprofit Set-aside can also compete in Round 2 if there are Nonprofit Set-Aside HTC still available. If the Nonprofit Set-Aside is not exhausted in Round 1, the Nonprofit Set-Aside will be available in Round 2. If a project is necessary to meet the Nonprofit Set-Aside requirement in Round 2, at Minnesota Housing's sole discretion, the project will have priority over other applicants in Round 2. If the Nonprofit Set-Aside is exhausted during a round, nonprofit applicants with proposed projects in Minnesota Housing's jurisdiction may be eligible for HTCs from the general pool. Any proposal that receives HTCs from the Nonprofit Set-Aside must comply with the nonprofit requirements of IRC Section 42(h)(5)(C) and (D), including material participation for the term of the LURA. This requirement will be recorded as a covenant on the land that will apply to all subsequent owners.

To qualify for the Nonprofit Set-Aside, a qualified nonprofit organization must own an interest in the project (whether directly or through a partnership) materially participate (within the meaning of IRC 469(h)) in the development and operation of the project throughout the term of the LURA. A qualified nonprofit organization means an organization that meets the following requirements:

1. The organization must be exempt from taxation under IRC 501(a) as an organization meeting the requirements of either IRC 501(c)(3) or IRC 501(c)(4);
2. One of the exempt purposes of the organization must include the fostering of low-income housing;
3. The organization must be organized and incorporated in the state of Minnesota and have experience in Minnesota as a sponsor, owner or manager of low-income housing; and
4. The organization must be determined by the Allocating Agency not to be affiliated with or controlled by a for-profit organization.

The intent of Section 42 is to ensure that a for-profit entity or individual does not set up a sham nonprofit organization in order to secure the Nonprofit Set-Aside. This could include establishing a nonprofit organization for the specific project, without any history, experience, local community involvement or financial strength.

The nonprofit organization must demonstrate that the nonprofit is acting independently and free from influence of control by the for-profit project team members. Minnesota Housing reserves the right to contact the officers and directors of the nonprofit organization to determine their independence.

Minnesota Housing requires that all nonprofits applying for the Nonprofit Set-Aside disclose all identities of interest between the nonprofit and any member of the for-profit project team. An identity of interest would include any officer, director, partner, stockholder, relative, seller or owner of land or building involved, processing agent, real estate salesperson or broker, employee or other person acting to represent any for-profit member of the project team who controls or influences, or has the power to control or influence, the decisions of the nonprofit.

If there is an identity of interest between or other appearance of affiliation with or control by a for-profit organization, as determined by Minnesota Housing, an applicant may not qualify to receive HTCs from the Nonprofit Set-Aside. In making this determination, Minnesota Housing will consider the following:

1. The nonprofit's funding sources and composition of its board;
2. Past experience and anticipated future activities of the nonprofit, including involvement in the local community;
3. The nonprofit's financial strength and ability to materially participate in the development and operation of the project during the term of the LURA;
4. The relationship of the principals involved in the formation and/or management of the nonprofit organization with for-profit members of the project team; and
5. If requested by Minnesota Housing, an attorney opinion letter.

Determinations will be based on all relevant facts and circumstances. Unless determined otherwise by Minnesota Housing, the following relationships are presumed to show that the nonprofit organization is affiliated with or controlled by a for-profit organization:

- a. Having more than a 25% share of common board members/principals; or
- b. Having more than 25% of its funding, directly or indirectly, from the parent entity; or

D. Rural Development/Small Project Set-Aside

Minnesota Housing designates a portion of the state's HTC volume cap to Rural Development (RD) - financed or other small projects. The amount of HTCs reserved to the RD/Small Project set-aside for 2026 is \$500,000 and 2027 is \$525,000. Eligible projects must either:

1. Have an RD financing commitment or application for RD financing; or
2. Be a small project located in a Rural/Tribal Designated Area, as defined in the Rural/Tribal Methodology in the Methodology Guide, and consist of 24 or fewer units.

First priority will go to projects with applications for financing or a commitment from RD. Applicants to the set-aside first compete in the general pool and if not competitive then move to the RD/Small Project set-aside for consideration. Applicants to the set-aside can also compete in Round 2 if there are

RD/Small Project set-aside HTC still available. IRS Form 8609 may not be issued to a new RD project until after financing commitment has been executed.

E. Application Rounds

Minnesota Housing has two HTC application rounds, Round 1 and Round 2, to allocate the state's HTC credit ceiling for a calendar year. Applications for HTCs in association with tax-exempt volume limited bonds are accepted year-round on a pipeline basis.

Round 1

Round 1 is offered through the Multifamily Consolidated Request for Proposals (RFP) and uses a forward selection process, with selections generally taking place in the year proceeding the allocation year of the HTCs. Projects that have previously received a partial reservation or Allocation of HTCs from Minnesota Housing may have priority over other applicants in Round 1.

During Round 1, for-profit applicants must apply directly to the Suballocator for an HTC Allocation if the project falls within a Suballocator's jurisdiction. Except for the nonprofit set-aside, Minnesota Housing will not accept applications for developments located within the jurisdiction of Suballocators in Round 1 unless the Suballocator has entered into a Joint Powers Agreement with Minnesota Housing or has returned all their HTCs to Minnesota Housing. Minnesota Housing will administer the HTCs for all areas outside the jurisdiction of Suballocators. Any unused HTCs are returned by the Suballocators to Minnesota Housing prior to Round 2.

In Round 1, the nonprofit set-aside is divided proportionally between the two geographic pools, the Metropolitan Area pool and the Greater Minnesota pool. Nonprofit applicants with projects located within the jurisdiction of a Suballocator may apply for HTCs from Minnesota Housing, but only in the nonprofit set-aside. Nonprofit applicants with projects located in the jurisdiction of a Suballocator may apply simultaneously to the Suballocator and to the Minnesota Housing nonprofit set-aside. Nonprofit developments not located in the jurisdiction of a Suballocator will compete for HTCs in the respective geographic pool once the nonprofit set-aside has been exhausted.

In Round 1, Minnesota Housing will establish a preservation allocation ceiling of 2/3 for each geographic pool, Metropolitan and Greater Minnesota, but not including the RD/Small Project set-aside or the nonprofit set-aside. Minnesota Housing reserves the right to exceed the 2/3 ceiling if qualifying new construction proposals are not available or do not rank competitively.

Round 2

Round 2 makes available for allocation any HTCs remaining or returned since Round 1. All remaining or returned HTCs, excluding a return of HTCs for projects requesting a reallocation, will be combined into

one unified pool for allocation by Minnesota Housing on a statewide basis, without regard to geographic distribution and with no set-asides. Additionally, Minnesota Housing may, at its sole discretion, establish a waiting list following Round 2 for HTC's that may be returned or otherwise become available. Refer to Chapter 2.T. for additional details.

In Round 2, all projects located in Suballocator jurisdictions may apply directly to Minnesota Housing. Projects that have previously received HTC's 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, subject to Minnesota Housing approval, will have priority over other applicants in Round 2 and under the waiting list. If more than one project qualifies under the supplemental priority, Minnesota Housing will evaluate and rank eligible requests according to points awarded.

The RD/Small Projects set-aside will be carried forward until the end of Round 2, or until it is determined that there are no eligible applications for the set-aside. If Minnesota Housing has not met the 10% IRS requirement in Round 1, the nonprofit set-aside will also be carried forward until the end of Round 2.

F. Suballocator Procedures

A city or county is eligible to receive a reserved portion of the state credit ceiling under Minnesota Statutes, section 462A.222, subdivision 1 if it submitted a written request to Minnesota Housing within 45 days after June 2, 1987, to act as a designated Housing Credit Agency as provided in Section 42. A city or county may designate its housing and redevelopment authority as a suballocating agent to allocate HTC's on behalf of the city or county. The city of Minneapolis or the city of Saint Paul may designate the Minneapolis/Saint Paul Housing Finance Board to allocate HTC's on behalf of each city. Minnesota Housing will administer the HTC's for areas outside the jurisdiction of the Suballocators.

A Suballocator may elect to enter into a Joint Powers Agreement with Minnesota Housing. Under a Joint Powers Agreement, Minnesota Housing will perform certain functions related to the HTC Allocation or Award and compliance monitoring. As a condition of the Joint Powers Agreement, the participating Suballocator will transfer its entire annual HTC distribution to Minnesota Housing.

Minnesota Housing, in consultation with the Suballocators, will determine application competition deadlines as required by statute. Minnesota Housing will make an effort to align the application deadline for the suballocating agencies in Round 1 with Minnesota Housing's deadline. No Allocating Agency may allocate or award HTC's prior to the Minnesota Housing application closing date for Round 1.

Before the application deadline for Round 2, the Suballocators must return all uncommitted and unallocated HTC to Minnesota Housing, along with copies of the HTC application and commitment agreements for all selected projects.

If a Suballocator determines at any time before Round 2 that a project is no longer eligible for all or a portion of the HTCs committed or allocated to the project, the HTCs must be transferred to Minnesota Housing to be reallocated. If the HTCs for which the project is no longer eligible are from the current year's annual credit ceiling and the Suballocator maintains a waiting list, the Suballocator may continue to commit or allocate the HTCs until no later than the date of application for the Round 2. At that time, any uncommitted HTCs must be transferred to Minnesota Housing.

So that all a project's HTCs are allocated by a single Allocating Agency, Minnesota Housing may apportion additional HTCs to a Suballocator for a project that has already received a commitment or Allocation of HTCs from the Suballocator. These supplemental HTCs must be used only for the selected project allocation year for which the apportionment was made. If at any time after the apportionment of the HTCs a Suballocator determines the project cannot use or is no longer eligible for all or a portion of the HTCs apportioned to the project, the HTCs must be returned to Minnesota Housing within 10 business days for reallocation.

Suballocators are responsible for the issuance of the IRS Form 8609 for all projects for which they have allocated HTCs, including HTCs that have been apportioned by Minnesota Housing to the Suballocator. In instances where both a Suballocator and Minnesota Housing have allocated HTCs, that have not been apportioned, both Allocating Agencies will prepare an IRS Form 8609.

As the primary and lead HTC agency for the state of Minnesota, Minnesota Housing is responsible for collecting and filing certain required forms with the IRS each year. Minnesota Housing will prepare a comprehensive IRS Form 8610, incorporating all carryover allocations and IRS Form 8609s issued in the state of Minnesota for filing with the IRS. The local Suballocators shall submit the following materials to Minnesota Housing no later than January 31 for all HTC activity that has occurred in the preceding year:

1. A copy of all resolutions of the Suballocator governing body relating to the reservation and Allocation of HTC;
2. A copy of all Reservation/Binding Agreements, Carryover Agreements and IRS Form 8609s, completed and issued to all projects (including those in connection with tax-exempt volume-limited bonds);
3. A completed HTC application form (Multifamily Workbook) for each development receiving an Allocation or Award through a reservation, carryover or issuance of IRS Form 8609 for HTCs allocated from the credit ceiling or awarded in connection with tax-exempt volume limited bonds;

4. A completed IRS Form 8610 Schedule A for each development receiving a carryover allocation;
5. A Suballocator Monitoring Activity Report containing the results of inspection activity conducted during the calendar year with copies of any forms 8823 filed with the IRS; and
6. Any other information requested by Minnesota Housing necessary to meet federal and state reporting requirements.

Suballocators are responsible for monitoring HTC projects, to which they have allocated or awarded HTC, for the term of the LURA, including any Minnesota Housing requirements if such HTC were apportioned by Minnesota Housing to the Suballocator, in accordance with Section 42(m)(1)(B)(iii) to help ensure compliance with applicable federal, state and local requirements. Compliance records must be available upon request to Minnesota Housing from the Suballocator or its monitoring agent. Projects that receive HTCs that were apportioned to a Suballocator by Minnesota Housing must incorporate Minnesota Housing restrictions that are a condition of the HTC Allocation or Award (e.g., nonprofit set-aside, homeless households).

Before January 31, Suballocators will submit to Minnesota Housing compliance staff a comprehensive updated Suballocator Monitoring Activity report listing all HTC projects allocated or awarded HTCs by the Suballocator. Include the following items in the report:

1. Project name;
2. Address;
3. Building identification number(s) (BIN(s));
4. Ownership entity and taxpayer identification number (TIN);
5. Total number of residential units;
6. Number of HTC units;
7. Year of Allocation or Award;
8. Amount of HTCs allocated or awarded; and
9. Other information as needed.

In addition, Suballocators will submit a list of the projects that have been in noncompliance during the calendar year inspection date and type of noncompliance, along with copies of all IRS Form 8823s and the report of noncompliance findings sent to the owner. Upon request, Suballocators will also submit a copy of their monitoring requirements, procedural manual, forms and, if applicable, a copy of the monitoring contract with an outside vendor.

G. Multiple Buildings

Projects may include multiple buildings having similarly constructed housing units, provided the buildings are located on the same tract of land, have the same owner for federal income tax purposes and are financed pursuant to a common plan of financing. Scattered site buildings on different tracts of

land will also qualify if the project meets all the other requirements described above and all units in the project are low-income units. The Scoring Guide provides additional information on how thresholds and selection criteria will apply to scattered site projects.

H. Developer and Development Limits

For applicants applying for a portion of the state's HTC credit ceiling, the per-developer or general partner/managing member HTC limit is the greater of 1) the amount representing 10% of the population component of the state's annual credit ceiling or 2) the amount needed to support two developments in the case that two developments selected are being developed by the same developer or general partner/managing member. Such projects are subject to a development limit of no more than \$1,850,000 in 2026 and \$1,950,000 in 2027 in cumulative HTCs allocated to any one development.

At the sole discretion of Minnesota Housing, these limits may be waived. Applicants should not assume that this waiver will be automatically provided or rely on this statement when determining the scope of the proposed project. Minnesota Housing's goal is to optimize the use of all available sources of funding for multifamily developments, including private investor equity, amortizing loans and deferred loans, to produce the maximum number of affordable rental units that meet the priorities adopted by Minnesota Housing and represent developments that are sustainable, cost effective and geographically diverse. Consistent with this goal, the following criteria will be used to determine if and when Minnesota Housing may provide a waiver to the developer or development limit.

Developer Limit

1. Developer/Sponsor capacity – The ability and capacity of the development team to proceed expeditiously to complete multiple developments, including other projects selected by Minnesota Housing for funding that have not yet been completed.
2. Financial Feasibility – The applicant must demonstrate that the HTCs are necessary for the financial feasibility of the proposed project and that a significant funding gap will remain if the waiver is not granted.

Development Limit

1. Financial Feasibility – The applicant must demonstrate that the HTCs are necessary for the financial feasibility of the proposed development and that a significant funding gap will remain if the waiver is not granted.

I. Transfer of Ownership

From Selection through the term of the extended use period, any transfer of title of a selected project, replacement of a general partner or managing member, transfer of more than a 50% interest in a

general partner or managing member or change in a nonprofit partner is subject to Minnesota Housing's approval prior to the transfer of ownership.

To request Minnesota Housing's approval for a transfer of ownership, the Owner must submit a completed Request for Action Form (RFA), a transfer of ownership fee if the transfer occurs after Allocation and prior to the issuance of IRS Form 8609 (refer to Chapter 8) or an RFA processing fee if the transfer occurs after issuance of IRS Form 8609 (refer to Servicing Fee on Minnesota Housing's website) and any other documentation that Minnesota Housing deems necessary.

J. Unacceptable Practices

Applicants applying for an Allocation or Award from Minnesota Housing pursuant to this 2026-2027 QAP may be subject to unacceptable practice penalties in the following three circumstances. Additionally, failure to comply with the terms of the Selection of may result in cancellation or other loss of HTC. See Chapter 3.S.

1. For projects that receive an Allocation or Award from Minnesota Housing pursuant to this 2026-2027 QAP, the following occurrences constitute unacceptable practices. If Minnesota Housing, in its sole discretion, determines that an unacceptable practice has occurred, it may impose penalties of up to negative 35 points on any/all parties involved in the development, ownership and/or management of the project. Such penalties will be applied in one or more future application cycles.

a. Unapproved Transfer of Ownership

From Selection through the term of the LURA, failure to obtain prior approval for any transfer for which Minnesota Housing approval is required pursuant to Chapter 2.I is an unacceptable practice.

b. Displacement of Section 8 Tenants

Rent increases for existing Section 8 tenants above HUD's Payment Standard Rents which result in the displacement of the existing Section 8 tenant(s), whether prior to submission of the application for HTC or after completion of rehabilitation, is an unacceptable practice.

c. Changes to Project

From selection until the project is placed in service, any material change to the project or building design that impacts the selection criteria for which the project received points or a preference is an unacceptable practice.

d. Late 8609 Application Submissions Resulting in the Loss of HTC Authority to the State

Late submission of a complete and acceptable 8609 application package by or on behalf of an owner that results in the loss of any volume of HTC authority to the state of Minnesota is an unacceptable practice.

e. Filing of Non-Allocating Agency Approved IRS Form 8609 with the IRS

Filing with the IRS any IRS Form 8609 which is not the Allocating Agency-signed version of the approved IRS Form 8609 is an unacceptable practice.

f. Non-Compliance with Minnesota Housing's Fair Housing Policies or Tenant Selection Plan Guidelines, Procedures and/or Requirements

Any failure to comply with Minnesota Housing's Fair Housing policies (refer to Chapter 3.W.) or Tenant Selection Plan Guidelines, procedures or requirements is an unacceptable practice.

g. Non-Compliance with Minnesota Housing's Compliance Policies, Procedures and/or Requirements

Failure to comply with Minnesota Housing's compliance policies, procedures or requirements after repeated notices is an unacceptable practice.

h. Violations of Local, State or Federal Law

Violations of local, state, or federal law, including but not limited to violations of law related to habitability, utilities, prevailing wage, wage theft and fair housing, are unacceptable practices.

2. For projects that received an Allocation or Award from Minnesota Housing under a prior QAP, penalties may be applied in the 2026 and 2027 application rounds for unacceptable practices identified in that prior QAP. In its sole discretion, Minnesota Housing may impose a lesser penalty than the penalty indicated in such prior QAP. If Minnesota Housing determines that an unacceptable practice has occurred, it will notify the parties to which the penalty will be applied.
3. For applicants for an Allocation or Award pursuant to this 2026-2027 QAP, the following occurrences constitute unacceptable practices. If Minnesota Housing, in its sole discretion, determines that an unacceptable practice has occurred, it may impose penalties, as set forth below, on the applicant which will be applied in the 2026 and 2027 application rounds.

a. Failure to Notify

Throughout the term of the LURA, failure to notify Minnesota Housing in advance of a transfer of title to the project, replacement of a general partner or managing member, transfer of more than a 50% interest in a general partner or managing member or change in a nonprofit partner is an unacceptable practice. Penalties of up to negative 35 points may be applied to any/all individuals/entities that transferred or acquired an ownership interest through the transfer for which notice was not provided.

b. Displacement of Section 8 Tenants

Minnesota Housing will not accept applications that have displaced or will displace Section 8 tenants because rents will be increased above the Section 8 Payment Standard limit.

c. Non-Compliance with Minnesota Housing's Fair Housing Policies or Tenant Selection Plan Guidelines, Procedures and/or Requirements

Failure to comply with Minnesota Housing's Fair Housing Policies or Tenant Selection Plan Guidelines, procedures or requirements is an unacceptable practice. Penalties of up to negative 35 points may be applied to any/all parties involved in the ownership and/or management of the development.

d. Non-Compliance with Minnesota Housing's Compliance Policies, Procedures and/or Requirements

Failure to submit an acceptable correction plan within the time allotted after receipt of a notice of failure to comply involving any of the following violations is an unacceptable practice:

- i. Failure to meet minimum set-aside;
- ii. Any exigent health and safety violation under HUD's National Standards for the Physical Inspection of Real Estate;
- iii. Rent violations, as stated in the Housing Tax Credit Compliance Guide, including:
 1. Charging rent on any HTC unit in excess of the allowable rent limit;
 2. Violating Minnesota Housing's policy limiting rent increases to once annually;
 3. Violating Minnesota Housing's policy requiring 120 day written notice to the tenant for any rent increase in excess of 5%;
 4. HTC unit rented to an ineligible household (e.g. household not properly certified, over income at initial occupancy or ineligible full-time student);
- iv. Project not available to general public;
- v. Failure to respond to Minnesota Housing request for inspection; and

- vi. Other compliance violations, as determined by Minnesota Housing.

Penalties of up to negative 35 points may be applied to any/all parties involved in the ownership and/or management of the development.

Minnesota Housing may reject applications from any applicant if the applicant, or any party with an identity of interest with the applicant who will have an ownership interest in the proposed development:

- i. Has an ownership interest in any development that has been reported to the IRS by Minnesota Housing or a Suballocator as no longer in compliance nor participating in the Section 42 program as indicated on line 11p of IRS Form 8823;
- ii. Has an ownership interest in any development that is on Minnesota Housing's list of Properties Not in Good Standing in the Extended Use Period or a similar list maintained by a Suballocator; or
- iii. Is on the Minnesota Housing Participant Suspension List.

e. Violations of Local, State or Federal Law

Minnesota Housing may reject applications from any applicant if the applicant, or any party with an identity of interest with the applicant who will have an ownership interest in the proposed development has been found by an enforcement agency or court to have violated local, state, or federal law, including but not limited to violations of law related to habitability, utilities, prevailing wage, wage theft and fair housing.

f. Ineligible Significant Parties

Minnesota Housing may reject applications if any of the significant parties (refer to Chapter 2.L.) are not eligible to participate in the HTC Program.

K. Minimum Underwriting Standards

A development selected for a reservation of or preliminary determination of eligibility for HTCs is selected based upon underwriting standards, including but not limited to, acquisition costs, maintenance and operating expenses and permanent financing as approved by Minnesota Housing (refer to Chapter 5. I. and the Minnesota Housing Multifamily Underwriting Standards). These factors will be monitored throughout the HTC process until Minnesota Housing's issuance of the approved IRS Form 8609. **Modifications from these standards require prior approval from Minnesota Housing.** Not complying with these standards could lead to loss of the HTC Allocation or Award.

L. Identity of Interest and Related Parties

The applicant must disclose any and all relationships (generally based on financial interests or family ties) with others involved in the project. A written disclosure to Minnesota Housing detailing the nature of all identity of interest relationships is required for all parties. An entity will be deemed, at the sole discretion of Minnesota Housing, to have an identity of interest with, or to be a related party to, an applicant if there is a financial and/or familial relationship between the entities, including parent and subsidiary entities.

M. Disclosure and Eligibility of Development Team

The applicant must disclose on the Multifamily Workbook the names and addresses, including corporate officials where applicable, of all parties that have a significant role in the project (the “significant parties”). These significant parties include, but are not limited to, general partners (or managing members), accountants, architects, engineers, financial consultants, any other consultants, processing agents, management agents and the general contractor. **NOTE:** Each team member may be required to complete a Qualification Form. Minnesota Housing must be satisfied that those who will own and operate the project are familiar with and prepared to comply with the requirements of the program.

The following significant parties are not eligible to participate in the HTC Program:

1. Significant parties who have been convicted of, enter an agreement for immunity from prosecution for or plead guilty, including a plea of *nolo contendere*, to a crime of dishonesty, moral turpitude, fraud, bribery, payment of illegal gratuities, perjury, false statement, racketeering, blackmail, extortion, falsification or destruction of records;
2. Significant parties who are currently debarred from any Minnesota program, other states’ program(s) or any federal program(s);
3. At the sole discretion of Minnesota Housing, significant parties who have serious and persistent compliance monitoring violations may not be eligible; and
4. At the sole discretion of Minnesota Housing, significant parties having an identity of interest with persons or entities falling into any of the above categories may not be eligible.

N. Determination of HTC Amount

Federal law mandates that, although a proposed project may be eligible for a certain present value HTC amount, Minnesota Housing may not allocate or award more HTCs than is necessary for the financial feasibility of the project and its viability as a qualified affordable housing project throughout the compliance period.

After a project meets the development selection criteria, Minnesota Housing will evaluate each proposed project, taking into consideration in accordance with Section 42:

1. Development costs, including acquisition costs, developer fees, builder profits, contractor overhead and general conditions;
2. All sources and uses of funds;
3. Projected income and expenses;
4. Proceeds expected to be generated from the sale of HTC's, including historic tax credits; and
5. The difference between total project costs and total available financing resources, which is referred to as the gap. A calculation is made to determine the amount of HTC's needed by the project to fund the gap over a 10-year period, based on the estimated market value of the HTC's.

Based on this evaluation, Minnesota Housing will estimate the amount of HTC's to be allocated or awarded for each application. This determination is made solely at Minnesota Housing's discretion and is not a representation as to the feasibility of the project. Rather, it will serve as the basis for making an Allocation or Award of HTC's. The amount of the HTC's can change during the process due to variations in cost, mortgage amount, HTC percentage, syndication proceeds, etc. Minnesota Housing reserves the right not to allocate or award any HTC's.

This analysis to determine the maximum amount of HTC's must be performed by both Minnesota Housing and the owner/developer at the time of application, at the time of allocation and at the time the project is placed in service, provided all project costs are finalized and certified. For each analysis, the applicant must submit the most recent financial information on the project. Misrepresentations of information will result in failure to receive IRS Form 8609, debarment from participation in the HTC Program and possible criminal penalties.

If there are changes in resources and/or uses of funds or other changes, Minnesota Housing will adjust the HTC amount to reflect the changes, and the HTC amount may be reduced. HTC amounts will not automatically be increased above the initial reservation request or Allocation amount. Requests for additional HTC's for the project must follow the procedures in Chapter 2.O. and will depend upon the availability of HTC's.

O. Requests for Additional HTC Amounts

Projects that have had a justifiable increase in eligible basis or previously received a partial Allocation may be eligible to apply for supplemental HTC amounts. Under extenuating circumstances, such as significant changes in the market, Minnesota Housing may allow additional requests. The determination and approval are at the sole discretion of Minnesota Housing.

For 9% HTC projects to receive a supplemental HTC amount, the owner must submit an application when applications are due for Round 1, Round 2 or at the time the carryover application is submitted. Developers who have a Minnesota Housing reservation from the current year will be required to submit a revised Multifamily Workbook, documentation supporting the increased amount of HTCs requested, an updated and revised Self-Scoring Worksheet, any new or revised documentation obtained since the previous application and a supplemental application fee. A complete application package with all attachments and a full application fee will be required for an application for additional HTCs for developments initially awarded HTCs from a Suballocator or that have an HTC Allocation from a prior year. Minnesota Housing permits only one supplemental or additional HTC Allocation for each development. Allocations of additional HTCs requested as part of a carryover application are not counted against this limit.

For 4% HTC projects to receive an additional HTC amount, the owner must submit an application at the time of the 8609 application.

All applications that are submitted for an additional HTC amount will be subject to the eligibility requirements, the determination of HTC amount, the availability of HTCs, as well as limitations on the time period for allocation of additional HTCs under Section 42.

P. Round 2 Resubmission Process for Non-Select Projects

In a current allocation year, if a project fails to receive 9% HTCs in Round 1, it may be considered for a reservation of HTCs in Round 2 by following the guidelines listed below. Resubmittal must occur by Minnesota Housing's HTC Round 2 application deadline. Minnesota Housing will not consider applications resubmitted after the deadline. A resubmitted application must include the following:

1. Re-signed and re-dated Multifamily Workbook (all changes from the initial application must be clearly identified);
2. Any new or revised documentation obtained since the previous application;
3. An updated and revised Self-Scoring Worksheet, including all documentation that clearly supports the points claimed;
4. Any requested documentation Minnesota Housing deems necessary; and
5. The supplemental application fee.

Minnesota Housing reserves the right to require a full, new application for any project.

Q. Qualified Census Tracts, Difficult Development Areas and State Designated Basis Boosts

Projects that meet the following criteria may be eligible for a greater amount of HTCs than the legislated maximum HTC percentage.

Qualified Census Tracts

Pursuant to Section 42(d)(5)(B), buildings located in Qualified Census Tracts (QCTs) qualify for a basis boost. QCTs are census tracts designated by HUD in which 50% or more of the households have an income of less than 60% of the area median or which has a poverty rate of at least 25%, where such areas do not comprise more than 20% of the overall population of a metropolitan statistical area. (For a current list of the HUD-designated QCTs, go to Minnesota Housing's website under HTC Reference Materials or go directly to the [Qualified Census Tract Table Generator](#) or [Qualified Census Tract Map](#)). HUD designates QCTs annually, and each list has a specified effective date. If the designation of the area in which a project is located changes over the course of the pre-development and development of the project, the project may or may not qualify for the basis boost. Effective dates can be based upon year of application, allocation, bond issuance and/or placement in service. Refer to the HUD Designation Notice found on HUD's website for additional details and consult with appropriate legal and tax professionals as necessary.

Difficult Development Areas

Pursuant to Section 42 (d)(5)(B), buildings located in Difficult Development Areas (DDAs) qualify for a basis boost. DDAs are areas designated by HUD as having high construction, land and utility costs relative to area median income. For DDA information, reference the same website as QCTs above. HUD designates DDAs annually, and each list has a specified effective date. If the designation of the area in which the project is located changes over the course of the pre-development and development of the project, the project may or may not qualify for the basis boost. Effective dates can be based upon year of application, allocation, bond issuance and/or placement in service. Refer to the HUD Designation Notice found on HUD's website for additional details and consult with legal and tax professionals as necessary.

State Designated Basis Boost

Pursuant to Section 42(d)(5)(B)(v), Minnesota Housing can designate buildings requesting HTC from the state's credit ceiling for a basis boost. Requests by applicants or developers to Minnesota Housing to apply the 30% state designated basis boost must be made in writing at the time of the HTC Allocation request. The request must clearly demonstrate how the proposal meets the criteria established by Minnesota Housing for receiving boost considerations.

It is the goal of Minnesota Housing to optimize the use of all available sources of funding for multifamily developments to produce the maximum number of affordable rental units in the most sustainable, quality, cost effective and geographically diverse developments possible that meet Minnesota Housing's priorities. Consistent with this goal, the following criteria will be used to

determine if, when and in what HTC amount, Minnesota Housing will provide a state-designated basis boost for HTC developments on a building-by-building basis to obtain financial feasibility.

1. The development must meet at least one of the following selection criteria requirements:
 - a. Permanent Supportive Housing: Projects that will serve People with Disabilities or High Priority Homeless Households under the Permanent Supportive Housing for High Priority Homeless selection criterion or the People with Disabilities selection criterion;
 - b. Preservation: Projects that preserve existing federally-assisted housing or other critical affordable housing projects and are eligible for points under the Preservation selection criterion; or
 - c. Tribal: Projects that are sponsored by, or have received a significant financial contribution (as determined by Minnesota Housing) from, a Tribal government, Tribally designated housing entity or Tribal corporate entity.
2. The application must demonstrate that without the basis boost, a significant funding gap will remain for the proposed development, and the HTCs allocated in connection with the basis boost must be no more than needed to achieve financial feasibility.

R. Reservations

Once Minnesota Housing has ranked applications and determined allowable HTC amounts for each application, staff will make recommendations to Minnesota Housing's board for final approval of the reservation of 9% HTCs.

Reservations are site specific. Changing a development's site could lead to the revocation of the HTC reservation/Allocation.

Minnesota Housing's HTC program permits owners to elect the applicable percentage either at the time of reservation or when placed in service. If the election is not made at the time the reservation letter is issued, the percentage will be fixed for the month in which the building is placed in service or as otherwise established by Section 42. Once made, the election is irrevocable. Upon receipt of the required documents, Minnesota Housing will complete its reservation review and send reservation agreements to be executed by the owner.

Choosing the gross rent floor date as the date of allocation or the date placed in service can be done at any time from reservation forward, but the election must be made, and the completed election form must be received by Minnesota Housing no later than the date the project is placed in service. If you choose to make the election as of the date of the reservation, submit a fully executed Gross Rent Floor Election Form including each building of the development in which there are HTC units. If the required owner-executed forms with all elections made by the owner are not submitted to Minnesota Housing

by a date no later than the placed in service date, the gross rent floor date will be effective on the allocation date of the HTCs.

Selected applicants that will not place a project in service in the allocation year for which the reservation was issued may request a carryover allocation by submitting the required carryover application submissions.

S. Administrative Errors/Appeals Process

Minnesota Housing will consider appeals for applications requesting HTCs from the state's HTC credit ceiling. If the applicant believes that Minnesota Housing has misinterpreted, was not aware of a submission item or miscalculated the applicant's selection points or HTC amount, at the time of application/reservation, the applicant may submit an appeal by the appeal due date and time determined by Minnesota Housing, which is generally five business days after notification of application status. Notification of the appeal request deadline will be in the form of the selection or non-selection letter. The first business day after the date on this letter will be the first day of the appeal period.

The appeal must be written in letter form containing a signature from an authorized representative of the applicant and stating that the communication is an appeal under Chapter 2.S. of this QAP. The applicant should articulate their position and may call Minnesota Housing's attention to particular application submissions that were properly and timely submitted by the application deadline. Minnesota Housing will **not** consider any supporting documentation not previously submitted as part of the application. The appeal letter must be submitted via email to mhfa.htc.appeals@state.mn.us.

An applicant is not permitted to contest the scores of other applicants.

If appeal is resolved in favor of the applicant and the selection points of the project are affected, Minnesota Housing will re-rank all projects in the order of descending selection points.

T. Waiting List

In Round 2, eligible applications that were not selected or that were selected to receive a partial Allocation may be maintained on a waiting list until the end of the year in the event Minnesota Housing receives an increase in credits due to an IRS formula adjustment, National Pool or unused and/or returned HTCs. This excludes a return of credit from projects requesting a reallocation. A project on the waiting list that is selected for its HTC request through the subsequent Round 1 will no longer be eligible to receive HTCs through the waiting list and will be removed from the list. Projects determined to meet the supplemental priority in accordance with this QAP will receive priority over other applicants. The waiting list will follow Minnesota Housing's order of ranking of competitive HTC points. Generally, projects will be chosen in order; however, depending on IRS rules and requirements,

time and funds available, Minnesota Housing reserves the right to make modifications to the waiting list or incorporate HTC allocations into subsequent rounds.

Projects placed on the waiting list must be fully evaluated for underwriting and market and financial viability prior to receiving consideration for an HTC Allocation. A project must satisfy these reviews to be eligible for selection from the waiting list. If an application is not selected for a reservation of HTCs by the end of the calendar year, there will be no further consideration. An applicant on the waiting list whose application is not selected for a reservation of HTCs by the end of the calendar year must submit a completely new application packet in the next funding round, which is a new HTC year, to receive consideration for an HTC Allocation.

U. Carryover Allocations

Federal law (IRC Section 42(h)(1)(E) - (F); IRS Treasury Regulation 1.42-6 Carryover Allocation) provides that Minnesota Housing may give a carryover allocation to certain qualified building(s), which are to be placed in service prior to the deadline established by Section 42, as may be extended by relief issued by the IRS. To receive a carryover allocation, the owner must submit a complete carryover application package to Minnesota Housing no later than October 1 of the allocation year for which the reservation was issued.

In the event Minnesota Housing receives an increase in HTCs due to an IRS formula adjustment, National Pool or unused and/or returned HTCs, Minnesota Housing may allocate HTCs for any additional HTC requests based upon the score of the project's allocation request. This excludes a return of HTCs for projects requesting a reallocation. Generally, projects will be chosen in order; however, depending on IRS rules and requirements, time and funds available, Minnesota Housing reserves the right to incorporate HTCs into subsequent rounds.

Federal law requires that more than 10% of the expected basis in the project (including land) must be expended by the date which is one year after the date that the allocation is made. A written certified public accountant (CPA) certification must be submitted verifying the owner has incurred required expenditures. As decided by the owner, submission of the CPA certification may be made at the time of carryover application or at a later date as provided for by Section 42 and this QAP. However, the carryover allocation agreement must be executed prior to December 31 of the allocation year for which the reservation was issued.

For a carryover agreement to be valid, it must include, among other things:

1. The amount of the reasonably expected basis at the end of the second year after the allocation is made; and

2. The amount of that expected basis that must be expended or incurred by the date which is one year from the date of the allocation.

If the final CPA-certified carryover basis and expenditure information is not available at the time the carryover application is due, an estimate of the expenditure of greater than 10% of the expected basis must be performed by the owner and submitted to Minnesota Housing no later than October 1 of the allocation year for which the reservation was issued. The final CPA certifications must be submitted to Minnesota Housing prior to the deadlines established by Section 42, as may be extended by relief issued by the IRS, and by no later than Minnesota Housing's submission deadlines identified in Chapter 6.B. Failure to comply with the submission dates will result in significant penalties as outlined in Chapter 8.E. Additional carryover requirements are given in Chapter 6.B.

Minnesota Housing's HTC program carryover procedures are intended to conform to the federal laws and are based upon the limited guidance received from the IRS. At any time, additional IRS guidance may be issued that will require further adjustments to the QAP and additional reviews of developments relating to carryover.

V. Reallocation

Notwithstanding any other provisions of this QAP, when a project that has received a carryover allocation of 9% HTCs from Minnesota Housing has determined that it will be unable to place in service by the date required pursuant to Section 42, an owner may request 1) that they be able to return the original Allocation of HTC and 2) that Minnesota Housing reallocate the same amount of HTC in a future credit year.

Minnesota Housing reserves the right, at its sole discretion, to provide a new Allocation of 9% HTCs to a project that received a carryover allocation in a prior calendar year. An owner that requests a return and reallocation will not be required to submit a new application or be scored again under the QAP applicable to the future credit year. To be eligible for this return and reallocation of HTC, at a minimum, the following conditions must be met to Minnesota Housing's satisfaction:

1. The owner must provide written notice to Minnesota Housing in a timely fashion, describing the circumstances surrounding the request, all remedial measures attempted by the developer to mitigate the delay and any other pertinent information related to the inability to meet the required placed in service deadline, as part of their request to return their Allocation;
2. The reason for the request must be extenuating circumstances beyond the reasonable control of the owner. These circumstances may include but are not limited to delays such as fire, natural disaster, pandemic or other large-scale issues with a significant impact to the housing industry;

3. The project is economically viable without additional HTC's or other deferred funding from Minnesota Housing; and
4. Minnesota Housing must find that the project in all respects, except time to place in service, still meets the selection criteria and conditions upon which the HTC were originally allocated and the minimum requirements of the QAP applicable to the future credit year and that the project continues to meet affordable housing needs in the community for which it is planned.

An owner may only return and receive a reallocation once per project. A developer may only return and received a reallocation once per year.

The owner shall submit the required fee listed in Chapter 8 with the written request. The fee is non-refundable regardless of outcome. The request is subject to Minnesota Housing board approval. Applicants should not assume that this reallocation will be automatically provided or rely on this statement when determining the timeline of the proposed project.

Minnesota Housing, in its sole discretion, may assess negative ranking points on subsequent applications from the applicant (or related entity).

A project located in a HUD-designated DDA or QCT at the time of original Allocation may retain its designation if consistent with Section 42. Effective dates can be based upon year of application or allocation. Refer to the HUD Designation Notice found on HUD's website for additional details.

W. Final Allocations and Awards

Except for carryover allocations, no Allocation or Award of HTC's will be made until a building or project is placed in service and the proper documentation and fees have been received. The final amount of HTC's is determined when the project is placed in service.

Final Allocations and Awards (IRS Form 8609) may be requested when all eligible buildings are placed in service and the proper documentation and fees have been received. Minnesota Housing may establish, at its sole discretion, required deadlines prior to year-end for final requests in order to permit timely processing of documents.

If an owner of an HTC development does not intend to obtain a carryover allocation, but instead intends to take a project from HTC reservation directly to placed-in-service status, an Allocation via issuance of IRS Form 8609 must be obtained prior to year-end of the allocation year for which the reservation was issued. For an IRS Form 8609 to be issued by Minnesota Housing prior to year-end, the 8609 application must be submitted to Minnesota Housing on or before October 1 of that year.

A project that has neither received a carryover allocation nor has been placed in service and issued appropriate IRS Form 8609s before December 31 of the year of allocation will lose its entire Allocation of HTC.

The HTC amount that will be allocated or awarded is based on Minnesota Housing's final determination of the qualified basis for the building or project and a review of the project costs as outlined in the QAP. The Allocation or Award may be reduced to comply with federal law based on the final review of the project.

Prior to final Allocation or Award, the project owner is required to execute and record a LURA.

Non-compliance with the terms of a preliminary determination of HTCs or a carryover allocation may result in a loss of HTCs.

X. Monitoring for Compliance

Federal law requires that Minnesota Housing provide a procedure to monitor for compliance with Section 42 and to notify the IRS of noncompliance. Minnesota Housing is required to apply the monitoring procedure to all HTC projects developed within Minnesota Housing's jurisdiction, including HTCs issued in connection with tax-exempt volume limited bonds since the inception of the HTC program. Minnesota Housing will perform such duties in accordance with its [Housing Tax Credit Compliance Guide](#). HTC projects must comply with the Housing Tax Credit Compliance Guide as it may be amended. In general:

1. All HTC recipients must submit an annual certification to Minnesota Housing in a manner, form and time established by Minnesota Housing. Owners are required to certify whether or not the property is in compliance with Section 42 and the applicable Treasury Regulations and whether or not the property complies with the restrictions and/or set-asides under which the HTCs were allocated or awarded. The certification will include, but is not limited to, certification statements required under IRS Treasury Regulation 1.42-5, the submission of completed IRS forms and occupancy data including demographic data, income, student status and rent. Annual monitoring fees will be due when the owner certification is due.
2. Minnesota Housing will conduct periodic inspections, including reviewing tenant files (including tenant applications, verification of income and income from assets, the tenant income certification, documentation of eligible student status, etc.), a completing a physical inspection using HUD's National Standards for the Physical Inspection of Real Estate and reviewing administrative records (including utility allowance and source documentation, tenant selection plans, marketing, Affirmative Fair Housing Marketing Plan, etc.) in accordance with the HTC Compliance Guide. If a property received its HTC Allocation or Award based on serving specific targeted population(s), administrative records and/or tenant files must demonstrate that the

property and/or unit is serving such population(s). Minnesota Housing will conduct its first monitoring inspection no later than the end of the second year of the compliance period.

3. A similar monitoring inspection will be conducted at least once every three years during the 15-year compliance period. Less frequent inspections may be conducted after the 15-year compliance period has expired. Minnesota Housing, at its sole discretion, reserves the right to conduct more frequent inspections.
4. All official project records or complete copies of such records, including IRS reporting forms, must be made available to Minnesota Housing upon request.
5. To accomplish its compliance monitoring responsibilities, Minnesota Housing will charge a per-unit monitoring fee beginning with the first credit year. The fee will be due annually throughout the compliance period and extended use period. Refer to Sections 4.02 and 9.05 of the [Housing Tax Credit Compliance Guide](#) for details on the fee amount. Minnesota Housing reserves the right to adjust the fee depending upon the requirements of the U.S. Treasury, IRS or Minnesota Housing's increased cost to monitor. The fee will be due in a manner and time as prescribed by Minnesota Housing. Minnesota Housing will provide prompt written notice to the owner of a low-income housing project if Minnesota Housing does not receive the annual certification and supporting documentation described above or discovers in an audit, inspection or review, or in some other manner, that the project is not in compliance (or Minnesota Housing cannot determine the project is in compliance because the owner will not cooperate with or respond to monitoring requests) with the provisions of Section 42 and the applicable Treasury Regulations. The owner will be given a period of time to make corrections and supply evidence to Minnesota Housing that corrections have been made. Minnesota Housing will file Form 8823, Housing Credit Agencies Report of Non-Compliance, with the IRS no later than 45 days after the end of the correction period regardless of whether the noncompliance has been corrected.
6. Properties that received an HTC Allocation in 1990 and later are subject to a minimum 15-year extended use period, which begins after the close of the 15-year compliance period. Compliance requirements and monitoring procedures for properties in the extended use period are contained in Chapter 9 of the HTC Compliance Guide.
7. All project owners must maintain records in accordance with IRS Treasury Regulation 1.42-5. Refer to Chapter 3 of the HTC Compliance Guide for details.

Y. Qualified Contract

All properties will be subject to a LURA with a term of 30 years or longer. Section 42(h)(6)(E)(i)(II) of the IRC created a provision that housing credit agencies respond to the request for presentation of a Qualified Contract for HTC developments with expiring compliance periods. The request for presentation of a Qualified Contract is a request that the housing credit agency find a buyer (who will continue to operate the property as a qualified low-income property) to purchase the property for a qualified contract price pursuant to IRS regulations. If the housing credit agency is unable to find a

buyer within one year, the extended-use period is terminated, subject to a three-year period following its termination, where existing low-income tenants cannot be evicted or have their tenancy terminated, other than for good cause, and rents cannot exceed the allowable HTC rent limits.

Owners of properties that receive 4% or 9% HTCs are required by Minnesota Housing to waive the right to request a Qualified Contract.

Z. Tenant Selection Plan

Minnesota Housing requires that a Tenant Selection Plan (TSP) be readily available to anyone interested in such TSP for review and/or retention. Minnesota Housing will not develop or provide a TSP to owners or management companies. The TSP must be developed and implemented in accordance with Minnesota Housing's [Tenant Selection Plan Guidelines](#) document, which is published on Minnesota Housing's website.

AA. Other Conditions

No member, officer, agent or employee of Minnesota Housing will be personally liable concerning any matters arising out of, or in relation to, the allocation, award or monitoring of HTCs.

BB. Amendments and Revisions to the Qualified Allocation Plan

This QAP has been prepared to comply with Section 42 and applicable state and federal requirements. The QAP is subject to modification or amendment at any time to help ensure that the provisions conform to the requirements of the IRC and other federal and state requirements, to make population and date changes as needed, to facilitate the allocation of HTCs that would not otherwise be allocated, and to address unforeseen circumstances.

Minnesota Housing may make non-substantive administrative modifications to provisions of the QAP not mandated by Section 42 to the extent deemed necessary to facilitate the administration of the HTC program.

A substantive amendment to this QAP will occur only after public notice and public hearing. Any substantive amendments will require approval of the Minnesota Housing board and the governor or appropriate approval entity. Non-substantive amendments may be made by the Minnesota Housing board. The Minnesota Housing board is authorized to waive any conditions of this QAP that are not mandated by Section 42 on a case-by-case basis for good cause shown. Written explanation will be made available to the general public via the Minnesota Housing website for any Allocation or Award of HTCs that is not made in accordance with Minnesota Housing's established priorities and selection criteria.

To the extent that anything contained in the QAP does not meet the minimum requirements of federal law or regulations, such law or regulation will take precedence.

Chapter 3 – Federal Program Requirements

A. Eligible Activities

Eligible activities for HTC include new construction, rehabilitation or acquisition with rehabilitation.

B. Applicable Percentage

There are two levels of applicable percentage, depending upon whether the building is new or existing, whether there are rehabilitation expenditures and whether the buildings are federally subsidized.

1. **New Buildings and Qualifying Rehabilitation Expenditures (if neither is federally subsidized):** With respect to new buildings or qualifying rehabilitation expenditures that are not subsidized, the applicable percentage is an amount resulting in aggregate HTCs having a present value of 70% of qualified basis. Traditionally, this has resulted in an HTC percentage of approximately 9%.
2. **New Buildings and Qualifying Rehabilitation Expenditures that are Federally Subsidized and Existing Buildings:** With respect to new buildings and qualifying rehabilitation expenditures that are federally subsidized and the acquisition of existing buildings that are rehabilitated, the applicable percentage is an amount that results in aggregate HTCs having a present value of 30% of qualified basis. Traditionally, this has resulted in an HTC percentage of approximately 4%.

Applicants are strongly advised to consult closely with their HTC professionals (legal and tax) for guidance with respect to structuring a project to use either the 9% or the 4% HTC.

C. Qualifying Rehabilitation

Rehabilitation expenditure requirements are established both by state and federal law.

Under Section 42(e), rehabilitation expenses qualify for HTCs if the expenditures for each building:

1. Are able to be allocated to one or more low-income units or substantially benefit one or more low-income units; and
2. Are equal to the greater of:
 - a. An average qualified basis amount per low-income unit for a building that meets the inflation adjusted amount published by the IRS annually in accordance with Section 42(e)(3)(D); or
 - b. An amount that is not less than 20% of the adjusted basis of the building, as determined pursuant to Section 42(e)(3).

In addition to the Section 42(e) requirements, Minnesota Statutes, section 462A.221, subdivision 5 requires rehabilitation expenditures for the project of an average of at least \$5,000 per unit.

It is necessary to acquire an existing building in order to incur qualifying rehabilitation expenditures with respect to that building. In such a case, the costs of acquiring the existing building may be eligible for the 30% present value HTC and the rehabilitation expenditures may be eligible for the 70% present value HTC.

D. Existing Buildings

Existing buildings must meet the requirements of Section 42(d)(2). In order for an existing building to qualify for the 30% present value acquisition HTC in connection with rehabilitation, the building must meet the 10-year requirement (10-year rule), in accordance with Section 42(d)(2)(B) and have a period of at least 10 years between the date the building was acquired and the date it was last placed in service.

The 10-year rule also applies to existing HTC projects applying for a new Allocation of acquisition HTCs at the end of the original 15-year compliance period.

E. Exceptions to the 10-Year Rule

Exceptions to the 10-year rule are provided in Section 42(d)(6) for federally- or state-assisted buildings, certain low-income buildings subject to mortgage prepayment and buildings acquired from insured financial institutions in default. Certain other situations may be exempt from the 10-year rule, such as:

1. A person who inherits a property;
2. A government unit or qualified nonprofit group if income from the property is exempt from federal income taxation;
3. A person who gains a property through foreclosure (or instrument in lieu of foreclosure) of any purchase money security interest, provided the person resells the building within 12 months after placing the building in service following foreclosure; and/or
4. Single family residences that had no use during the prior 10-year period, except as an owner-occupied principal residence, will not be treated as being placed in service for purposes of the 10-year holding period. Note that although the 10-year rule does not apply, the property must still be rehabilitated to claim the acquisition costs of such a property.

F. Federal Subsidies

The determination of whether a building is federally subsidized is addressed in Section 42(i)(2). In general, a building is treated as federally subsidized if there is financing with interest that is exempt

from tax under Section 103 of the IRC, and the proceeds of which were used (directly or indirectly) in the building or its operation.

Federal grants are not to be taken into account in determining eligible basis. The eligible basis of a building must not include any costs financed with the proceeds of a federally funded grant.

Owners of a property receiving a federal subsidy have the option of treating the subsidy amount as if it were a federal grant and deducting the amount of the subsidy from the qualified basis or costs against which the amount of the HTC is calculated.

G. Federal Subsidy Layering Review

Section 911 of the Housing and Community Development Act of 1992 requires that specific procedures be followed for subsidy layering review when HTCs and HUD assistance are combined in a single project. Sponsors of projects that combine HUD assistance and HTCs should be aware that a subsidy layering review must be completed for their projects and should contact Minnesota Housing to receive additional information prior to submitting their application.

Suballocators are responsible for ensuring that subsidy layering reviews are completed for developments within their jurisdiction where they are the Allocating Agency.

Subsidy layering review is required for, but not limited to, the following programs:

1. HUD Risk Sharing Insurance
2. Section 8 Project-Based Rental Assistance
3. HOME Investment Partnerships Program (HOME)
4. National Housing Trust Fund (NHTF)

H. Minimum Set-Aside Election

Applicants must set aside a minimum number of units that meet both rent and income restrictions to qualify for HTCs for each year of the HTC period. Multifamily Tax Subsidy Project (MTSP) income limits, which are published by HUD, are established for different geographical areas. A project must meet one of the following minimum tests no later than the close of the first year of the credit period and for the full term of the LURA:

1. **20/50 Test (20% at 50% MTSP):** To meet the 20/50 test, a minimum of 20% of the residential units must be both rent restricted and occupied by individuals whose income is at or below the 50% MTSP income limit, adjusted for family size.

2. **40/60 Test (40% at 60% MTSP):** To meet the 40/60 test, a minimum of 40% of the residential units must be both rent restricted and occupied by individuals whose income is at or below the 60% MTSP income limit, adjusted for family size.
3. **Average Income Test (AIT):** To meet the AIT, a minimum of 40% of the residential units must be both rent restricted and occupied by individuals whose imputed income average at initial occupancy is at or below the 60% MTSP income limit, adjusted for family size. The set-aside allows projects to restrict a percentage of units at higher rent and income levels by agreeing to restrict a percentage of its units at lower rent and income levels. The allowable income and rent limit restrictions are the 20%, 30%, 40%, 50%, 60%, 70% and 80% MTSP limits. Only properties that are 100% HTC restricted are eligible to elect the AIT, and the owner must agree to and make a proper election per IRS instructions to treat all buildings as one multiple building project. If the AIT is elected, the owner also agrees to maintain the number of 20%, 30% and 40% units throughout the extended use period that it represented in its application. The required number of units will be set forth in the LURA and cannot be changed without Minnesota Housing's prior written approval. The units may float throughout the property, but the owner should be aware of potential fair housing concerns if the lower income and rent restrictions are not available in units with larger bedroom sizes.

After the initial HTC application has been submitted to Minnesota Housing and the project has been selected, the minimum set-aside cannot be changed without Minnesota Housing's prior written approval. Owners must demonstrate good cause for requesting a change. Once the IRS Form 8609(s) are filed with the IRS, the minimum set-aside election is irrevocable.

All HTC units must comply with the respective minimum set-aside income and rent election. 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 at or below 50% MTSP.

The actual number of restricted units within the project must be consistent with the initial applicable fraction selected at the time of application. Also, the IRS defines each building as a separate project unless the owner elects to treat certain buildings as a multiple-building project on IRS Form 8609. Refer to the 8609 instructions for making a multiple-building election on IRS Form 8609.

The AIT is not an available minimum set-aside election under IRC Section 142 for tax-exempt bonds. Owners of properties financed with tax-exempt bonds may elect the AIT for the HTC Allocation but will have to comply with the 20/50 or 40/60 minimum set-aside for bonds **AND** the AIT minimum set-aside for HTCs.

I. Affordable Rents

The rent restrictions for the units are governed by Section 42 and regulations, rulings and other announcements by the IRS. The following summary is not intended to be comprehensive. A violation of the tenant income or rent restrictions in Section 42 may result in project ineligibility or a reduction in basis and/or HTC amount.

For a unit to count as a low-income unit, the gross rent may not exceed 30% of the imputed tenant income limitation. The imputed income limitation applicable to a unit equals the permissible income limitations that would apply if the number of individuals occupying the unit were:

1. One individual in the case of a studio apartment; and
2. 1.5 individuals per bedrooms in the case of a unit with one or more separate bedrooms.

Therefore, the rent restrictions applicable to a low-income unit are determined by which test is elected and how many bedrooms are contained in the unit. Current income limits, as published by HUD, for Minnesota counties are described in the Rent and Income Limits tables found on the Housing Tax Credit page of the Minnesota Housing website.

For HTC compliance purposes, “gross rent” means all payments by the tenant, including non-optional charges and payments for utilities other than telephone and cable. If the tenant pays utilities directly, the maximum rent that can be paid to the landlord is reduced by a utility allowance. IRS Treasury Regulation 1.42-10 Utility Allowance, as amended, provides guidance relating to utility allowances and lays out options for establishing them.

The following is a summary of the sources of utility allowances:

1. USDA Rural Housing Service (RHS) financed projects, or units with tenants receiving RHS assistance, must use the RHS utility allowance.
2. HUD regulated buildings must use the HUD utility allowance (project-based HUD financing).
3. Any individual apartments occupied by residents who receive HUD assistance (Section 8 Existing, etc.), must use the HUD utility allowance from the Public Housing Authority (PHA) administering the assistance.
4. For Section 42 buildings without RHS or HUD assistance, the following options may be used:
 - a. A PHA utility allowance from the local housing authority administering Section 8 Housing Choice Vouchers for the area in which the property is located;
 - b. A utility company estimate;
 - c. An Average of Actual Consumption using methodology described in the HUD published Multifamily Notice H2015-4A HUD Utility Schedule Model; or
 - d. An Energy Consumption Model using an energy and water and sewage consumption and analysis model.

The HTC Compliance Guide provides additional information and instructions for implementing utility allowances.

Federal, state and local rental assistance payments (such as Section 8 payments) made on behalf of the tenant are not included in gross rent.

Additional rent restrictions may apply if the Allocation or Award of HTCs was made based on such additional restrictions.

J. Tenant Eligibility

To be a low-income unit for purposes of determining the qualified basis, the tenant must have income at or below 50% of the applicable MTSP income limits if the 20/50 test is elected or 60% of MTSP income limits if the 40/60 test is elected. If the AIT is elected, the tenant must have income at or below the correct percent of MTSP income limits according to unit designation. The allowable income limit restrictions under the AIT are the 20%, 30%, 40%, 50%, 60%, 70% and 80% MTSP limits. The unit must be rent restricted as set forth above, and the unit must be suitable for occupancy.

The combined household income of all tenants occupying an HTC eligible unit must be less than or equal to the elected income requirements as shown on Rent and Income Limits. Section 42 does not allow households comprised of full-time students to qualify as low-income units unless certain exceptions are met. 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:

1. 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;
2. The household consists of a single parent with child(ren), the parent is not a dependent of someone else and the child(ren) is/are not dependent(s) of someone other than a parent;
3. 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));
4. 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; or
5. At least one member of the household was previously in foster care.

Households are required to certify student status annually, no later than the anniversary date of the previous certification. Refer to Section 5.11 of the HTC Compliance Guide and Chapter 17 of the IRS

Guide for Completing Form 8823, Low-Income Housing Credit Agency's Report of Noncompliance or Building Disposition Audit Technique Guide, for additional guidance.

K. 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 IRC 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:

1. The eligible basis may be increased for new buildings and rehabilitation to existing buildings that are located in designated QCTs, DDAs or in 9% HTC developments utilizing the state designated basis boost. See Chapter 2.Q.
2. The cost of the non-low-income residential units in a building is included in eligible basis only if the quality of those units does not exceed the average quality of the low-income units. If the cost of a non-low-income unit exceeds the cost of a low-income unit (using the average cost per square foot and assuming the same size) by more than 15%, the entire cost of the non-low-income unit must be excluded from the building's eligible basis. If the excess cost is not more than 15%, the owner may make an election to exclude only the excess cost of the non-low-income unit(s) from eligible basis.
3. 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 available to all tenants in the project.
4. The cost of a community service facility is included in basis only if the building is located in a QCT. The eligible basis of that facility must not exceed 25% of the first \$15 million of eligible basis plus 10% of additional basis in the project. All community service facilities that are part of the same qualified low-income housing project will be treated as one facility. A community service facility is defined as a facility that is part of the qualified low-income housing project designed to serve primarily individuals, including tenants and non-tenants, whose income is 60% or less of area median income.
5. Eligible basis is reduced by federal grants, residential rental units that are above the average quality standard of the low-income units, historic rehabilitation credits and nonresidential rental property. Buildings located in areas designated as a QCT, DDA or developments utilizing the state designated basis boost may qualify for an increase in eligible basis.

L. Qualified Basis

Qualified basis is the portion of the eligible basis applicable to low-income housing units in a building. Qualified basis is the product of a building's eligible basis multiplied by the applicable fraction.

M. Applicable Fraction

The applicable fraction is the lesser of:

1. The unit fraction, which is the number of low-income units in a building divided by the total number of residential rental units in the building; or
2. The floor space fraction is the total floor space of the low-income units in the building divided by the total floor space of the residential rental units in the building.

A full-time resident manager's unit is not considered a residential unit and shall be excluded from the numerator and denominator for calculating the applicable fraction.

At initial application and at carryover, the **estimated project applicable fraction** will be used. It is calculated by project in order to obtain a rough estimate of the percentage of eligible units and square footage needed and an estimate of the total amount of HTCs necessary for a particular project.

At the time that the placed in service application for 8609 is made, the **targeted applicable fraction for each building** is calculated. The targeted applicable fraction is determined on a building-by-building basis. Each building in a multiple building development could have a different applicable fraction. Because the estimated project applicable fraction is approximate, the targeted applicable fraction calculated by building will frequently differ unless the project has a 100% applicable fraction. The targeted applicable fraction is also listed as part of the extended use criteria in the LURA, which is recorded and remains with the property.

N. Annual HTC Amount

The HTC is available each year for 10 years. The amount of HTCs allocated or awarded is based on the qualified basis multiplied by the applicable percentage. However, Section 42(m)(2) requires Minnesota Housing to limit the amount of HTCs to the amount necessary to help ensure project feasibility under the rules established by the IRS; therefore, the actual amount of HTCs allocated or awarded could be less than the maximum allowable if the analysis reveals the project would still be feasible with fewer HTCs.

The IRS publishes the applicable percentages on a monthly basis. These figures are used to calculate the maximum allowable annual HTC amount for which the project will be eligible (also refer to Chapter 3.B.).

O. Declaration of Land Use Restrictive Covenants

As a condition of receiving HTC, a project will be subject to a Declaration of Land Use Restrictive Covenants (LURA) between the owner and Minnesota Housing through which the owner commits the building(s) to low-income use for an extended use period of at least 15 years after the conclusion of the 15-year compliance period (a total of 30 years). The owner can elect to extend the term of the LURA and Section 42 income and rent restrictions up to 50 years. Owners of properties that receive 4% or 9% HTCs are required by Minnesota Housing to waive the right to request a Qualified Contract (refer to Chapter 2.Y.).

The LURA terminates upon foreclosure of the building (or deed in lieu of foreclosure) unless the IRS determines that such acquisition is part of an arrangement with the taxpayer, a purpose of which is to terminate such period.

Throughout the term of the LURA and for a three-year period after the termination or expiration of the LURA, the owner must not evict or terminate the tenancy of an existing tenant of any low-income unit other than for good cause and must not increase the gross rent above the maximum allowed under the IRC with respect to such low-income unit.

The LURA must be recorded in accordance with Section 42(h)(6) as a restrictive covenant and submitted to Minnesota Housing prior to Minnesota Housing issuing the IRS Form 8609. The LURA will set forth the commitments made by the owner to Minnesota Housing in obtaining points, including any additional long term requirements placed upon the building at the time of Selection. Non-compliance with the LURA may result in serious penalties, including but not limited to HTC disallowance or recapture and ineligibility for Minnesota Housing resources, including HTCs. Both Minnesota Housing and certain prospective, current or former tenants have, in addition to all other remedies provided by law or in equity, the right to enforce specific performance of the LURA. At its sole discretion, Minnesota Housing reserves the right to waive any criteria or requirement not required by law.

P. Ineligible Properties

Any residential rental unit that is part of a hospital, nursing home, sanitarium, life care facility, trailer park or intermediate care facility for the mentally and physically handicapped is not for use by the general public and is not eligible for HTCs under Section 42. Projects with buildings having four or fewer residential units must comply with Section 42(i)(3)(C).

Q. Passive Loss Restrictions

There is a limit on the amount of HTCs any individual may effectively use due to passive loss restrictions and alternative minimum tax provisions. Consult your tax attorney or accountant for clarification of this regulation.

R. State Credit Ceiling Limits

Each state is limited to the amount of 9% HTC it may allocate annually. An estimate of Minnesota's annual credit ceiling is published on Minnesota Housing's website prior to allocation in Round 1.

Projects financed by tax-exempt volume limited bonds that are subject to a separate volume limitation are not counted against the state HTC credit ceiling (refer to Chapter 7 for further details).

S. Loss of Credits

Minnesota Housing reserves the right to cancel a Selection or Allocation of HTCs to projects that do not provide evidence satisfactory to Minnesota Housing of progress toward completion of the project in accordance with the project schedule or noncompliance with the terms of the Selection or Allocation.

Part of the HTCs will also be disallowed or recaptured by the IRS if the qualified basis at the close of any year is less than the amount of such basis at the close of the preceding taxable year or if the minimum number of qualified low-income units is not maintained for the complete extended use period.

T. Market Study

IRC Section 42(m)(1)(A)(iii) requires that all HTC projects conduct a comprehensive market study before an Allocation or Award is made. The study must examine the housing needs of low-income individuals in the area to be served by a developer's HTC project and must be conducted by a disinterested party, at the developer's expense, who is approved by the housing credit agency (refer to the Market Study Guidelines on Minnesota Housing's website).

U. Right of First Refusal

IRC Section 42(i)(7) permits qualified nonprofit organizations to hold a right of first refusal (ROFR) to purchase the property after the close of the compliance period. Minnesota Housing requires that all 4% and 9% HTC projects that involve ownership by a qualified nonprofit organization grant such a ROFR to the nonprofit, on the condition that the nonprofit continue to operate the project as an HTC project for at least the remaining term of the LURA. This includes all HTC projects that involve ownership by a qualified nonprofit organization, not only projects that receive HTC under the nonprofit set aside. Projects that elect Eventual Tenant Ownership as described in Chapter 3.W. are exempt from this requirement.

The ROFR permitted by Section 42(i)(7) is not the same as a right of first refusal under statutory, court-interpreted or common law. The ROFR cannot be conditioned upon receipt of a bona fide purchase offer from any party, including an unrelated third party. The ROFR purchase price must be calculated as

the minimum purchase price permissible under Section 42. This ROFR purchase price must not automatically include unpaid fees or loans and must be calculated by the project accountants and deemed final other than due to manifest error. The ROFR must be included in the partnership/operating agreement, must be recorded against the property and will be reflected in the HTC legal agreements and in the LURA.

V. Eventual Tenant Ownership

Minnesota Housing will review projects incorporating eventual tenant ownership (ETO) provisions in accordance with Section 42(h)(6), IRS Revenue Ruling 95-49 and Minnesota Housing's requirements. Projects that include ETO will receive a preference during the selection process when reviewing tie breakers (refer to Chapter 5.D.).

The LURA will contain provisions ensuring compliance with these ETO commitments by the owner, including a ROFR allowing tenants to purchase their units.

Until the time the HTC units are purchased by qualified tenants or in the event that not all HTC units are acquired by qualified tenants, the owner will extend the duration of low-income use for the full term of the LURA (refer to the Eventual Tenant Ownership Guide on Minnesota Housing's website).

W. Contract Compliance, Equal Opportunity and Fair Housing Policy

It is the policy of Minnesota Housing to practice affirmative action to provide equal opportunity in all our projects, programs and other endeavors. Minnesota Housing's goal is to achieve a client and recipient mix that is representative of the people who live in our state and our communities so that all employment and contractual benefits that develop as a result of our programs will be shared by all Minnesotans. This policy applies to all Minnesota Housing employees and Minnesota Housing's external partners.

Purpose

The purpose of this policy is to make Minnesota Housing's commitment to act affirmatively to achieve equal opportunity in all facets of its operation, clear to both internal staff and outside parties with whom we do business.

Goals

Our goal is to make certain that Black-, Indigenous-, People of Color-owned business enterprises and women-owned business enterprises have equal access to business opportunities resulting from Minnesota Housing-assisted developments. Minnesota Housing expects that projects that receive Allocations or Awards of HTC from Minnesota Housing will comply with the marketing and outreach

requirements and performance goals described in the Multifamily Division Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise Compliance Standards available on the Minnesota Housing website.

Requirements

Minnesota Housing is required to comply with all applicable local, state and federal laws. These requirements extend to everyone that Minnesota Housing does business with, either by contractual agreement or as a Minnesota Housing policy.

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 require those in the business of buying and selling dwellings to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

Applicants will be required to submit an Affirmative Fair Housing Marketing Plan (AFHMP) 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 receiving HTC 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.

X. Occupancy Restrictions

Under the HTC general public use requirement, residential rental units must be for use by the general public, which incorporates HUD housing policy governing non-discrimination. Residential units provided only for a member of a social organization or provided by an employer for its employees are not considered use by the general public and are examples of restrictions not allowed under the HTC program. Minnesota Housing has an obligation to affirmatively further fair housing, and occupancy restrictions must comply with the Fair Housing Act, the Minnesota Human Rights Act and other civil rights laws. Projects must also comply with any occupancy restrictions imposed in connection with any other funds provided by Minnesota Housing. Age-related occupancy restrictions or preferences will be approved only if set out in the QAP or if the property qualifies as housing for older or elderly persons under the Fair Housing Act, the Minnesota Human Rights Act and their federal regulations.

Chapter 4 – Development Standards

All applications to Minnesota Housing for HTC's will be evaluated according to the following standards. (Small projects, local Community Development Initiative projects and projects developed in a DDA may be considered eligible for variances from these standards, if justified).

A. Project Cost Reasonableness

Minnesota Housing will evaluate the costs of each proposed project in comparison to current comparable projects to determine whether the proposed costs are reasonable, taking into consideration unique characteristics of the project and its comparability to similar projects. Additional documentation will be required if the proposed costs are not comparable or reasonable.

HTC projects are subject to Minnesota Housing's Development Costs and Predictive Cost Model policy. Minnesota Housing will use its Predictive Cost Model to test cost reasonableness for all projects. The model uses cost data from properties that have received Minnesota Housing funding or HTC, industry cost data from RSMeans and a regression analysis to predict total project costs. Based on a project's characteristics (type of development activity, building type, building characteristics, average unit size, project size, project location, population served, financing, etc.), the model predicts the total development costs. If a project's proposed costs exceed the applicable threshold set out in board policy, board action may be required. Developments with costs above the Predictive Cost Model may be notified and, if requested by the owner, will follow Minnesota Housing's process to determine if a waiver will be granted.

Minnesota Housing will evaluate the cost reasonableness of proposed acquisition costs through an as-is appraisal. Refer to the Minnesota Housing Multifamily Underwriting Standards for additional as-is appraisal requirements and details.

Minnesota Housing reserves the right to reject applications that appear, at Minnesota Housing's sole discretion, to have excessive costs or to size an Allocation or Award based on the lesser of the option/purchase agreement purchase price or the appraised value of the property.

B. Eligible Basis HTC Fees

Minnesota Housing will limit the amount of developer fees and general contracting fees (contractor's profit, general requirements, contractor's overhead) based on the requirements contained in the Minnesota Housing Multifamily Underwriting Standards for the purposes of calculating eligible basis to determine the amount of HTC's.

Syndication-related consultant fees are not to be included in the eligible basis of the project.

C. Reserves/Contingencies

Minnesota Housing will require documentation of the amount and disposition of reserves/contingencies. If they revert back to the developer, general partner/managing member or any entity with an ownership interest in the project, Minnesota Housing will consider the reserves/contingencies as deferred developer fees and the above limits will apply. For letters of credit, bonds, etc., use the actual cost, not face value, when completing the development cost section of the Multifamily Workbook.

D. Comparative Analysis

Notwithstanding these development standards and the selection criteria within this QAP, each proposed project is analyzed on a comparative basis in a variety of categories to ensure the highest value for the HTC's allocated and awarded.

E. Property Standards

Minnesota Housing encourages sustainable, healthy housing that optimizes the use of cost-effective durable building materials and systems and that minimizes the consumption of natural resources during construction, and in the long-term maintenance and operation.

All completed developments **must** comply with the Minnesota Overlay to the Enterprise Green Communities Criteria and Minnesota Housing's Rental Housing Design/Construction Standards.

Significant adjustments to these standards require prior approval from Minnesota Housing

Additional design requirements will also be imposed if a developer claims and is awarded certain points on the Self-Scoring Worksheet (refer to Chapter 6).

The owner and architect must certify compliance with all required Minnesota Housing Rental Housing Design/Construction Standards, and where points have been awarded, that all applicable standards and development features have been incorporated into the final working plans.

Chapter 5 – Project Selection

A. First Round – Application Requirements

Minnesota Statutes, section 462A.222, subdivision 3(e) requires that all applications statewide applying for a portion of the state's HTC credit ceiling in Round 1 meet one of the following minimum threshold types. The threshold type that the applicant applies under will become part of the HTC Reservation and Commitment and will be included in the LURA. An Allocating Agency will allocate HTCs only to the following types of projects:

1. In the Metropolitan Area:
 - a. New construction or Substantial Rehabilitation in which, for the term of the extended use period (term of the LURA), at least 75% of the total HTC units are single room occupancy, efficiency or one-bedroom units with rents affordable to households whose income does not exceed 30% of the area median income;
 - b. New construction or Substantial Rehabilitation family housing projects that are not restricted to persons 55 years old or older in which, for the term of the extended use period (term of the LURA), at least 75% of the total HTC units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms; and
 - c. Substantial Rehabilitation projects in neighborhoods targeted by the city for revitalization.
2. Outside the Metropolitan Area:
 - a. Projects that meet a locally identified housing need and which are in short supply in the local housing market, as evidenced by credible data submitted with the application.
3. Projects that are not restricted to persons of a particular age group and in which, for the term of the extended use period (term of the LURA), a percentage of the units are set aside and rented to persons:
 - a. With a serious and persistent mental illness as defined in Minnesota Statutes, section 245.462, subdivision 20, paragraph (c);
 - b. With a developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (8), as amended through December 31, 1990;
 - c. Who have been assessed as drug dependent persons as defined in Minnesota Statutes, section 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes, section 254A.02, subdivision 2;
 - d. With a brain injury as defined in Minnesota Statutes, section 256B.093, subdivision 4, paragraph (a); or

- e. With permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules, chapter 1341.
- 4. Projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing, if the use of HTC is necessary to (1) prevent conversion to market rate use or (2) to remedy physical deterioration of the project, which would result in loss of existing federal subsidies.
- 5. Projects financed by Rural Development, which meet statewide distribution goals.

B. Strategic Priority

To be eligible for HTCs from the state's credit ceiling, a developer must demonstrate that the project meets at least one of the HTC statutory strategic priorities or a strategic objective in Minnesota Housing's Strategic Plan. Residential rental housing projects financed with an allocation of tax-exempt bonds under Minnesota Statutes, chapter 474A are the highest strategic priority for tax credits in accordance with Minnesota Statutes, section 462A.222, subdivision 3(d) and such projects need not meet a separate strategic priority.

C. Selection and Preference Criteria

All HTC applications are scored and/or reviewed in accordance with the Selection Criteria and Preference Criteria required by Section 42 and Minnesota Housing.

To be eligible for HTCs from the state's credit ceiling under Minnesota Housing's QAP, a developer must demonstrate that the project is eligible for no less than **80 points** in the Self-Scoring Worksheet. This excludes projects funded through the RD/Small Projects set-aside, which must be eligible for no less than **30 points**.

To be eligible for HTCs in association with tax-exempt volume limited bonds under Minnesota Housing's QAP, a developer must demonstrate that the project is eligible for no less than **40 points** in the Self-Scoring Worksheet.

For applicants requesting HTCs from the state's credit ceiling, Minnesota Housing will first rank proposals. The highest-ranking proposals will then be reviewed in accordance with the project selection requirements described in sections E through K of this chapter. Minnesota Housing reserves the right to reject applications not meeting these project selection requirements or to revise proposal features and decrease associated scoring, to help ensure the project meets the requirements. Lower ranking proposals will only be processed further if HTC remain available after the higher-ranking proposals are processed. Minnesota Housing may elect, at its sole discretion, not to give partial HTCs

to a higher-ranking application but to give the HTC's to the next ranking application that can use the balance of the HTC's.

Selection Criteria consist of the following:

1. Large Family Housing;
2. Senior Housing;
3. Permanent Supportive Housing for Households Experiencing Homelessness: High Priority Homeless and Other Homeless;
4. People with Disabilities;
5. Preservation;
6. Rental Assistance: Project-Based Rental Assistance and Further Restricting Rental Assistance;
7. Serves Lowest Income Tenants/Rent Reduction;
8. Long-Term Affordability;
9. Access to More Affordable Housing;
10. Workforce Housing Communities;
11. Transit and Walkability;
12. Community Development Initiative;
13. Equitable Development;
14. Rural/Tribal;
15. Qualified Census Tracts/Community Revitalization or Tribal Equivalent Area;
16. Multifamily Award History;
17. Black-, Indigenous-, People of Color-owned Business Enterprises- or Women-owned Business Enterprises (BIPOCBE/WBE);
18. Financial Readiness to Proceed/Leveraged Funds;
19. Other Contributions;
20. Intermediary Costs;
21. Innovative Construction Techniques;
22. Universal Design;
23. Enhanced Sustainability;
24. Sponsor Characteristics – Non-scoring selection criteria; and
25. Public Housing waiting lists – Non-scoring selection criteria.

Preference Criteria consist of the following:

1. Serves Lowest Income Tenants/Rent Reduction;
2. Rental Assistance: Project-Based Rental Assistance and Further Restricting Rental Assistance;
3. Long-Term Affordability;
4. QCT/Community Revitalization or Tribal Equivalent Areas; and
5. Eventual Tenant Ownership – Non-scoring selection criteria.

D. Tie Breakers

If two or more proposals have an equal number of points, the following will be used to determine selection:

1. **First tie breaker:** Priority will be given to the project with the greater number of points in Preference Criteria; if a tie still remains;
2. **Second tie breaker:** Priority will be given to the project that will have an Eventual Tenant Ownership component; if a tie still remains;
3. **Third tie breaker:** Priority will be given to a project located in a city, township or tribal reservation that has not received an Allocation of HTC from the annual credit ceiling from Minnesota Housing in the last two years; if a tie still remains;
4. **Fourth tie breaker:** Priority will be given to the project with the highest percentage of funds secured, awarded or committed, as measured by the Financial Readiness to Proceed/Leveraged Funds selection criterion; if a tie still remains;
5. **Fifth tie breaker:** Priority will be given to the project with the lowest percentage of intermediary costs as measured by the Intermediary Costs selection criterion; if a tie still remains;
6. **Sixth tie breaker:** Priority will be determined by lot.

E. Market Review

Minnesota Housing will conduct a market review (to determine the housing needs of low-income individuals in the area to be served by the project. Minnesota Housing will evaluate the in-house occupancy data to determine the marketability of the proposed project. Minnesota Housing may contact the applicant if there is a question as to the marketability of the proposed projects. The applicant may be given an opportunity to adjust the unit mix and/or number of units and resubmit information prior to Minnesota Housing scoring of selection priority points.

Minnesota Housing may consult with local communities, Public Housing Authorities (PHAs), Housing and Redevelopment Authorities (HRAs), RD and HUD to determine the marketability of projects. If, in the opinion of Minnesota Housing, the issuance of the HTCs to a project could be detrimental to existing rental property, Minnesota Housing may choose not to issue HTCs to the applicant. Proposed projects that do not appear marketable and do not modify their proposal will not receive further consideration in the current funding round.

F. Design Review

The proposed owner and architect must certify compliance with all required development features outlined in Chapter 5 of the Minnesota Housing Rental Housing Design/Construction Standards before the project will be scored and ranked (refer to Chapter 4.E.).

G. Development Team Review

Minnesota Housing will also consider the following factors when evaluating an application for an HTC Allocation or Award:

1. The ability and capacity of the development team to proceed expeditiously to complete the proposed development and any previously selected projects still in process;
2. The prior record of the development team in meeting Minnesota Housing and IRS reporting requirements; and
3. The experience of the development team in developing and managing similar residential housing.
4. The development team's successful management of projects in its portfolio and in compliance with Minnesota Housing's compliance policies, procedures or requirements.

Proposed projects from applicants that do not appear to have the experience, capacity or ability will not receive further consideration in the current funding cycle.

H. Site Review

Minnesota Housing staff may conduct a site inspection for each project passing the project selection requirements described in this chapter for consistency with the principles of sound, affordable housing developments. Site inspections may be conducted to analyze physical characteristics; the surrounding property and community; the location of schools, shopping, public transportation, employment centers, community and housing service facilities; availability of utilities, water and sewage treatment facilities; and the suitability of the site for the proposed housing.

For purposes of Minnesota Housing's investment in affordable housing, the principles are as follows:

1. **Linkage:** Housing development must be part of a comprehensive community development effort that links housing, jobs, transportation, recreation, retail services, schools and social and other services.
2. **Jobs:** Housing is part of the infrastructure necessary to sustain economic vitality. New housing must be located near jobs and in areas of job growth and must address housing needs of the local work force. Preference will be given to proposals that provide housing in communities with job growth.

3. **Land Use:** Housing must be developed to maximize the adaptive reuse of existing residential rental buildings and the use of existing infrastructure, where financially feasible. In cases of new developments, housing must maximize the efficient use of land and infrastructure and minimizes the loss of agricultural and green space.
4. **Transportation:** Housing must be developed near regional and interregional transportation corridors and transit ways.

Minnesota Housing will consider, but is not limited to, the following environmental criteria when evaluating a proposed site:

1. Noise;
2. Flood plains and wetlands;
3. Site safety;
4. Toxic and hazardous waste;
5. Underground storage tanks; and
6. Asbestos and lead-based paint.

Minnesota Housing may, at its sole discretion, reject applications or cancel an Award or Allocation of HTC from projects that appear unsuitable for the housing proposed.

I. Multifamily Underwriting Standards

Proposals must meet all applicable Multifamily Underwriting Standards to receive an Allocation or Award of HTCs. The Multifamily Underwriting Standards will be used by Minnesota Housing for underwriting and sizing of the HTC Allocation or Award.

All operating assumptions, including for rent, vacancy, operating expenses, reserves, inflation assumptions and debt coverage ratios, must be consistent with the requirements of the Underwriting Standards. The structure of the development budget, including acquisition price; architect, general contracting and developer fees; sales tax and energy rebates; as well as construction contingency, must also meet the Underwriting Standards.

Refer to the Minnesota Housing Multifamily Underwriting Standards and Multifamily Application Instructions: Consolidated RFP and HTC Rounds 1 and 2 for additional information and requirements.

J. Financial Feasibility

Proposals that meet the project selection requirements will be evaluated for financial feasibility as required by Section 42(m)(2), IRS Treasury Regulation 1.42-17(a)(3) and Chapter 2.N. Projects determined not to be financially feasible will not be processed further in the current funding cycle.

An application's structuring may be revised by Minnesota Housing during this review to help ensure financial feasibility and/or to meet required components of the Multifamily Underwriting Standards, as applicable, and a reduction to the application's scoring may occur as a result of these revisions.

K. Development Cost Review

Minnesota Housing will review project costs based on comparability and reasonableness. Minnesota Housing may, at its sole discretion, reject applications that appear to have excessive project costs (also refer to Chapter 4.A. Project Cost Reasonableness).

Chapter 6 – Submission Requirements

It is the applicant's responsibility to be aware of the submission requirements needed to proceed to the next step in obtaining an HTC Allocation or Award. If the applicant is unable to meet the submission requirements (financing, zoning, site control, syndication, construction start, etc.) in a timely manner, or if approvals have expired, the application will no longer be processed, and the application fee will be forfeited. **Any submissions not meeting the requirements below will be returned to the applicant and fees paid will not be refunded.**

A. Application Requirements

Required HTC application materials are incorporated into the Application Checklist in the Multifamily Customer Portal (Portal), including the Intent to Apply, which is due in advance of the application. The Multifamily Consolidated RFP Standards and the Scoring Guide provide comprehensive resources for these application materials and submittal instructions. The Multifamily and Housing Tax Credit application materials can be found in the Portal and on Minnesota Housing's Application Resources and Housing Tax Credits webpages (www.mnhousing.gov).

If a Minnesota Housing multifamily first mortgage and/or deferred loan are sought in conjunction with the HTC application, many HTC forms and submissions are identical to the forms and submissions required for other Minnesota Housing funding sources under the Multifamily Consolidated RFP or open pipeline.

A complete application must be submitted no later than each of the application due dates in order to be considered for Selection, within the applicable competition.

Minnesota Housing will base its Selection decision upon the application and attachments received on the application due date. Minnesota Housing reserves the right, in its sole discretion, to request additional information or deem an error related to an application to be immaterial.

No project may be divided into two or more projects during a single funding round to receive HTCs. Multiple applications, determined by Minnesota Housing to be one project, will be returned to the applicant and all fees forfeited. Minnesota Housing will consider factors such as, but not limited to, ownership entities, general partner/managing members, sponsor relationships and location of project, if a contiguous site, to determine if a multiple application exists.

Upon receipt of an application, as required by federal law, Minnesota Housing will notify the Chief Executive Officer (or the equivalent) of the local jurisdiction where the proposed project is planned. This notification will include characteristics of the proposed HTC project and provide an opportunity for the local unit of government to comment on the project.

Much of the information submitted in an application for HTCs is information that is accessible to the public pursuant to Minnesota Statutes, chapter 13.

Self-Scoring Worksheet

The Self-Scoring Worksheet and the Scoring Guide provide comprehensive resources for the documentation materials and submittal instructions.

Minimum Threshold Evidence

For Round 1, all 9% HTC projects are required to provide evidence of meeting one of the threshold types defined in Chapter 5.A. Copies of this QAP and a sample letter format can be found in the Housing Tax Credit Allocation or Housing Tax Credits Reference Materials sections. In meeting the requirements of the minimum thresholds, fractions of units are not counted as a whole unit. Where unit percentage calculations result in a fraction of a unit being required, the fraction of a unit must be rounded up to next whole unit.

Local HRA/PHA Certification

Section 42 of the IRC requires an Allocating Agency to give preference to owners that agree to utilize the local HRA or PHA waiting list to identify eligible individuals and households to fill vacant units. Applicants applying for HTCs must sign a certification agreeing to utilize the public housing and Section 8 waiting lists as applicable.

People with Disabilities Performance Requirement Relief Provisions

Specific performance requirement relief provisions are available for projects receiving points under the People with Disabilities Selection Criterion of the Self-Scoring Worksheet for PWD Units.

If, for a particular unit meeting the criteria and receiving points under the People with Disabilities Selection Criterion (PWD Unit(s)), the necessary rental assistance or operating support (collectively PWD Unit Subsidy) is 1) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; 2) such withdrawal or termination materially adversely impacts the financial feasibility of the project; 3) alternative funding is unavailable; and 4) 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 PWD Unit(s). Such petition shall contain all material facts and supporting documentation substantiating the owner's request including, but not limited to, items 1), 2) and 3) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, the owner shall no longer be required to treat such PWD Unit(s) as PWD Unit(s) but must convert the rents of those units to the 50% HTC rent limit; **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply.** If

such conversion occurs, in order to retain the 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, at any time after approving such relief, in its sole discretion, determines that a PWD Unit Subsidy may be available for the remainder of the HTC compliance and extended use periods that would not adversely affect the full availability of the HTC Allocation and would permit the PWD Unit(s) to again serve PWD households, then, at Minnesota Housing's request, the owner shall promptly apply for such PWD Unit Subsidy for the affected PWD Unit(s), upon terms reasonably acceptable to such owner. If such PWD Unit Subsidy is obtained, the owner shall again set aside such PWD Unit(s), when and to the extent then available, to people with disabilities needs qualifying individuals.

If, for a particular PWD Unit(s), the necessary tenant support services funding is 1) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; 2) alternative funding or an alternative service provider is unavailable; and 3) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to modify its requirements for the provision of such tenant services for the affected PWD Unit(s). Such petition shall contain all material facts and supporting documentation substantiating the owner's request including, but not limited to, items 1) and 2) of this paragraph. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, the owner shall modify its provision of such tenant support services for the affected PWD Unit(s) in a manner consistent with Minnesota Housing's modified requirements for the provision of tenant services for the PWD Unit(s), **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply.**

If Minnesota Housing, at any time after approving such relief, in its sole discretion, determines that PWD Unit tenant support services funding may be available for the remainder of the HTC compliance and extended use periods that would not adversely affect the full availability of the HTC Allocation and would permit the affected PWD Unit(s) to again provide tenant support services to PWD households, then, at Minnesota Housing's request, the owner shall promptly apply for such PWD Unit tenant support services funding for the affected PWD Unit(s), upon terms reasonably acceptable to such owner. If such PWD Unit tenant support services funding is obtained, the owner shall resume providing PWD Unit tenant support services, when and to the extent then available, to people with disabilities needs qualifying individuals.

Evidence of Targeting Units for Permanent Supportive Housing for High Priority Homeless

In accordance with Minnesota's Plan to Prevent and End Homelessness, Minnesota Housing is the lead agency for the action plan to increase affordable and supportive housing units to address the housing

gap for people at risk of and experiencing homelessness. HTC's represent one of several resources identified to attain this goal. To receive points under Permanent Supportive Housing for High Priority Homeless, the proposal must meet all of the requirements contained in the Self-Scoring Worksheet.

High Priority Homeless Performance Requirement Relief Provisions

Specific performance requirement relief provisions are available for projects receiving points under the Permanent Supportive Housing for High Priority Homeless (HPH) selection criterion of the Self-Scoring Worksheet for HPH Units.

The following relief provisions may be considered for developments with HPH Units and are subject to Minnesota Housing approval:

1. An owner may request approval in writing from Minnesota Housing to prioritize filling a vacant HPH Unit(s) with the next highest need household in accordance with the Supportive Housing HPH prioritization procedure, as determined at the sole discretion of Minnesota Housing, if the HPH Unit(s) is unable to be filled with highest priority household on the permanent supportive housing list in the Coordinated Entry system.
2. If, after a minimum 60-day period, or other time period approved by Minnesota Housing when reasonable options have been exhausted, an HPH Unit(s) is unable to be filled by a household through the Coordinated Entry system or the prioritization process outlined above, temporary relief from the HPH Unit may be requested from Minnesota Housing to permit a non-HPH household to fill the unit. The next comparable available unit is subject to the HPH Unit requirements when a vacancy occurs.
3. If a particular HPH Unit(s) experiences unexpected loss of rental or operating support or tenant support services funding (collectively HPH Unit Subsidy) and meets the conditions below, the owner may petition Minnesota Housing to eliminate its requirements for the affected HPH Unit(s):
 - (i) The HPH Unit Subsidy was 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 or an alternative service provider is unavailable; and
 - (iv) The project is otherwise in full compliance with all the terms of the funding for the project.

If all of the conditions of number three above are met, the owner may petition Minnesota Housing to eliminate its requirements for the affected HPH Unit(s). Such petition shall 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, the owner shall no longer be required to treat such HPH Unit(s) as HPH Unit(s) but must convert the rents of those units to the 50% HTC rent limit; provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply. If such conversion occurs, in order to retain the Allocation, the above described 50% HTC rent limit and the IRC 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, at any time thereafter, in its sole discretion, determines that an HPH Unit Subsidy may be available for the remainder of the HTC compliance and extended use periods, that would not adversely affect the full availability of the HTC Allocation and would permit the HPH Unit(s) to again serve households experiencing homelessness, then at Minnesota Housing's request, the owner shall promptly apply for such HPH Unit Subsidy for the homeless unit(s), upon terms reasonably acceptable to such owner. If such HPH Unit Subsidy is obtained, the owner shall again set aside such HPH Unit(s), when and to the extent then available, to households experiencing homelessness.

Serves Lowest Income Tenants/Rent Reduction Units Performance Requirement Relief Provisions

Specific performance requirement relief provisions are available for projects receiving points under the Serves Lowest Income Tenants/Rent Reduction selection criterion of the Self-Scoring Worksheet for 30% MTSP Units.

If, for a particular unit meeting the criteria and receiving points under the Serves Lowest Income Tenants/Rent Reduction selection criterion for further restricting rents to at or below 30% MTSP (30% Unit(s)), the owner may petition Minnesota Housing to eliminate its requirements for the affected Further Restricted Rental Assisted Units (FRRRA Unit(s)). Such petition shall contain all material facts and supporting documentation substantiating the owner's request. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, the owner shall no longer be required to treat such 30% Unit(s) as 30% Unit(s) but must convert the rents of those units to the 50% HTC rent limit; **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply.** If such conversion occurs, in order to retain the 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, at any time thereafter, in its sole discretion, determines that a 30% Unit may be available for the remainder of the HTC compliance and extended use periods that would not adversely affect the full availability of the Allocation and would permit the 30% Unit(s) to again restrict rents to the 30% HTC rent limit.

Rental Assistance Performance Requirement Relief Provisions

Specific performance requirement relief provisions are available for projects receiving points under the Rental Assistance selection criterion of the Self-Scoring Worksheet for units with project-based rental assistance and Further Restricting Rental Assistance units (collectively, RA Units).

If, for a particular unit meeting the criteria and receiving points under the Rental Assistance selection criterion for RA Unit(s), the necessary rental assistance or operating support (collectively RA Unit Subsidy) is 1) not renewed, withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; 2) such nonrenewal, withdrawal or termination materially adversely impacts the financial feasibility of the project; 3) alternative funding is unavailable; and 4) 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 RA Unit(s). Such petition shall contain all material facts and supporting documentation substantiating the owner's request including, but not limited to, items 1), 2) and 3) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, the owner shall no longer be required to treat such RA Unit(s) as RA Unit(s) but must convert the rents of those units to the 50% HTC rent limit; **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply.** If such conversion occurs, in order to retain the 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 15-year period.

If Minnesota Housing, at any time thereafter, in its sole discretion, determines that an RA Unit Subsidy may be available for the remainder of the 15-year period that would not adversely affect the full availability of the HTC Allocation, then at Minnesota Housing's request, the owner shall promptly apply for such RA Unit Subsidy for the RA Unit(s), upon terms reasonably acceptable to such owner. If such RA Unit Subsidy is obtained, the owner shall again set aside such RA Unit(s), when and to the extent then available, to income qualifying individuals.

B. Carryover Requirements

In addition to meeting requirements of federal law, the applicant of a selected project must provide no later than October 1 (or the next calendar business day if October 1 is not a business day) of the year in which the reservation was issued, a complete carryover package in final form containing all required documents in a form satisfactory to Minnesota Housing. Late fees will be enforced (refer to Chapter 8). All required carryover application materials are incorporated into the Carryover checklist and must be submitted through the Multifamily Customer Portal. See Appendix A for additional guidance.

New requests by applicants/developers to Minnesota Housing to apply the 30% state designated basis boost at the time of carryover application must be formally made in writing. The request must clearly

outline the reasons supporting the request and clearly demonstrate how the proposal meets the criteria established by Minnesota Housing for receiving boost considerations. (Refer to Chapter 2.Q.)

C. Placed in Service/Application for Issuance of IRS Form 8609

Generally, the placed in service date for HTC purposes, for a newly constructed building or for rehabilitation expenditures in an existing building, is the date when the first unit in the building is certified as available for occupancy. The placed in service date must occur for all buildings within a project by the due date required by Section 42, as may be extended by relief issued by the IRS.

Subsequent to the project being placed in service and prior to Minnesota Housing issuing an IRS Form 8609 for the project, the owner must submit an application for the issuance of IRS Form 8609 to Minnesota Housing. All required application materials are incorporated into the 8609 checklist in the Multifamily Customer Portal. If Minnesota Housing is the Allocating Agency, all required 8609 application materials must be submitted through the Multifamily Customer Portal. The owner may be required to submit an IRS Form 8609 fee based upon the requested annual HTC amount (refer to Chapter 8). See Appendix A for additional guidance.

A Minnesota Housing approved IRS Form 8609 must contain the signature of the authorized Minnesota Housing representative. Minnesota Housing will make reasonable efforts to issue an approved IRS Form 8609 within 60 days after all the required items have been received by Minnesota Housing in a satisfactory form and substance. Issuance of the Minnesota Housing approved IRS Form 8609 is to be done only by Minnesota Housing or, as applicable, an authorized Suballocator. An approved IRS Form 8609 must not be created by any other entity. The owner/agent must not file a IRS Form 8609 with the IRS in advance of the owner/agent's receipt of the Minnesota Housing signed version of the approved IRS Form 8609. In addition, the owner/agent must not electronically file an IRS Form 8609 with the IRS that does not accurately reflect the information contained on the Minnesota Housing signed version of the approved IRS Form 8609 (also refer to Chapter 2.J. Unacceptable Practices). A condition to this effect will be added to the Carryover Agreement.

To optimize timely processing of requests for issuance of IRS Form 8609, it is recommended the owner make every effort to submit the complete 8609 application package to Minnesota Housing no later than 30 days following completion of the project and at least 60 days in advance of any required filing deadline. Applications that are not submitted within this timeframe may be considered late and subject to a fee (refer to Chapter 8).

If a complete 8609 application package is not received within 15 days of the last day of the first year of the HTC period, the application will be considered late and may be subject to a penalty and/or fee (refer to Chapter 2.J. and Chapter 8).

Chapter 7 – Projects Financed by Tax-Exempt Volume Limited Bonds Seeking HTC

A. General

Section 42 of the IRC establishes a separate set of procedures to obtain 4% HTCs through the issuance of tax-exempt volume limited bonds.³

Section 42 (m)(1)(D) provides that in order for a project to receive an Award of HTCs through the issuance of tax-exempt volume limited bonds, the project must satisfy the requirements for allocation contained in the QAP applicable to the area in which the project is located. The Minnesota Housing QAP applies to all projects for which Minnesota Housing is the issuer of the bonds and all other projects for which the issuer is not located within the area covered by a Suballocator QAP.

The project must comply with the QAP that is in effect for the calendar year in which tax-exempt volume limited bonds are issued sufficient, together with any tax-exempt volume limited bonds issued in a prior calendar year, to finance at least 50% of the aggregate basis of the building and the land it is located on.

If a development was selected or selected for further processing for tax-exempt bonds with a 4% HTC financial structure through a previous Minnesota Housing Consolidated RFP, and satisfied pointing and related requirements applicable to that Multifamily Consolidated RFP, the development may be deemed to meet the scoring and related requirements of the QAP in effect during the year in which the tax-exempt volume limited bonds are issued sufficient to finance at least 50% of the aggregate basis of the building and the land that it is located on.

Developers must also be aware of the requirements of Minnesota Statutes, section 474A.047, including subdivision 1, which require the extension of existing HUD Housing Assistance Payment (HAP) contracts to the full extent available.

For projects to which the Minnesota Housing QAP applies, Minnesota Housing must make a determination that all requirements are satisfied. After this determination, Minnesota Housing will issue a preliminary determination letter. **Except as determined by Minnesota Housing, applications**

³ Tax-exempt volume limited bonds are “residential rental bonds” that are taken into account under the state ceiling on the aggregate face amount of tax-exempt private activity bonds pursuant to Section 146 of the IRC. Residential rental bonds are exempt facility bonds issued pursuant to Section 142(d) of the IRC to finance a qualified residential rental project.

for this determination (42(m) application) must be submitted to Minnesota Housing at least 60 days prior to the issuance of the tax-exempt volume limited bonds sufficient, together with any tax-exempt volume limited bonds issued previously for the same project, to finance at least 50% of the aggregate basis of the building(s) and land it is located on. Applications that are not submitted within this timeframe may be considered late and subject to a fee (refer to Chapter 8).

The threshold type requirements in Chapter 5.A. do not apply to projects not receiving HTCs counted in the HTC credit ceiling for the state.

To receive the preliminary determination described above, the applicant must submit to Minnesota Housing all documents required for an application for HTCs as established by the Minnesota Housing QAP and any additional information requested. These documents are those required for an application for HTCs under Chapter 6.A. incorporated into the Application Checklist in the Multifamily Customer Portal and any additional information required by Minnesota Housing. The developer must also submit to Minnesota Housing the required application fees identified. See Appendix A for additional guidance.

B. Pre-Application for Projects Seeking an Allocation of Tax-Exempt Volume Limited Bonds from Minnesota Management and Budget (MMB)

Applicants may receive a Predictive Cost Model and scoring determination prior to requesting preliminary determination via the pre-application process. Pre-application is strongly encouraged in order to receive a determination prior to seeking an allocation of a portion of the state ceiling for tax-exempt volume limited bonds.

Preliminary Predictive Cost Model Determination

A Predictive Cost Model analysis can be pursued earlier than the submission of the 42(m) application. Applicants must submit the Predictive Cost Model determination document and will receive a determination letter upon review. The letter will consist of Minnesota Housing's determination, the expiration date of the determination, the project's current percentage of the Predictive Cost Model and the project cap, beyond which a board action may be required, for per-unit costs. Developments with costs above the Predictive Cost Model will be notified and, if requested by the developer, will follow Minnesota Housing's process to determine if approval will be granted.

Preliminary Scoring Determination

Applicants **must** submit all required pre-application documentation a minimum of 30 days prior to the 42(m) application submittal in order for staff to make a preliminary determination of eligibility. Failure to submit all required pre-application materials may result in rejection of the pre-application.

Pre-application Documents:

1. Multifamily Workbook;
2. Self-Scoring Worksheet – Corresponding with the year in which bond issuance sufficient to meet the 50% test is anticipated; and
3. Scoring Documentation.

If the project is determined to be eligible for the required minimum points, the applicant will receive a Preliminary Scoring Determination letter from Minnesota Housing that details the points awarded. This letter is to be submitted with the complete 42(m) application. The 42(m) application may only be submitted following an allocation of a portion of the state ceiling for tax-exempt volume limited bonds.

C. Application for Issuance of Preliminary Determination Letter

For projects in which Minnesota Housing is the Allocating Agency, the developer must submit an application fee (review fee) (refer to Chapter 8). In addition, if the issuer of the bonds is not Minnesota Housing, the 42(m) application must include evidence from the issuer that the project received an approval of an allocation of a portion of the state ceiling for tax-exempt volume limited bonds from the state of Minnesota and a preliminary determination issued by the issuer of the bonds addressing the HTC dollar amount and project costs pursuant to Section 42(m)(2)(D) of the IRC.

In addition to complying with the requirements for HTC allocation, Section 42(m)(2)(D) provides that in order for a project to receive an Award of HTCs through the issuance of tax-exempt volume limited bonds, the governmental unit that issues the bonds (or on behalf of which the bonds were issued) and the Allocating Agency must make a determination that the HTC amount to be claimed does not exceed the amount necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the HTC period.

For projects to which the Minnesota Housing QAP applies, the determination by the issuer must be made in a manner consistent with Minnesota Housing's QAP. Evaluation of the issuer and Allocating Agency must consider in accordance with Section 42:

1. The sources and uses of funds and the total financing planned for the project;
2. Any proceeds or receipts expected to be generated by reason of tax benefits;
3. The percentage of the HTC dollar amount used for project costs other than the cost of intermediaries; and
4. The reasonableness of the developmental and operational costs of the project.

Section 42(h)(6)(C)(ii) provides that the HTC amount claimed for buildings financed by tax-exempt volume limited bonds by the taxpayer/owner under Section 42(h)(4) may not exceed the amount necessary to support the applicable fraction specified in the LURA for the buildings.

Based upon the submission of the 42(m) application, Minnesota Housing will prepare a letter with its preliminary determination pursuant to Section 42(m)(1)(D) as to whether the project satisfies the requirements and any additional conditions identified for an Award of HTCs under the QAP. A preliminary determination fee must be submitted to Minnesota Housing prior to release of the letter (refer to Chapter 8). **This process may take eight weeks or more from the time the full application package is submitted. All applicants should develop their timelines and schedules accordingly.**

D. Placed in Service/Application for Issuance of IRS Form 8609

Placed in service dates for HTC purposes must be established for all buildings using HTCs, including acquisition HTCs, which are treated as a separate building for HTC purposes. Generally, the placed in service date for a newly constructed building or for rehabilitation expenditures in an existing building, is the date when the first unit in the building is certified as available for occupancy. The placed in service date for acquisition HTCs is generally the date of the acquisition of the building. It is highly recommended that owners/developers of projects financed with the proceeds of tax-exempt volume limited bonds seek the appropriate legal and bond professional advice on these matters.

Subsequent to the project being placed in service and prior to Minnesota Housing issuing an IRS Form 8609 for the project, the owner must submit an application for the issuance of IRS Form 8609 to Minnesota Housing.

The application must contain all documents identified in this Chapter 7.G. and under Chapter 6.C., in addition to any other submissions deemed necessary and requested by Minnesota Housing. All required application materials are incorporated into the 8609 checklist in the Multifamily Customer Portal. The Owner must also submit an IRS Form 8609 fee based upon the requested annual HTC amount (refer to Chapter 8). See Appendix A for additional guidance.

A Minnesota Housing-approved IRS Form 8609 must contain the signature of the authorized Minnesota Housing representative. Minnesota Housing will make reasonable efforts to issue an approved IRS Form 8609 within 60 days after all of the following items have been received by Minnesota Housing in a satisfactory form and substance. Issuance of the Minnesota Housing approved IRS Form 8609 is to be done only by Minnesota Housing or, as applicable, an authorized Suballocator. An approved IRS Form 8609 must not be created by any other entity. The owner/agent must not file an IRS Form 8609 with the IRS in advance of the owner/agent's receipt of the Minnesota Housing signed version of the approved IRS Form 8609. In addition, the owner/agent must not electronically file an IRS Form 8609 with the IRS that does not accurately reflect the information contained on Minnesota Housing's signed version of the approved IRS Form 8609 or information contained in the preliminary determination. (Also refer to Chapter 2.J. Unacceptable Practices.)

To optimize timely processing of requests for issuance of IRS Form 8609, it is recommended the owner make every effort to submit the complete 8609 application package to Minnesota Housing no later than 30 days following completion of the project and at least 60 days in advance of any required filing deadline. Applications that are not submitted within this timeframe may be considered late and subject to a fee (refer to Chapter 8).

If a complete 8609 application package is not received within 15 days of the last day of the first year of the HTC period, the application will be considered late and may be subject to a fee (refer to Chapter 8).

Chapter 8 – Fees

For estimates of HTC fees, reference the Multifamily Loan Programs and Housing Tax Credit Fee Schedule on the Minnesota Housing website. All fees are non-refundable and will not be adjusted if the final HTC amount is reduced or recaptured or the HTCs are returned or unused.

A. Application Fee

An application fee must be submitted with all applications. For dual applications, Minnesota Housing will require a single fee. For multi-building projects, Minnesota Housing will require only one application and a single fee.

B. Supplemental Application Fee

A fee for projects requesting supplemental HTCs. This fee will be charged to projects that resubmit their proposals in Round 2 of the allocation year and were underwritten by Minnesota Housing in Round 1.

1. A non-selected project will be required to submit a new application package as described in Chapter 2.P.
2. A selected project (must have been selected in the same year) requesting additional HTCs will be required to submit a new application package as described in Chapter 2.O.

C. Reservation Fee

After the project has been selected to receive HTCs from the state's HTC credit ceiling, a reservation fee must be paid to Minnesota Housing. An additional reservation fee must also be paid for any additional HTCs allocated through carryover and must be paid following issuance of the Carryover Agreement.

D. Allocation Fee – Carryover, 8609, Reallocation

At the time the taxpayer/owner submits an application for a carryover allocation or for issuance of IRS Form(s) 8609 (whichever occurs earlier), an allocation fee will be due. Refer to Section C. (immediately above) for fee information relating to additional HTCs allocated at carryover.

A reallocation fee must be submitted to Minnesota Housing for projects requesting a return and reallocation of HTCs.

E. Application Late Fee – 42M, Carryover, 8609

42M or 8609 applications that are not submitted for processing within the applicable timeline set out in this QAP (refer to Chapter 7.A and Chapter 6.C) may be considered late and subject to a fee.

A Taxpayer/owner submitting a carryover application or, if an owner has elected not to request a carryover, an 8609 application prior to the end of the year of allocation for which the reservation was issued who does not submit a carryover/8609 application by the established due date and time (refer to Chapter 7.B), submits a substantially incomplete carryover/8609 application by the established due date and time or does not submit the carryover CPA final certification by the established due date and time may be subject to a fee plus an additional penalty fee for each business day from the original due date and time through the date on which Minnesota Housing receives a substantially complete carryover/8609 application.

The fee will not be allowed as an eligible cost in carryover/8609 basis and must be paid at the time the carryover/8609 application is substantially complete.

F. Preliminary Determination Fee

A preliminary determination fee must be submitted to Minnesota Housing prior to issuance of a preliminary determination letter for projects for which Minnesota Housing is the Allocating Agency.

G. Monitoring Fee

Minnesota Housing will charge a per-unit monitoring fee beginning with the first credit year. The fee will be due annually throughout the compliance period and extended use period. Refer to Sections 4.02 and 9.05 of the [Housing Tax Credit Compliance Guide](#) for details on the fee amount. Minnesota Housing reserves the right to adjust the fee depending upon the requirements of the U.S. Treasury, IRS or Minnesota Housing's increased cost to monitor. The fee will be due in a manner and time as prescribed by Minnesota Housing.

H. Transfer of Ownership Fee

Projects that have a transfer of ownership subject to Minnesota Housing approval, as described in Chapter 2.I., may be subject to a transfer of ownership fee.

If the transfer occurs after Allocation and prior to the issuance of IRS Form 8609, a transfer of ownership fee must be submitted to Minnesota Housing. After the issuance of IRS Form 8609, owners must submit an RFA for transfer of ownership and may be subject to an RFA fee. Refer to the Servicing page on Minnesota Housing's website (also refer to Chapter 2.J.– Unacceptable Practices) for further details on Transfer of Ownership.

I. Check Cashing Procedure

Applicant's payments for fees (in the form of checks) will be held pending verification of the accuracy of the amount tendered and submitted materials.

J. Right to Adjust Fees

Minnesota Housing reserves the right to adjust fees due to changing circumstances in order to cover its costs associated with producing and delivering Minnesota's HTC Program.

K. Appraisal Fee

If the as-is appraisal is ordered by Minnesota Housing, all costs will be the responsibility of the applicant. The appraisal fee will be determined based on fees charged by the appraiser to complete Minnesota Housing's requirement for an as-is appraisal. These fees are subject to change at Minnesota Housing's sole discretion based upon changes in fee structures found in the appraisal marketplace and on the type of appraisal required by Minnesota Housing for a particular application type.

Chapter 9 – Tentative Allocation Schedule of Critical Dates

A. Allocation Dates

A list of important allocation dates is identified in the Multifamily RFP Standards available on the Minnesota Housing website.

B. Previous Year's Allocation of HTCs

8609 application: To optimize timely processing of requests for issuance of IRS Form 8609, it is recommended that the owner make every effort to submit the complete application for 8609 to Minnesota Housing no later than 30 days following completion of the project.

At the latest, complete 8609 application packages are due no later than 15 days after the last day of the first year of the HTC period. Section 42 states the owner must elect the first year of the HTC period in the year the project is placed in service or the year following.

C. Compliance Dates

Annual Owner Certifications, compliance reporting and monitoring fees are due February 15 (or the next business day if February 15 is not a business day) of each year.

When filed with IRS: Completed first year IRS Form 8609 with Part II completed.

Chapter 10 – Index of HTC Forms

A. Application Materials

All HTC Application Forms are available on Minnesota Housing's website and in the Multifamily Customer Portal.

B. Post-Selection Materials

All Post-Selection materials are available on Minnesota Housing's website and in the Multifamily Customer Portal.

Appendix A: Carryover Allocations, 42M and Placed in Service/Issuance of IRS Form 8609 Application Requirements

The table below outlines certain application requirements for carryover, 42M and Placed in Service/Application for Issuance of IRS Form 8609. For additional information, refer to the help text found in the Multifamily Customer Portal and other resources found on Minnesota Housing's website. See descriptions of the application requirements below the table.

Table 1: Application Requirements for Housing Tax Credits

Application Requirements	Chapter 6B Carryover Application	Chapter 7C 42M Application	Chapter 6C Placed in Service 8609 9% HTC	Chapter 7H Placed in Service 8609 4% HTC
Market Study	Yes	Yes	Not applicable	Not applicable
Owner Certification/Application for Carryover Allocation	Yes	Not applicable	Not applicable	Not applicable
Election of Applicable Percentage	Not applicable (Election completed at Reservation)	Yes	Not applicable- (Election completed at Reservation)	Yes
Building Information (HTC 5)	Yes	Yes	Not applicable	Not applicable
Attorney's Opinion Letter	Yes	Not applicable	Yes	Yes
Certified Public Accountant Certification	Yes	Yes (50% Test Verification Letter)	Yes	Yes
Gross Rent Floor Election	Yes	Yes	Yes	Yes
Affirmative Fair Housing Marketing Plan	Yes	Yes	Yes	Yes
Tenant Selection Plan	Yes	Yes	Yes	Yes
Identity of Interest	Yes	Yes	Yes	Yes
Determination of Bond Issuer	Not applicable	Yes	Not applicable	Yes
Placed in Service Evidence	Not applicable	Not applicable	Yes	Yes
Utility Allowance	Yes	Yes	Yes	Yes
Reserves, Contingencies and any Cash Savings	Yes	Yes	Yes	Yes

Application Requirements	Chapter 6B Carryover Application	Chapter 7C 42M Application	Chapter 6C Placed in Service 8609 9% HTC	Chapter 7H Placed in Service 8609 4% HTC
Minnesota Housing Declaration of Land Use Restrictive Covenants (LURA)	Not applicable	Not applicable	Yes	Yes
8609 Certification by Owner/Application Form	Not applicable	Not applicable	Yes	Yes
Final Loan or Grant Documents	Not applicable	Not applicable	Yes	Yes
Partnership/Operating Agreement	Yes, if available	Yes	Yes	Yes
Building Map Form	Not applicable	Not applicable	Yes	Yes
Evidence of Tax-Exempt Volume Limited Bonds	Not applicable	Yes	Not applicable	Yes

Carryover Allocations, 42M and Placed in Service/Issuance of IRS Form 8609 Application Requirements Descriptions

Market Study

Minnesota Housing will conduct a market study review to determine the housing needs of low-income individuals in the area to be served by the project. Minnesota Housing will evaluate the market study and in-house occupancy data to determine the marketability of the proposed project. For market consideration, applicants are responsible for providing evidence to document market feasibility. Minnesota Housing may contact the applicant if there is a question as to the marketability of the proposed projects.

Minnesota Housing may consult with local communities, Public Housing Authorities (PHAs), Housing and Redevelopment Authorities (HRAs), RD and HUD to determine the marketability of projects. If, in the opinion of Minnesota Housing, the issuance of the HTC to a project could be detrimental to existing rental property, Minnesota Housing may choose not to issue HTCs to the applicant. Proposed projects that do not appear marketable and do not modify their proposal may not receive further consideration.

Owner Certification/Application for Carryover Allocation

Provide a signed Owner Certification/Application for Carryover Allocation Form.

Election of Applicable Percentage

Section 42 of the IRC requires that the owner make an election to determine the applicable percentage for the project. The applicable percentage will, by default, be the appropriate percentage for the month that the building is placed in service, unless the owner makes an alternate, timely election. For Allocations of 9% HTC, the owner may elect the month in which the owner and Allocating Agency enter into the reservation agreement. For Awards of 4% HTC, the owner may elect the month in which the tax-exempt volume limited bonds are issued. Such an election must be made no later than the 5th day after the close of the month in which the bonds were issued. . Once made, the election is irrevocable.

Building Information (HTC 5)

Provide a completed Building Information Form.

Attorney's Opinion Letter

Provide an attorney's opinion letter in the approved Minnesota Housing form applicable to the application stage. The approved form of opinion can be found in the Multifamily Customer Portal and on Minnesota Housing's Tax Credits webpage.

Certified Public Accountant Certification

Provide a written certification in the approved Minnesota Housing form applicable to the application stage. The approved forms of certification can be found in the Multifamily Customer Portal and on Minnesota Housing's Tax Credits webpage.

Gross Rent Floor Election

The gross rent floor date will, by default, be the date of allocation (for 9% HTC) and the date that the preliminary determination letter is issued (for 4% HTC), unless the owner makes an alternate, timely election. By election, owners may choose to set the gross rent floor date as the date the building is placed in service. To make such an election, the completed election form must be received by Minnesota Housing no later than the date the project is placed in service. Supply a fully executed Statement of Election of Gross Rent Floor and include each building of the development in which there are HTC units. Once made, the election is irrevocable.

Affirmative Fair Housing Marketing Plan

It is the policy of Minnesota Housing to take affirmative action to provide equal opportunity in all of its endeavors. Complete, execute and return the Affirmative Fair Housing Marketing Plan (AFHMP) describing the marketing strategies that the owner will use including, but not limited to, special efforts the owner will make to attract people who are least likely to apply, in addition to a broad cross section of the local population without regard to protected classes under federal fair housing law: race, color, religion, sex, national origin, disability or familial status; or under Minnesota law: marital status, status with regard to public assistance, creed and sexual orientation.

Tenant Selection Plan

Provide a written Tenant Selection Plan (TSP) describing the tenant selection policy that the owner will use. The TSP should be in place prior to closing but in any case, must be submitted and reviewed by Minnesota Housing prior to the issuance of IRS Form 8609. The TSP must be developed and implemented in accordance with Minnesota Housing's Tenant Selection Plan Guidelines document, which is published on Minnesota Housing's website.

Identity of Interest

Provide a written disclosure as to any and all Identity of Interest parties (refer to Chapter 2.L. and 2.M.).

Determination of Bond Issuer

If the issuer of the bonds is not Minnesota Housing, provide evidence from the issuer that the project received an allocation of a portion of the state ceiling for tax-exempt volume limited bonds from the state of Minnesota and the issuer's determination, preliminary or final as applicable to the application stage, that the HTC amount to be claimed does not exceed the amount necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the HTC period. The issuer must consider the sources and uses of funds and the total financing planned for the project; any proceeds or receipts expected to be generated by reason of tax benefits; the percentage of the HTC dollar amount used for project costs other than the cost of intermediaries; and the reasonableness of the developmental and operational costs of the project.

Placed in Service Evidence

Provide evidence that all buildings have been placed in service. Submit a copy of the Certificate of Occupancy or Temporary Certificate of Occupancy provided by the local governmental authority having jurisdiction for each building. If not available from the local government, a Certificate of Substantial Completion prepared by the architect will be accepted. For acquisition and rehabilitation, the developer must provide supporting documentation for the elected date(s).

Utility Allowance

Provide a current utility allowance in a manner consistent with the options provided in IRS Treasury Regulation 1.42-10 (i.e., as appropriate, a utility allowance from RD, HUD, a PHA/HRA, a local utility company, an Agency Estimate Minnesota Housing Average of Actual Consumption using the methodology described in the HUD published Multifamily Notice H-2015-4, a HUD utility Schedule Model, an Energy Consumption Model). Include a breakdown of the utilities that a tenant pays directly or through a submetering arrangement (heat, electricity, etc.), the utility allowance for each type of utility (gas, electric, etc.), for the various unit types (one-bedroom, two-bedroom, etc.) and housing types (apartments, townhomes, etc.). Also include a list of each unit type, total tenant paid utilities, contract rent and gross rent (refer to Chapter 3.J.). For utilities paid through a submetering arrangement, Minnesota Housing may require additional documentation.

Reserves, Contingencies and any Cash Savings

Provide a signed and dated statement documenting the amount and disposition of reserves, contingencies and any cash savings. If any of the above reverts back to developer/owner, general partner/managing member or any entity with an ownership interest in the project, Minnesota Housing will consider them deferred developer fees and, for purposes of the HTC Allocation or Award, restrict the developer fees as specified in the Underwriting Standards.

Minnesota Housing Declaration of Land Use Restrictive Covenants (LURA)

The LURA must be completed, executed and recorded before the end of the first year of the HTC period to preserve the HTCs allocated or awarded to the project. Check with your tax advisor as to timing of filing and claiming of HTCs. HUD may require that certain riders be attached to your HTC LURA if your development has primary financing via a HUD direct insured loan. Check with your financing and legal advisors to determine if this may be required of your development. Minnesota Housing will amend and restate and record all LURAs that have been executed and recorded prior to submission of the 8609 application.

8609 Certification by Owner/Application Form

Provide a completed and executed 8609 Certification by Owner/Application Form (HTC 3), verifying:

1. The placed in service date as defined in IRS Notice 88-116 for each building and/or type of HTC. The month and year must correspond with the Placed In Service evidence (see above).
 - a. If the month and year do not correspond, submit a written statement indicating the reason.
 - b. It is highly recommended that owners/developers of projects financed with the proceeds of tax- exempt volume limited bonds seek the appropriate legal and bond professional advice on these matters.
2. Compliance with all applicable design requirements.
3. Compliance with all requirements of this QAP, Selection and additional or special conditions of reservation, commitment or carryover or the preliminary determination letter issued by Minnesota Housing on the project.

Final Loan or Grant Documents

Provide copies of the final executed permanent loan and/or grant documents for all sources of funds (loan/grant agreements, mortgage and note) that support the amount, terms and conditions stated on the Multifamily Workbook. Minnesota Housing must evaluate all final sources of funds to help ensure the amount of HTCs allocated or awarded to a project does not exceed the amount necessary for

financial feasibility. Therefore, Minnesota Housing will not issue an IRS Form 8609 prior to the execution of the final permanent loan documents, or its equivalent, for all funding sources.

Partnership/Operating Agreement

Provide a copy of the partnership/operating agreement. The executed final agreement and amendments must be submitted at 8609.

Building Map Form

Provide a completed Building Map Form for each building. The applicable fraction on the building map must be the same applicable fraction for each respective BIN on Exhibit B of the LURA.

Evidence of Tax-Exempt Volume Limited Bonds

If the issuer of the bonds is not Minnesota Housing, submit evidence from the issuer of the bonds that the project received an allocation and issuance, as applicable, of a portion of the state ceiling for the issuance of tax-exempt volume limited bonds from the state of Minnesota.



~~2024-2025~~ 2026-2027 Self-Scoring Worksheet

Housing Tax ~~Credit~~ Credits and Deferred Projects¹

Last Updated: November ~~2022~~ 2024

¹ Includes all 4% and 9% Housing Tax Credit (HTC) projects and deferred funds awarded through the annual Multifamily Consolidated Request for Proposals (~~Consolidated~~ RFP) as well as available financing throughout the year.

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Instructions and Requirements

The Self-Scoring Worksheet sets the selection criteria and funding priorities that Minnesota Housing will use to prioritize applications requesting 4% and 9% Housing Tax Credits (HTCs), ~~9% HTCs~~, and/or deferred funds that are selected through the Multifamily Consolidated Request for Proposals (~~Consolidated~~ RFP) or on a pipeline basis for available financing that may be available throughout the year.

Applicants must meet the requirements outlined in the Self-Scoring Worksheet ~~and QAP~~, Qualified Allocation Plan (QAP), Scoring Guide, and Methodology Guide documents to be eligible for points. In the event of any conflict between the Self-Scoring Worksheet and the Scoring Guide or Methodology Guide, the Self-Scoring Worksheet controls. To submit the Self-Scoring Worksheet for an application, all applicants must use the Scoring Wizard in the Multifamily Customer Portal website. All documents referenced in this Self-Scoring Worksheet can be found on Minnesota Housing's website or in the Multifamily Customer Portal.

When selecting projects for funding in the Multifamily Consolidated RFP/HTC Round 1 and HTC Round 2, Minnesota Housing considers the total amount of points achieved in conjunction with such factors as feasibility, amount of total funding requested, available resources, geographic distribution and ability to complete the development in a timely manner.

A. Strategic Priority

1. All projects must meet at least one of the HTC statutory strategic priorities or a strategic objective contained in Minnesota Housing's current Strategic Plan as published on the Minnesota Housing website. Applicants must demonstrate how the project meets the Strategic Plan in the Multifamily Rental Housing Narrative.
2. Residential rental housing projects financed with an allocation of tax-exempt bonds under Minnesota Statutes, chapter 474A are the highest strategic priority for tax credits in accordance with ~~Minn. Stat.~~ Minnesota Statutes, section 462A.222, ~~subd.~~ subdivision 3(d), and such projects are not required to meet a separate strategic priority.

B. Pre-Application

A ~~Pre-Application~~ pre-application may be required for specific selection preferences or selection criteria. The applicant must provide the required ~~Pre-Application~~ pre-application prior to the application deadline according to the due date established by Minnesota Housing and published on Minnesota Housing's website. Failure to submit required pre-application materials may result in rejection of the ~~Pre-Application~~ pre-application.

C. Preference for Eventual Tenant Ownership

HTC projects are eligible for homeowner conversion. These projects will receive a preference during the selection process when reviewing tie breakers. The ~~project owner should submit a preliminary transition plan with their application that is consistent with the requirements of the Eventual Tenant Ownership (ETO) Guide. The~~ Declaration of Land Use Restrictive Covenants (LURA) may contain provisions ensuring compliance with these ~~Eventual Tenant Ownership~~ ETO commitments by the owner, including a right of first refusal allowing tenants to purchase their units.

- ☐ The project will have an ~~Eventual Tenant Ownership~~ ETO component and agrees to follow the requirements of the ETO Guide.

Preference for Innovative Construction Techniques

~~A Pre-Application is required for this selection preference. Using this selection preference, Minnesota Housing intends to select at least one project that will use innovative construction techniques that:~~

☐ ~~Reduce total construction costs by at least 10%~~

AND/OR

☐ ~~Reduce the time a project is under construction by at least 20%~~

~~Minnesota Housing will make a reasonable effort to select a minimum of one project that meets this preference criterion, based on competitive ranking applications and available funding, and reserves the right to select a lower scoring proposal if deferred funding is applied for and the project meets this preference criterion.²The preference does not obligate Minnesota Housing to select a project that uses an innovative construction technique.~~

~~The Innovative Construction Technique preference is available in the 2023 Consolidated RFP/2024 HTC Round 1 and in the 2024 Consolidated RFP/2025 HTC Round 1³~~

~~Application Guidance for Innovative Construction Techniques will be posted on Minnesota Housing's website.~~

D. Minimum Point Requirements

- ~~Request~~Requests for Minnesota ~~Housing-administered~~Housing-administered 9% HTCs from the state's HTC ~~volume cap~~credit ceiling must demonstrate the project is eligible for no fewer than 80 points, excluding projects funded through the Rural Development/Small Projects set-aside.
- ~~Request for~~Requests for Minnesota Housing-administered 4% HTCs in association with tax-exempt volume limited bonds must demonstrate the project is eligible for no fewer than 40 points.
- Minnesota Housing reserves the right to reject applications not meeting its project selection requirements as contained in the ~~Qualified Allocation Plan (QAP)~~, to revise proposal features and associated scoring, and to help ensure the project meets the requirements.

² ~~9% HTC applications will continue to be ranked and reviewed for selection based on competitive score and requirements as outlined in Chapter 5, Project Selection, of the QAP. Deferred-only proposals or deferred with 4% HTC projects that meet this preference criterion will be reviewed and may be selected with a lower score than other deferred only or deferred with a 4% HTC projects in accordance with the Consolidated RFP Application Instructions.~~

³ ~~Minnesota Housing will review and score all proposals submitted to the Consolidated RFP according to the 2024-2025 HTC and Deferred Funding Selection Criteria. As outlined in the Consolidated RFP Application Instructions and the QAP, Minnesota Housing takes specified criteria into consideration when reviewing and selecting applications through the Consolidated RFP, in addition to project score (e.g., project feasibility, organization capacity, financial capacity).~~

E. Claiming of Points

An award and/or allocation is based upon the information provided in the application. The project is required to comply with all selection criteria that are claimed and awarded. This includes any due diligence/reporting requirements after selection and [for the](#) term of the declaration. Failure to comply could result in the loss of the award and/or allocation as well as the assessment of penalty points.

F. Documentation of Points

[Scoring is submitted in the Multifamily Customer Portal via the Scoring Wizard.](#) In the Scoring Wizard, mark the selection criteria expected for your project. **Where indicated in the Minnesota Housing Self-Scoring Worksheet, the applicant must also submit documentation that clearly supports the points claimed. Refer to the Scoring Guide and Multifamily Customer Portal for additional details. Minnesota Housing will determine the eligible points; points may not be awarded unless the required documentation is provided along with the application to justify the points claimed.**

During the competitive process, Minnesota Housing's review of the submitted Self-Scoring Worksheet is only to validate that the points claimed are eligible, to reduce points claimed if not eligible, and to determine points awarded. Minnesota Housing will not award additional points that are not initially claimed by the applicant/~~owner~~. Many performance obligations are created by the claiming of certain scoring points. As such, Minnesota Housing will not assume the position of creating any such performance obligations on behalf of the applicant/~~owner~~.

G. Documentation of Units

In the Scoring Wizard, mark the number of units for each selection criteria expected for your project. Minnesota Housing will not award points if the necessary number of units is not included in the Self-Scoring Worksheet. The number of units will also be validated in the Multifamily Workbook and may result in a loss of points if the documentation is not consistent. When calculating a percentage for the criterion, all units must be rounded up to the next full unit.

H. Extended Duration

Request for Minnesota ~~Housing-administered~~[Housing-administered](#) HTCs from the state's HTC ~~volume-cap~~[credit ceiling](#) and in association with tax-exempt volume limited bonds must maintain the ~~duration-of~~ low-income use for a minimum of 30 years or longer, if a longer duration is selected. The owner agrees that the Qualified Contract provisions of ~~IRC §§~~[Internal Revenue Code, sections](#) 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which ~~provision~~[provisions](#) would permit the owner to terminate the ~~restrictions under this agreement~~[LURA](#) at the end of the compliance period in the event Minnesota Housing does not

present the owner with a Qualified Contract for the acquisition of the project) do not apply to the project, and the owner also agrees the Section 42 income, rental, and occupancy restrictions must apply for the term of the LURA.

I. Design Standards

The project must meet the requirements in the Minnesota Housing Rental Housing Design/Constructions Standards. Additional design requirements will be imposed if points are claimed/awarded that require specific design elements (e.g., [Innovative Construction Techniques](#), Universal Design, Enhanced Sustainability).

J. Declarations

1. A ~~Declaration of Land Use Restrictive Covenants (LURA)~~ covering the income and rent restrictions and occupancy requirements presented at selection may be recorded against the property.
2. A deferred loan ~~Declaration~~declaration covering the income and rent restrictions and occupancy requirements presented at selection may be recorded against the property.

K. Deeper Rent Targeting

All applicants must meet the minimum deeper rent targeting unit requirements outlined below.

1. ~~Request~~Requests for Minnesota Housing deferred financing or Minnesota ~~Housing-administered~~Housing-administered HTCs from the state's ~~total volume cap~~credit ceiling or in association with tax-exempt volume limited bonds must ~~include~~restrict at least 2% of the total units, with a minimum number of one unit, ~~with~~to rents ~~restricted~~ at or below the county 30% Multifamily Tax Subsidy Project (MTSP) rent limit. Units with project-based rental assistance count toward this requirement. Projects where 100% of the units include project-based rental assistance are ~~excluded~~exempt from this requirement.

Number of Units: ____

2. ~~Request~~Requests for Minnesota Housing deferred financing or Minnesota ~~Housing-administered~~Housing-administered HTCs from the state's ~~total volume cap~~credit ceiling or in association with tax-exempt volume limited bonds must ~~include~~restrict at least 3% of the total units, with a minimum number of one unit, ~~with~~to rents ~~restricted~~ at or below the Housing Assistance Payment (HAP) payment standard as determined by the responsible entity in the jurisdiction. The units must generally be evenly distributed by bedroom type. Projects that are 100% project-based rental assistance or are located on ~~tribal reservations are excluded~~Tribal Reservations, Dakota Communities and Tribal trust lands are exempt from this requirement.

0 Bedroom Units: ____

1 Bedroom Units: ____

2 Bedroom Units: ____

3 Bedroom Units: ____

4 Bedroom Units: ____

5 Bedroom Units: ____

6 Bedroom Units: ____

Total Number of Units: ____

L. Hold Harmless Provision

Applicants that apply but that are not selected for funding in the 2025 Consolidated RFP/2026 HTC Round 1 and/or 2026 HTC Round 2 (First Cycle) can reapply in the 2026 Consolidated RFP/2027 HTC Round 1 and/or 2027 HTC Round 2 (Second Cycle) using EITHER the scores from the First Cycle OR new scores from the Second Cycle for the Increasing Housing Choice selection criteria (3.A, 3.B, and 3.C). Applicants may not mix and match scores from the First Cycle and scores from the Second Cycle.

Round 1 – Minimum Threshold Requirements

In accordance with Minnesota Statutes ~~§, section~~ 462A.222 ~~Subdivision, subdivision~~ 3(e), all 9% HTC applications submitted statewide in HTC Round 1 must meet one of the following threshold types. Please indicate the threshold item your project meets:

In the Metropolitan Area

A. In the Metropolitan Area⁴²

1. ☐ New construction or Substantial Rehabilitation in which, for the term of the extended use period (term of the LURA), at least 75% of the total HTC units are ~~single-room~~ single-room occupancy, efficiency, or one-bedroom units with rents affordable to households whose income does not exceed 30% of the area median income (AMI);
2. ☐ New construction or Substantial Rehabilitation family housing projects that are not restricted to persons 55 years old or older in which, for the term of the extended use period (term of the LURA), at least 75% of the total HTC units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms, ~~OR~~;
3. ☐ Substantial Rehabilitation projects in neighborhoods targeted by the city for revitalization;

Outside the Metropolitan Area

B. Outside the Metropolitan Area

1. ☐ Projects which meet a locally identified housing need, and which are in short supply in the local housing market, as evidenced by credible data submitted with the application;

⁴² As set out in ~~Minn. Stat.~~ Minnesota Statutes, section 473.121, ~~subd.~~ subdivision 2, Metropolitan Area means the area over which the Metropolitan Council has jurisdiction, including the counties of Anoka, Carver, Dakota (excluding the cities of Northfield and Cannon Falls), Hennepin (excluding the cities of Hanover and Rockford), Ramsey, Scott (excluding the city of New Prague), and Washington.

C. People with Disabilities (Inside or Outside Metropolitan Area)

1. ~~C~~ ☐ Projects that are not restricted to persons of a particular age group and in which, for the term of the extended use period (term of the LURA), a percentage of the units are set aside and rented to persons:
 - a. ~~1.~~ With a serious and persistent mental illness as defined in Minnesota Statutes ~~§~~, section 245.462, ~~Subdivision~~ subdivision 20, paragraph (c);
 - b. ~~2.~~ With a developmental disability as defined in the United States Code, Title 42, Section 6001, paragraph (8), as amended through December 31, 1990;
 - c. ~~3.~~ Who have been assessed as drug dependent persons as defined in Minnesota Statutes ~~§~~, section 254A.02, ~~Subdivision~~ subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes ~~§~~, section 254A.02, ~~Subdivision~~ subdivision 2;
 - d. ~~4.~~ With a brain injury as defined in Minnesota Statutes ~~§~~, section 256B.093, ~~Subdivision~~ subdivision 4, paragraph (a); ~~OR~~
 - e. ~~5.~~ With permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules ~~Chapter 1340.~~, chapter 1341;

NOTE:

- Minnesota Housing considers accessible units to be Type A and/or Type B units as identified in the referenced Chapter ~~1340~~ 1341, also known as the Minnesota Accessibility Code.
- ~~NOTE:~~ This definition is not limited to persons with mobility impairment.

~~Preserve Existing Subsidized Housing~~

D. Preserve Existing Subsidized Housing (Inside or Outside Metropolitan Area)

1. ☐ Projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing, if the use of HTCs is necessary to (1) prevent conversion to market rate use; or (2) to remedy physical deterioration of the project, which would result in loss of existing federal subsidies; **OR**

~~Rural Development~~

E. Rural Development (Inside or Outside Metropolitan Area)

1. ☐ Projects financed by United States Department of Agriculture (USDA) Rural Development (RD), which meet statewide distribution goals.

~~2024-2025~~2026 – 2027 Housing Tax Credit and Deferred Funding Selection Criteria

~~GREATEST NEED TENANT TARGETING~~

1. Greatest Need Tenant Targeting

~~Large Family Housing~~

A. Large Family Housing (12 to 15 ~~points~~Points)

1. ~~Large Family Housing:~~ The proposal is for a project that provides family housing that is not restricted to persons 55 years old or older. The owner agrees to market to families with minor children.

Select all that apply:

- a. ☐ At least 75% of the total ~~assisted~~⁵ units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms. **(12 points)**

Number of units with:

2 Bedrooms: ____

3 Bedrooms: ____

4 Bedrooms: ____

5 Bedrooms: ____

6 Bedrooms: ____

- b. ☐ If eligible under 1.a. above, at least one-third of three or more bedrooms required above must contain four or more bedrooms. **(3 points)**

Number of units with:

4 Bedrooms: ____

5 Bedrooms: ____

6 Bedrooms: ____

~~Senior Housing~~

⁵ ~~Assisted is defined as HTC units for HTC applications and affordable units for deferred funding.~~

B. Senior Housing (~~32 to 7 points~~ 8 Points)

1. ~~Senior Housing:~~ The proposal is for a project that provides housing that is restricted to persons 55 years of age or older.

a. ☐ Select ~~all that apply~~ one:

i. ☐ 100% of the total units (4 points)

Number of Units: _____

ii. ~~a-~~ ☐ ~~100 90% to 99.99%~~ of the total ~~assisted units will be restricted and marketed to seniors 55 years of age or older~~ **(3 points)**

Number of Units: _____

iii. ☐ 80% to 89.99% of the total units (2 points)

Number of Units: _____

b. ☐ Projects eligible under 1.a. above that agree to ~~further~~ restrict the units' to households with incomes ~~that or below~~ the county 30% MTSP income limit.

c. The applicant agrees that if units are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities, will be restricted to at or below the county 30% MTSP rent limit. Select one:

i. ☐ 30% to 100% of the total units (4 points)

Number of Units: _____

ii. ☐ 20% to 29.99% of the total units (3 points)

Number of Units: _____

iii. ☐ 10% to 19.99% of the total units (2 points)

Number of Units: _____

iv. ☐ 5% to 9.99% of the total units (1 point)

Number of Units: _____

NOTE: The Senior Housing selection criterion 1.B.1.b. cannot be claimed for units that are claimed under the Rental Assistance selection criterion 2.B.2 Further Restricting Rental Assistance.

C. Permanent Supportive Housing for ~~High Priority Homeless~~ Households Experiencing Homelessness (7 to 37 Points)

1. ~~C. Permanent Supportive Housing for~~ High Priority Homeless (HPH) ⁶³ (7 to 30 pointsPoints)

⁶³ Specific performance requirement relief provisions are available for projects eligible for the Permanent Supportive Housing for High Priority Homeless selection criterion for "HPH Units." Reference Chapter 6.A. of the QAP for additional details. Specific performance requirements may be

A minimum of 5% of the total units, but no fewer than four units, are set aside for and rented to High Priority Homeless households, who are households prioritized for permanent supportive housing by the Coordinated Entry System⁷⁴ (HPH Units) ~~and targeted to the populations indicated below.~~

Minnesota Housing, at its sole discretion, in consultation with the owner of a selected project and the local community, will consider alternative referral and prioritization processes for populations that have a demonstrated need for supportive housing but are not included in the Coordinated Entry System.

Select one:

- a. ☐ 50% to 100% of the total units, but no fewer than 20 units (30 points)
Number of Units: _____
- b. ☐ 10% to 49.99% of the total units, but no fewer than 7 units (10 points)
Number of Units: _____
- c. ☐ 5% to 9.99% of the total units, but no fewer than 4 units (7 points)
Number of Units: _____

NOTE: The Permanent Supportive Housing for High Priority Homeless (1.C.1.) and People with Disabilities (1.D.) selection criteria cannot be claimed for the same units.

2. Other Homeless (5 to 7 Points)

Projects that are eligible for the High Priority Homeless selection criterion 1.C.1. and agree to set aside and rent additional units to serve Other Homeless households which includes individuals leaving institutions that do not have a permanent residence or other homeless populations not referred by the Coordinated Entry System. The criterion is based upon the total number of Permanent Supportive Housing units for Households Experiencing Homelessness in the project.

incorporated into the LURA and deferred loan documents recorded with the property. Alternative referral and prioritization options are available with approval from Minnesota Housing when there is not an eligible household on the Coordinated Entry waiting list. Reference the relief provisions in Chapter 6.A. of the QAP for additional details.

⁷⁴ Coordinated Entry System is defined by the statewide Coordinated Entry standards and protocol as adopted by the local Continuum of Care, or such successor system as determined by Minnesota Housing.

Select One:

- a. ☐ 100% of the total units set aside and rented to HPH and Other Homeless Households (7 points)
Number of Other Homeless Units: _____
- b. ☐ 75% - 99.9% of the total units set aside and rented to HPH and Other Homeless Households (5 points)
Number of Other Homeless Units: _____

Requirements for High Priority Homeless and Other Homeless

The applicant agrees ~~that if~~ to pursue and continue the renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available. If units set aside for High Priority Homeless or Other Homeless are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities, cannot exceed the greater of 30% of the household's monthly income or the most current Supportive Housing Standard for the unit size, as published annually by Minnesota Housing in the Multifamily Underwriting Standards in the Supportive Housing Standards ~~—High Priority Homeless or People with Disabilities—~~ section. The owner must establish and implement policies and procedures to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.

Select one and complete the unit count below:-

- a. ☐ ~~50% to 100% of the total units, but no fewer than 20 units (30 points)~~
Number of Units: _____
- b. ☐ ~~10% to 49.99% of the total units, but no fewer than 7 units (10 points)~~
Number of Units: _____
- c. ☐ ~~5% to 9.99% of the total units, but no fewer than 4 units (7 points)~~
Number of Units: _____

NOTE: The Permanent Supportive Housing for High Priority Homeless (C.) and People with Disabilities (D.) selection criteria cannot be claimed for the same units.

The documentation requirements to be eligible for Permanent Supportive Housing ~~for HPH~~ points is based upon the percentage of total units that are HPH, PWD, ~~and other homeless~~ Other Homeless households in the project. ~~Projects are classified as either:~~

- ~~Primarily Supportive Housing: 50% or more of the total units will serve HPH, PWD, or other homeless households.~~
- ~~Partially Supportive Housing: Less than 50% of the total units will serve HPH, PWD, or other homeless households.~~

The classification determines the Supportive Housing application materials that must be submitted, including the narratives, forms, certifications, and submittals identified in the Application Checklist in the Multifamily Customer Portal.

Projects are classified as either:

~~Please also note the following requirements depending on the project classification:~~

- Primarily Supportive Housing: 50% or more of the total units will serve HPH, PWD or Other Homeless households.

~~Primarily Supportive Housing~~

- ~~1.~~ The market need for the proposed HPH units must be verified and documented on the Continuum of Care (CoC) Confirmation form. Minnesota Housing, at its sole discretion, will determine if there is market need for HPH units based upon a number of factors including location, household type, Coordinated Entry waiting list, pending projects, resources etc.

~~2. 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.~~

- Partially Supportive Housing: Less than 50% of the total units will serve HPH, PWD or Other Homeless households.

~~Partially Supportive Housing~~

- ~~1.~~ Minnesota Housing, at its sole discretion, will determine if there is a market need for HPH units based upon a number of factors including location, household type, Coordinated Entry waiting list, pending projects, etc. This will be verified with the local Continuum of Care during the application review process. If Minnesota Housing determines that there is not a need for additional HPH units within the local market, the applicant agrees that Minnesota Housing may remove the proposed HPH units from the project and convert the proposed units to units with rent restricted to 30% MTSP and maintain a priority to serve homeless households.

~~2. 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.~~

A proposal that claims this criterion and is selected will be required to comply with any due diligence/reporting requirements after selection and for the term of the declaration. Failure to comply could result in the loss of the award and/or allocation as well as the assessment of penalty points. The

LURA and Minnesota Housing loan documents may contain performance requirements related to these permanent supportive housing units for High Priority Homeless and [Other Homeless](#) may be recorded with the property.

People with Disabilities

D. People with Disabilities (PWD) (7 to ~~13 points~~ 19 Points)

Select one:-

1. Tier 1: Permanent supportive housing proposals that **are not restricted to persons of a particular age group** and in which a minimum of 5% of the total units, but no fewer than four units, are set aside and rented to ~~persons~~people with a disability as defined below. The applicant agrees that the units are restricted to households with incomes at or below the county 30% MTSP income limit.

The applicant 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 greater of 30% of the household's monthly income or the most current Supportive Housing Standard for the unit size, as published annually by Minnesota Housing in the Multifamily Underwriting Standards in the Supportive Housing Standards ~~—High-Priority Homeless or People with Disabilities—~~ section. The owner must establish and implement policies and procedures to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.

Select ~~the number of units set aside for People with Disabilities~~one:

- a. ☐ 15% to 25% of the total units, but no fewer than six units **(10 points)**
Number of Units: ____
- b. ☐ 10% to 14.99% of the total units, but no fewer than five units **(9 points)**
Number of Units: ____
- c. ☐ 5% to 9.99% of the total units, but no fewer than four units **(7 points)**
Number of Units: ____

OR

2. Tier 2: People with Disabilities (PWD) units that will use [Housing and Urban Development](#) Section 811 ~~Project-based~~Project-Based Rental Assistance ([HUD Section](#) 811 PRA): Permanent housing proposals that are not restricted to people of a particular age group and in which a minimum of 5% of the total units, but no fewer than ~~five~~four units, are set aside and rented to **people with a disability as defined below**. ~~Th~~The applicant agrees that the units are restricted to households with incomes at or below the county 30% MTSP income limit.

~~The applicant~~ Projects that are applying for HUD Section 811 PRA and do not have a current eligibility determination must **provide the required HUD Section 811 PRA Pre-Application ~~prior to the application~~ pre-application by the established deadline.** ~~The due date will be established prior to the application deadline.~~ Failure to submit all required pre-application materials may result in rejection of the Pre-Application pre-application. Minnesota Housing will further evaluate the feasibility of the HUD Section 811 PRA units during the formal application review process and reserves the right not to award the PWD points for HUD Section 811 PRA units.

Select the number of units set aside for People with Disabilities that will use HUD Section 811 PRA. The total number of HUD Section 811 PRA units **cannot** exceed 11 units. HUD Section 811 program requirements limit the percentage of supportive housing units. The total number of supportive housing units (HPH, homeless, PWD) in the project **cannot** exceed 25% of the total units.

Select one:

- a. ☐ 15% to 25% of the total units, but no fewer than ~~ten~~six units (~~13~~19 points)
Number of Units: ____
- b. ☐ 10% to 14.99% of the total units, but no fewer than ~~seven~~five units (~~11~~17 points)
Number of Units: ____
- c. ☐ 5% to 9.99% of the total units, but no fewer than ~~five~~four units (~~9~~15 points)
Number of Units: ____

Requirements for Tier 1 and Tier 2

A percentage of the units are set aside and rented to persons with any of the following disabilities^{8:5}:

1. A serious and persistent mental illness as defined in ~~Minn. Stat. §~~Minnesota Statutes, section 245.462, subdivision 20, paragraph (c);
2. A developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (~~5~~8), as amended through December 31, 1990;

⁸ ~~Specific performance requirement relief provisions are available for projects that meet the People with Disabilities selection criterion for "PWD Units."~~ Reference ~~Section 6.A.~~ of the QAP for additional details. Specific performance requirements may be incorporated into the LURA and deferred loan documents recorded with the property.

⁵ Specific performance requirement relief provisions are available for projects that meet the People with Disabilities selection criterion for "PWD Units." Reference Chapter 6.A. of the QAP for additional details. Specific performance requirements may be incorporated into the LURA and deferred loan documents recorded with the property.

3. Assessed as drug dependent as defined in ~~Minn. Stat. §~~Minnesota Statutes, section 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in ~~Minn. Stat. §~~Minnesota Statutes, section 254A.02, ~~Subdivision~~subdivision 2;
4. A brain injury as defined in ~~Minn. Stat. §~~Minnesota Statutes, section 256B.093, ~~Subdivision~~subdivision 4, paragraph (a); **OR**
5. Permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules ~~Chapter 1340, chapter~~1341.

NOTE:

- Projects that ~~meet~~claim Round 1 Minimum Threshold C.5. (persons with physical disabilities), ~~as well as~~ and meet any other Round 1 Minimum Threshold Requirement serving People with Disabilities, may count any units rented to persons with a physical disability in their total units, even if the statutory 50% requirement of Threshold C.5. is not met.
- Projects that meet the Round 1 Minimum Threshold only with Threshold C.5. must meet the statutory requirement that 50% of units be accessible. Minnesota Housing considers accessible units to be Type A and B units as identified in the referenced Minnesota Rules Chapter ~~1340~~1341, also known as the Minnesota Accessibility Code.
- If the minimum threshold is not required, then the statutory requirement pertaining to accessible units is not applicable.
- The definition of permanent physical disability is not limited to people with mobility impairment.
- **NOTE:** The Permanent Supportive Housing for High Priority Homeless (1.C.1) and People with Disabilities (1.D.) selection criteria may not be claimed for the same units. These units cannot be layered; they must be separate and distinct.
- **NOTE:** Projects with unit(s) that are age restricted cannot claim the People with Disabilities ~~selection criterion~~ (1.D.) selection criterion.

The project must submit documentation that meets all of the following conditions:

1. The applicant must submit the forms and submittals identified in the Application Checklist in the Multifamily Customer Portal.
2. The population, market need, ~~and~~ and resource plan for the PWD units will be determined after selection in consultation with the county or ~~tribal~~Tribal human services. ~~If homeless eligibility is required, the market need must be verified and documented on the CoC Confirmation form. Minnesota Housing, at its sole discretion, will determine if there is market need.~~

3. 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.

A proposal that claims ~~this~~ [and is eligible for the People with Disabilities selection](#) criterion and is selected will be required to comply with any due diligence/reporting requirements after selection and term of the declaration. Failure to comply could result in the loss of the award and/or allocation as well as the assessment of penalty points. The LURA and Minnesota Housing loan documents may contain performance requirements related to these permanent supportive housing units for People with Disabilities and may be recorded with the property.

SERVES LOWEST INCOME FOR LONG DURATIONS

2. Serves Lowest Income for Long Durations

Projects with existing rental assistance that has been in place for 15 years or more can only take points under Preservation ([2.A.](#)). Projects with new rental assistance that has been in place for less than 15 years can only take points under Rental Assistance ([2.B.](#)). The Serves Lowest Income selection criterion ([2.C.](#)) can only be claimed for units that do not have rental assistance. The definitions explained below determine which criteria the project qualifies for, and the project is only eligible for points in those criteria.

The earliest starting point for the reference to 15 years or more is the following:

Preservation

- For projects applying in the 2025 Multifamily Consolidated RFP/2026 HTC Round 1, the Year 1 must be 2010 or earlier.
- For projects applying in the 2026 HTC Round 2 and/or the 2026 Multifamily Consolidated RFP/2027 HTC Round 1, Year 1 must be 2011 or earlier.
- For projects applying in 2027 HTC Round 2, Year 1 must be 2012 or earlier.

A. Preservation (15 to ~~40 points~~ [45 Points](#))

Thresholds:

Applicants seeking [points under the](#) Preservation ([2.A.](#)) [selection criterion](#) must read the descriptions and then select one of the following three ~~Thresholds~~ [thresholds](#):

1. ☐ Risk of Loss Due to Market Conversion
 - a. Expiration of contract/use-restrictions

- i. Existing property at risk of conversion to market rate housing within five years of application date, and conversion is not prohibited by existing financing or use restrictions; OR

OR

- ii. Existing HTC projects eligible to exercise their option to file for a Qualified Contract, ~~and that~~ have not previously exercised their option; **AND**
- b. Risk of market conversion evidenced by a low physical vacancy rate (4% or lower) for market rate comparable units (comparable units to be validated by Minnesota Housing at Minnesota Housing's sole discretion); **AND**
- c. Risk of market conversion evidenced by one or more of the following:
 - i. For properties with Section 8 contracts, a Rent Comparability Study acceptable to Minnesota Housing staff and reviewers that was completed within a year of the application date that shows current rents are below comparable market rents;

OR

- ii. A market study approved by Minnesota Housing completed within a year of the application date that shows current rents are below comparable market rents and that the property has a comparable location(s), amenities, ~~and~~ condition to convert to market rate; **AND** OR

- iii. Other verifiable third-party data on comparable properties (dated within one year of application due date) approved by Minnesota Housing.

NOTE: Minnesota Housing, at its sole discretion, must agree that a market exists for a conversion to market rate housing.

2. ☐ Risk of Loss Due to Critical Physical Needs

- a. Critical ~~physical needs~~ Physical Needs identified by third party assessment to support one of the following conclusions:
 - i. Identified scope of ~~critical physical needs~~ Critical Physical Needs, consistent with the definition in the Minnesota Housing Rental Housing Design/Construction Standards, exceeds the available annual cash flow and reserves ~~by at least \$5,000 per unit~~, as evidenced by ~~the Year Critical Needs Model~~ documentation submitted with the application. In the case of distressed properties with negative cash flow, the negative cash flow will offset the reserves balance in the calculation.

- ii. 50% or more of the units within the project are condemned or determined to be no longer habitable, as evidenced by official documentation from a local building official.

NOTE: Minnesota Housing may conduct an inspection of the project and must agree with applicant scope of work, severity levels, and cost estimates.

3. ☐ Risk of Loss Due to Ownership Capacity/Program Commitment

a. One of the following four conditions exist:

- i. Existing conditions created by the current owner such as bankruptcy, insolvency, default, foreclosure action, unpaid taxes and assessment, ongoing lack of compliance with lenders or terms of the ~~Existing Federal Assistance~~, existing federal assistance or self-determination by a nonprofit board are severe enough to put the property at significant risk of not remaining decent, safe, and affordable. Ownership must be transferred to an unrelated party;

~~OR~~

- ii. The property has been or will be acquired from an unrelated party within three years of the application date after being offered for sale on the open market after an opt-out notice for the HAP contract has been submitted to Minnesota Housing;

~~OR~~

- iii. The property has been or will be acquired from an unrelated party within three years of the application date as a result of a Preservation Affordable Rental Investment Fund (PARIF) Right of First Refusal being exercised; OR

~~OR~~

- iv. The acquisition of a property with ~~U.S. Department of Agriculture (USDA) Rural Development (RD)~~ rental assistance has occurred or will occur when the current or previous owner intends or intended to allow the existing USDA RD mortgage to mature and has turned down offers from USDA RD to re-amortize the mortgage. Must apply within five years of maturity date and within three years of acquisition.

NOTE: Minnesota Housing, at its sole discretion, must agree that a change in ownership is necessary for units to remain decent, safe, or affordable.

Criteria:

Applicants that meet one of the above thresholds must select either Tier 1: Existing Federal Assistance – Projects with Existing Project-Based Rental Assistance or Tier 2: Other Existing Federal Assistance and Critical Affordable Units to be eligible for points under Preservation. Applicants that select either Tier 1 or Tier 2 may also claim points under selection criterion 2.A.1.3: Severity of Critical Physical Needs.

1. ~~Tier 1~~ ☐ Tier 1: Existing Federal Assistance – ~~projects with existing project-based rental assistance (15)~~ Projects with Existing Project-Based Rental Assistance (20 to 40 points)

~~Any housing~~ This includes projects receiving project-based rental assistance or operating subsidies under a program of U.S. Department of Housing and Urban Development (HUD), ~~U.S. Department of Agriculture Rural Development (USDA RD), or the~~ Native American Housing Assistance and Self Determination Act (NAHASDA). Properties that have converted their type of federal rental assistance through the Rental Assistance Demonstration Program (RAD), Component 2 (RAD 2), and RAD for Project Rental Assistance Contracts (PRAC) are eligible. Project-based voucher contracts through a local public housing authority or housing and redevelopment authority are eligible. Such assistance must have been committed to the property at least 15 years prior to the year of application.

For eligible projects, ~~fifteen (15)~~ or more years must have passed since the award of the federal project based rental assistance.

The owner will continue renewals of the existing project-based rental assistance contract(s) for as long as the assistance is available. Except for “good cause,” the owner will not evict existing subsidized residents and must continue to renew leases for those residents.

Developments with qualified ~~Existing Federal Assistance~~ existing federal assistance and which have secured additional federal rental assistance (including through a Section 8bb transfer) must count the total number of assisted units below. Such units are not eligible to be counted under Rental Assistance (2.B).

Select one:

- a. Existing Federally Assisted Units:
- i. ☐ 50.01% to 100% of the total units are federally assisted (40 points)
Number of Units: ____
 - ii. ☐ ~~75.01% to 99.99% of the total units are federally assisted (32 points)~~

~~Number of Units: ____~~

~~iii. ☐ 50.01% to 75% of the total units are federally assisted (25 points)~~

~~Number of Units: ____~~

ii. ~~iv. ☐ 25.01% to~~ 50% or Less of the total units are federally assisted (20 points)

Number of Units: ____

~~v. ☐ Fewer than 25% of the total units are federally assisted (15 points)~~

~~Number of Units: ____~~

NOTE:

- The Rental Assistance (2.B.) selection criterion cannot be claimed if the project is of a type covered under Preservation – Tier 1; Existing Federal Assistance, even if the project is not claiming ~~preservation~~ Preservation points because it does not meet a ~~Risk~~ risk of ~~Loss~~ loss threshold.
- Rental assistance for preservation projects under the Rental Assistance Demonstration Program (~~components~~ Component I or II) or the Public Housing Program are ~~also~~ not eligible under Preservation - Tier 1: Existing Federal Assistance. Any public housing repositioning for preservation projects that results in project-based vouchers or project-based rental assistance is also not eligible.
- ~~NOTE:~~ The Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) cannot be claimed for units that have new or existing rental assistance. This would include People with Disabilities – Tier 2 – HUD Section 811 PRA (1.D.2.), Preservation – Tier 1 and Tier 2 (2.A.1. and 2.A.2.) ~~and~~ and Rental Assistance (2.B.).

OR

2. ☐ Tier 2 ~~and~~ Other Existing Federal Assistance and Critical Affordable Units ~~– Tier 2~~ (15 points)

~~Rental~~ This includes rental housing with existing federal, state, local or intermediary funding with a current recorded deed restriction that limits rents for at least 50% of the total units to at or below the county ~~50~~ 60% MTSP limit (or utilizes another rent limitation whose current maximum is at or below the ~~50~~ 60% MTSP limit) without long-term ~~project-based~~ project-based

rental assistance. This may include units ~~funded with Low Income Housing Tax Credits, RAD Component 1, existing public housing units with~~ HTCs, RD units without Rental Assistance, other existing federal assistance not described above, or a loan funded by federal, state, local or intermediary sources. This includes current and former public housing units converted under RAD Component I or under Section 18 Demolition and Disposition and any other successor programs developed for public housing. Applicants who claim these points must agree to continue to limit the rents to at or below ~~50~~60% MTSP for the term of the deferred declaration or the LURA.

For eligible projects, ~~fifteen (15)~~ or more years must have passed since the award of the existing federal assistance ~~or~~, the most recent HTC placed in service date or ~~since~~ the closing of the loan that created rent restrictions.

AND

3. ☐ Severity of Critical Physical Needs (3 to 5 points)

Projects that are eligible for 2.A.1 and 2.A.2 and have documented critical physical needs that meet the requirements of the Risk of Loss Due to Critical Physical Needs threshold may also claim points based on particularly severe Critical Physical Needs. This applies to Tier 1 and 2, regardless of the Risk of Loss.

Select one:

- a. ☐ Critical Physical Needs greater than \$25,000 per unit (5 points)
- b. ☐ Critical Physical Needs greater than \$15,000 per unit (3 points)

NOTE:

- The Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) cannot be claimed for units that have new or existing rental assistance. This would include People with Disabilities – Tier 2 –HUD Section 811 PRA (1.D.2.), Preservation – Tier 1 and Tier 2 (2.A.1. and 2.A.2), and Rental Assistance (2.B.).
- ~~NOTE:~~ Preservation – Tier 2 (2.A.2) and the Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) may not be claimed for the same units. These units cannot be layered; they must be separate and distinct.

Rental Assistance

B. Rental Assistance⁶ (6 to 26 ~~points~~Points)

1. Project-Based Rental Assistance

For projects that have a commitment for project-based rental assistance. This includes:

- New or transferred project-based rental assistance that was executed within the past 15 years.
- Transfers of existing Section 8 contracts under the 8bb notice to new construction projects or existing developments that currently have no existing federal assistance. Refer to the 15 years definition at the beginning of the Preservation selection criterion.

~~Priority is given to an owner who submits with the application a project-specific, fully executed~~The binding commitment ~~(i.e., binding Resolution/binding Letter of Approval from the governing body) for project-based rental assistance, which is effectively~~is project-based by written contract or for project-based vouchers ~~(PBVs)~~awarded in accordance with 24 ~~CFR~~
~~Ch.~~Code of Federal Regulations, Chapter IX, Section 983.51. For the purposes of this category, project-based rental assistance is defined as a project-specific funding stream that supports the operations of the property, reduces the tenant rent burden, and provides for the tenant paid portion of rent to be no greater than 30% of household income.

The project agrees to continue renewals of the existing project-based rental assistance contract(s) for a minimum of 15 years from the later of the last placed-in-service date for any building in the property or loan closing. The applicant agrees that rents will remain affordable at the county 50% MTSP income limit for a 15-year period if the rental assistance is not available for the full period.

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. For all other types of rental assistance programs with an alternative rent structure, the applicant must submit commitment documentation that includes details regarding the rent structure,

⁶ Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion 2.B. for “RA Units.” Reference Chapter 6.A. of the QAP for additional details. Specific performance requirements may be incorporated into the LURA and deferred loan documents recorded with the property.

~~tenant-paid~~tenant-paid portion of rent as a percentage of household income, program structure, goals, and population served.

The list below includes potential programs that may be considered project-based rental assistance, but the list is not all-inclusive:

- Moving to Work

- ~~New or transferred federal rental assistance contracts that were executed within the past 15 years are eligible. This includes transfers of existing Section 8 contracts under the 8bb notice to new construction projects or existing developments that currently have no Existing Federal Assistance.~~

- Site-based Housing Support⁹~~and awards of project-based~~⁷
- Project-based McKinney Vento Continuum of Care funding will be considered project-based rental assistance.
- ~~Privately funded~~Project-based rental assistance ~~must demonstrate a commitment of a minimum of four years. Documentation must also contain language regarding the possibility of future renewals. Be aware that rental assistance from non-governmental organizations will not be treated the same as governmental rental assistance when determining tenant income eligibility for compliance purposes. Refer to the Scoring Guide for more information.~~ provided by a Tribe, Tribally designated housing⁸ entity or Tribal corporate entity⁹.
- Native American Housing Assistance and Self Determination Act (NAHSDA)
- A ~~current request for Minnesota Housing rental assistance is not eligible to claim this category. A~~ past award of existing rental assistance, including HUD Section 811 PRA, will be counted toward meeting the required percentages.

⁹ ~~Formerly known as Group Residential Housing.~~

⁷ Formerly known as Group Residential Housing.

⁸ Tribally designated housing entities are entities designated by the Tribe to administer its housing programs funded by HUD.

⁹ For purposes of this Self-Scoring Worksheet, "Tribal corporate entity" means a business entity formed by a Tribe under Tribal, state, or federal law and wholly owned by such Tribe.

Minnesota Housing has determined that the following do not qualify for this selection criterion:

- An operating subsidy will not be considered project-based rental assistance.
- Privately funded rental assistance does not qualify an applicant to claim this criterion.
- A current request for rental assistance, such as HUD Section 811 PRA, does not qualify an applicant to claim this criterion. The HUD Section 811 PRA letter of determination letter is only a notice of eligibility determination and is not a commitment.

Select one:

~~For projects that agree to set aside units and have the required binding commitment for the associated percentage of units with project-based rental assistance units as follows. Select one option from a-f. In addition, by selecting an option, the project agrees to continue renewals of the existing project-based rental assistance contract(s) for a minimum of 15 years from the later of the last placed-in-service date for any building in the property or loan closing. The applicant agrees that rents will remain affordable at the county 50% MTSP income limit for a 15-year period if the rental assistance is not available for the full period⁴⁰.~~

- a. ☐ 100% of the total units will have project-based rental assistance **(19 points)**
Number of Units: ____
- b. ☐ 51.1% to 99.9% of the total units **(16 points)**
Number of Units: ____
- c. ☐ 20.1% to 51% of the total units **(13 points)**
Number of Units: ____
- d. ☐ 10.1% to 20% of the total units, but no fewer than four units **(10 points)**
Number of Units: ____
- e. ☐ 5% to 10% of the total units, but no fewer than four units **(7 points)**
Number of Units: ____
- f. ☐ Fewer than 5% of the total units, but no fewer than four units **(6 points)**
Number of Units: ____

Further Restricting Rental Assistance

2. Further Restricting Rental Assistance

⁴⁰ ~~Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion for "RA Units." Reference Chapter 6.A. of the QAP for additional details. Specific performance requirements may be incorporated into the LURA and deferred loan documents recorded with the property.~~

Projects that are eligible under 2.B.1. a-f above ~~and have rental assistance (as described above)~~ that agree to further restrict units to households whose incomes do not exceed the county 30% MTSP income limit for a ~~10~~15-year period⁴¹.

Select one:

- a. ☐ 75.1% to 100% of the total units **(7 points)**
Number of Units: ____
- b. ☐ 50.1% to 75% % of the total units **(6 points)**
Number of Units: ____
- c. ☐ 25.1% to 50% of the total units **(5 points)**
Number of Units: ____
- d. ☐ 15.1% to 25% of the total units **(4 points)**
Number of Units: ____
- e. ☐ 5% to 15% of the total units, but no fewer than four units **(3 points)**
Number of Units: ____

NOTE:

- The Rental Assistance (2.B.) selection criterion cannot be claimed if the project is of a type covered under Preservation - Tier 1 criterion Existing Federal Assistance (2.A.1), even if the project is not claiming ~~preservation~~Preservation points because it does not meet a ~~Risk~~risk of ~~Loss~~loss threshold. Rental assistance for preservation projects under the Rental Assistance Demonstration Program (~~Components~~Component I-or-II) or the Public Housing Program are also not eligible. Any public housing repositioning for preservation projects that results in project-based vouchers or project-based rental assistance is also not eligible.
- ~~NOTE:~~ The Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) cannot be claimed for units that qualify as units that have new or existing rental assistance. This would include units that meet the requirements of People with Disabilities – Tier 2 – HUD Section 811 PRA (1.D.2.), Preservation – Tier 1 – Existing Federal Assistance (2.A.1.), ~~and or~~ Rental Assistance (2.B.).

~~To claim the criterion, the applicant must comply with all program requirements for the assistance at application, including maintaining rents within the appropriate payment standard.~~

⁴¹ ~~Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion for Further Restricted Rental Assisted Units ("FRRRA Units"). Reference Chapter 6.A. of the QAP for additional details. Specific performance requirements may be incorporated into the LURA and deferred loan documents recorded with the property.~~

~~for the project area in which the project is located for the full compliance and extended use period of the HTC.~~

~~Rent for assisted units must be at or below Fair Market Rents (or the appropriate payment standard for the project area). Eligibility and agreeing to a minimum number of assisted units does not release owners from their obligations under the Minnesota Human Rights Act and Section 42 prohibiting refusal to lease to the holder of a voucher of eligibility under Section 8 of the United States Housing Act of 1937 because of the status of the prospective tenant as such a holder.~~

Serves Lowest Income Tenants/Rent Reduction

C. Serves Lowest Income Tenants/Rent Reduction (8 to 20 ~~points~~ Points)

1. The project agrees to restrict the rents for a percentage of the units in the project. Eligible units **cannot** have project-based rental assistance, and the rents must be based on the monthly gross rent level, including tenant paid utilities. Rents ~~must~~ will be affordable to households whose incomes do not exceed the county 30% MTSP or 50% MTSP income limit as published by HUD. MTSP rent limits are available on Minnesota Housing's website.

The applicant agrees to maintain the deeper rent structuring for which selection points are requested for the term of the LURA or deferred declaration.

This selection will restrict rents only. (~~tenant~~ Tenant incomes will not be restricted to the county 50% MTSP income limit by claiming this selection criterion).

Select one:

- a. ☐ 100% of the total units will restrict rents at or below the county 50% MTSP rent limit. **(13 points)**
 Number of Units: ____
- b. ☐ At least 50% of the total units will restrict rents at or below the county 50% MTSP rent

limit. **(8 points)**

Number of Units: ____

2. ~~☐~~ Projects that are eligible for 1.a. or 1.b. above and agree to further restrict the following percentage of units to the county 30% MTSP rent limit:

Select one:

- a. ~~i.~~ ☐ 30% to 40% of the total units **(7 points)**
Number of Units: ____
- b. ~~ii.~~ ☐ 20% to 29.99% of the total units **(6 points)**
Number of Units: ____
- c. ~~iii.~~ ☐ 10% to 19.99% of the total units **(5 points)**
Number of Units: ____
- d. ~~iv.~~ ☐ 5% to 9.99% of the total units **(4 points)**
Number of Units: ____

NOTE: The Serves Lowest Income Tenants/Rent Reduction (2.C.) selection criterion cannot be claimed for units that qualify for units that have new or existing project-based rental assistance. This would include units that meet the requirements of People with Disabilities – Tier 2 – HUD Section 811 PRA (1.D.2.), Preservation – Tier 1 – Existing Federal Assistance (2.A.1.), ~~and or~~ Rental Assistance (2.B.).

~~The applicant must demonstrate, to the sole satisfaction of Minnesota Housing, that the property can achieve these reduced rents and remain financially feasible [IRC § 42(m)(2)]. Final determination is contingent upon financial plans demonstrating feasibility, positive cash flow on a 15-year pro forma, and gaining Minnesota Housing management approval (for management, operational expenses, and cash flow assumptions).~~

Long-Term Affordability

D. Long-Term Affordability (8 to 9 ~~points~~ Points)

1. For an HTC project, the owner agrees to extend the long-term affordability of the project by agreeing to extend the term of the LURA beyond 30 years by choosing an option below. The owner also agrees that the Qualified Contract provisions of IRC ~~§§~~ Sections 42(h)(6)(~~E~~)(i)(II) and 42(h)(6)(F) (which ~~provision~~ provisions would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a Qualified Contract for the acquisition of the project) do not apply to the project for the term of the LURA.

For a deferred loan project, the owner agrees to extend the term of the Declaration beyond 30 years.

Select one:

- a. ☐ The HTC project will extend the term of the LURA and waive the right to a Qualified Contract for a minimum of 50 years and/or the deferred loan project will extend the term of the deferred loan Declaration to 50 years. **(9 points)**

- b. ☐ The HTC project will extend the term of the LURA and waive the right to a Qualified Contract for a minimum of 40 years and/or the deferred loan project will extend the term of the deferred loan Declaration to 40 years. **(8 points)**

INCREASING GEOGRAPHIC CHOICE

3. Increasing ~~Geographic~~Housing Choice

~~Need for More Affordable Housing Options~~

A. ~~Need for~~Access to More Affordable Housing Options (8 to ~~10 points~~6 Points)

1. Projects located in communities ~~with a need for more affordable housing options because either where~~ there is a low share of affordable rental housing compared to all housing options ~~in a community~~ or a large share of renters that are cost burdened by their rent, as outlined in the Access to More Affordable Housing Methodology in the Methodology Guide. Projects that were previously not selected may be eligible for Hold Harmless provisions. See Section 1.L of the Self-Scoring Worksheet and Methodology Guide for additional details.

Select one:

- a. ☐ ~~Tier 1 Tracts or Cities, and Tribal Reservations~~ The proposed housing is in a Tier 1 Tract or City(ies), Tribal Reservation(s), Dakota Communities or Tribal trust lands: Those in the ~~80th~~66.67th percentile or higher ~~in~~ for the ~~highest~~ share of cost burdened renters or in the ~~lowest~~0 to 33.33rd percentile for having a low share of affordable rental housing ~~relative to the~~compared to all housing options in a community ~~type~~. Tribal ~~reservations~~Reservations, Dakota Communities and Tribal trust lands are also considered Tier 1 for having a need for more affordable housing ~~options~~. **(106 points)**
- b. ☐ The proposed housing is in a Tier 2 ~~Tracts~~Tract or ~~Cities~~City(ies): Those in the ~~50th to 79th~~33.34th to 66.66th percentile ~~in~~for the ~~highest~~ share of cost burdened renters or in the ~~lowest~~33.34th to 66.66th percentile for having a low share of affordable rental housing ~~relative to the~~compared to all housing options in a community ~~type~~. **(84 points)**
- c. ☐ The proposed housing is in a Tier 3 Tract or City(ies): Those in the 0 to 33.33rd percentile for the share of cost burdened renters or in the 66.67th to 100th percentile for having a low share of affordable rental housing compared to all housing options in a community. **(2 points)**

Workforce Housing Communities

B. Workforce Housing Communities (3 to 6 ~~points~~Points)

1. Projects located in or near a city or township needing workforce housing (communities having a large number of jobs or job growth, individual employer growth, or having a large share of their workforce commuting long distances, as outlined in the Workforce Housing Communities Methodology in the Methodology Guide). Projects that were previously not selected may be eligible for Hold Harmless provisions. See Section 1.L of the Self-Scoring and Methodology Guide for additional details.

Select one:

- a. ☐ The proposed housing is in a Top Job Center or Net Five Year Job Growth Community. **(6 points)**
- b. ☐ The proposed housing is in an Individual Employer Growth Community where an individual employer has added at least 100 net jobs (for permanent employees of the company) in that community during the previous five years, as evidenced by documentation signed by an authorized representative of the company, subject to validation by Minnesota Housing. **(6 points)**
- c. ☐ The proposed housing is in a Long Commute Community. **(3 points)**

In the Metropolitan Area, project locations must be within five miles of a workforce housing city or township. In Greater Minnesota, project locations must be within ten miles of a workforce housing city or township.

Transit and Walkability

C. Transit and Walkability (1 to 9 ~~points~~Points)

Communities with access to transit, either fixed route or demand response and/or walkable areas with nearby amenities.

If applicants would like to request revisions of a location's Walk Score, they should email Walk Score directly with details of the request to mhfa-request@walkscore.com. Walk Score staff will review the request and make any necessary adjustments to scoring with 45 business days. If an address cannot be found in the Walk Score tool, use the closest intersection within one-quarter mile of the proposed location.

Projects that were previously not selected may be eligible for Hold Harmless provisions. See Section 1.L of the Self-Scoring and Methodology Guide for additional details

Select one:

Metropolitan Area

1. ☐ **Metropolitan Area.** For projects in the Metropolitan Area, indicate if the project is located in a community with transportation ~~and~~ access to transit and/or walkability.
 - a. Access to Transit: To claim access to transit in the Metropolitan Area, a project must be (Select one):
 - i. ☐ Located within one-half mile of a planned or existing Light Rail Transit (LRT), Bus Rapid Transit (BRT), commuter rail station, ~~or~~ a Metro Transit Hi-Frequency Network transit stop. Planned stations include those eligible for ~~Livable Communities Demonstration Account (LCDA) Transit Oriented Development (TOD) Grants~~ (<https://metrocouncil.org/Communities/Services/Livable-Communities-Grants/LCA/2020-LCA-TOD-application-guide.aspx>), but not including Metropolitan Council Livable Communities Demonstration Account (LCDA) Transit Oriented Development (TOD) Grants but does not include express bus stations ~~eligible for Metropolitan Council Livable Communities Demonstration Account (LCDA) Transit Oriented Development (TOD) Grants~~; **(7 points)**
 - ii. ☐ Located within one-quarter mile of a high service public transportation fixed route stop, which is defined as those with service from 6 a.m. to 7 p.m. ~~and has a~~ that have a frequency of service approximately every half hour during that time ~~or~~ located within one-half mile of an express bus route stop or located within one-half mile of a park and ride lot; or **(4 points)**
 - iii. ☐ Served by demand response/dial-a-ride with prior day notice. This excludes Metro Transit's Transit Link Service. Transit service must be available daily, Monday through Friday, for a minimum of 8 hours per day. **(2 points)**
 - b. Walkability: To claim walkability in Minneapolis and Saint Paul, a project must be (Select one):
 - i. ☐ Located in an area with a Walk Score of 80 or more according to www.walkscore.com; or **(2 points)**
 - ii. ☐ Located in an area with a Walk Score between 60 and 79 according to www.walkscore.com. **(1 point)**

- c. Walkability: To claim walkability in ~~suburban~~ Metropolitan Area communities other than Minneapolis and Saint Paul (Suburban Communities), a project must be (Select one):

i. ☐ Located in an area with a Walk Score of 60 or more according to

www.walkscore.com; or (2 points)

ii. ☐ Located in an area with a Walk Score between 50 and 59 according to www.walkscore.com; (1 point)

~~If applicants would like to request revisions of a location's Walk Score, they should email Walk Score directly with details of the request to: mhfa-request@walkscore.com. Walk Score staff will review the request and make any necessary adjustments to scoring with 45 business days. If an address cannot be found in the Walk Score tool, use the closest intersection within one-quarter mile of the proposed location.~~

2. ☐ Greater Minnesota Urbanized Area

~~2. Areas.~~ For projects in Greater Minnesota, ~~choose from~~ urbanized areas ~~and rural and small urban areas~~ (population greater than 50,000), indicate if the project is located in a community with transportation, access to transit and/or walkability.

Urbanized areas, ~~according to~~ are defined by the U.S. Census, ~~are as~~ places with populations greater than 50,000, and urbanized areas in Greater Minnesota are defined by the Minnesota Department of Transportation (MnDOT) (~~Greater Minnesota Transit Investment Plan:~~ <http://minnesotago.org/index.php?cid=435> Greater Minnesota Transit Investment Plan) as areas in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato, and St. Cloud. ~~Rural and small urban areas are places with populations fewer than 50,000.~~

~~a. Urbanized Areas (population greater than 50,000):~~

- a. ~~i.~~ Access to Transit: To claim access to transit, a project in a Greater Minnesota urbanized area must be (Select one; refer to the Transit and Walkability section Methodology of the Methodology Guide to determine points):

i. ~~1.~~ ☐ Located within one-quarter mile of a planned or existing public transportation fixed route stop. For a planned transit stop to be eligible, applicants must provide detailed location and service information, including time and frequency of service, along with evidence of service availability from the transit authority providing service. ~~The~~ Both planned ~~stop of route~~ and existing stops must be available daily, Monday through Friday, and

provide service every 60 minutes for a minimum of 10 hours per day. **(7 points)**

- ii. ~~2.~~ ☐ Located between one-quarter mile and one-half mile of a planned or existing public transportation fixed route stop. For a planned transit stop to be eligible, applicants must provide detailed location and service information, including time and frequency of service, along with evidence of service availability from the transit authority providing service. ~~The~~ Both planned ~~stop-of-~~ route and existing stops must be available daily, Monday through Friday, and provide service every 60 minutes for a minimum of 10 hours per day. **(4 points)**

OR

- iii. ☐ Located less than one-half mile from an express bus route stop or ~~park-and-ride~~ park and-ride lot. **(4 points)**

b. ~~ii.~~ Walkability: To claim walkability, a project in a Greater Minnesota urbanized area must be (Select one):

- i. ~~1.~~ ☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com; or **(2 points)**
- ii. ~~2.~~ ☐ Located in an area with a Walk Score between 50 and 69 according to www.walkscore.com. **(1 point)**

3. ☐ **Greater Minnesota Rural and Small Urban Areas**

~~b.~~ For projects in Greater Minnesota rural ~~Rural~~ and ~~Small Urban Areas~~ small urban areas (population fewer than 50,000), indicate if the project is located in a community with transportation, access to transit and/or walkability.

According to the U.S. Census, rural and small urban areas are places with populations fewer than 50,000.

For rural and small urban areas, applicants may claim Location Efficiency by having access to route deviation service or demand response/dial-a-ride~~r~~ and walkability. Route deviation service is different from fixed route transit in that the vehicle may leave its predetermined route upon request by passengers to be picked up or returned to destinations near the route, after which the vehicle returns to the predetermined route. Passengers may call in advance for route deviations similar to that of demand response/dial-a-ride or access the service at designated route stops without advance notice. Demand response usually involves

curb-to-curb or door-to-door service with trips scheduled in advance (also known as “Dial-A-Ride”).

- a. ~~i.~~ Access to Transit: To claim access to transit, a project in a Greater Minnesota rural and small urban area must be (Select one):
- i. ~~1.~~ ☐ Within 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~~ the applicable transit option is available daily, Monday through Friday, providing same day service. Commuter rail stations include the Elk River and Big Lake Stations serviced by Metro Transit’s Northstar Commuter Rail. **(7 points)**
 - ii. ~~2.~~ ☐ Served by demand response/dial-a-ride with prior day or greater notice needed, and service is available daily, Monday through Friday. **(4 points)**
- b. ~~ii.~~ Walkability: To claim walkability, a project in a Greater Minnesota rural and small urban area must be (Select one):
- i. ~~1.~~ ☐ Located in an area with a Walk Score of 50 or more according to www.walkscore.com; or **(2 points)**
 - ii. ~~2.~~ ☐ Located in an area with a Walk Score between 30 and 49 according to www.walkscore.com. **(1 point)**

SUPPORTING COMMUNITY AND ECONOMIC DEVELOPMENT

4. Supporting Community and Economic Development

Community Development Initiative-

A. Community Development Initiative (3 ~~points~~Points)

1. ☐ The project contributes to the **active implementation** of a Community Development Initiative to address locally identified needs and priorities, with active engagement by local stakeholders. The initiative can be created by, and involve engagement from, a wide variety of public and private local community development partners such as cities, counties, employers, private foundations, public housing authorities, or other community stakeholders. The ~~plan~~initiative must contain more components than the project itself. ~~Documentation must be provided that addresses four requirements of the Community Development Initiative:-~~

~~a. Targeted Geographic Area and Map~~

~~b. Current implementation plan with goals or outcomes specific to the need identified by the initiative~~

~~c. Affordable housing as a key strategy of the initiative~~

~~d. A list of stakeholders, including their role in active implementation of the initiative~~

~~If a project is located in a Qualified Census Tract (QCT), in order to be eligible for these points, the application must provide additional evidence that demonstrates a strategy for obtaining commitments of public and/or private investment in non-housing efforts to demonstrate that the project contributes a concerted community revitalization plan.~~

Applicants must complete the Community Initiative Narrative ~~and submit documentation demonstrating how the initiative meets the requirements outlined below. Documents can include plans, charters, or other evidence demonstrating~~ (using the Minnesota Housing template). The narrative must clearly identify the Community Development Initiative and articulate how the applicant's proposed project contributes to the active implementation of that Community Development Initiative. Applicants must also provide a full copy of at least one of the Community Development Initiative. ~~A full copy of all referenced plans or initiatives must be submitted.~~ supporting documents (CDI Documentation) referenced in the Community Development Initiative Narrative. Acceptable forms of CDI Documentation includes neighborhood plans, city or county plans, charters, or comprehensive plans. To qualify for the points under this selection criterion, the CDI Documentation must meet the requirements set forth in Table 1 and Table 2, as applicable, below.

Table 1: ~~Project~~ CDI Documentation Requirements

~~REQUIRED~~ <u>Required</u> <u>Elements of CDI</u> <u>Documentation</u>	~~REQUIRED~~ <u>DOCUMENTATION</u>	~~DESCRIPTION OF REQUIREMENT~~ <u>Description of Requirement</u>
~~a. Description and Map of Targeted Geographic Area and Map~~	Yes	~~A Targeted Geographic Area and map of the area.~~ <u>The CDI Documentation must describe the geographic area to be targeted by the Community Development Initiative (Targeted Geographic Area) and include a map of the Targeted Geographic Area.</u> The Targeted Geographic Area boundaries must be larger than the proposed rental project site, yet within a measurable impact area. For larger geographic areas, the Targeted <u>Geographic</u> Area must be small enough that one municipality or county (or a small conglomerate of municipalities or counties) can exercise jurisdiction over it.
~~b. Current implementation plan with goals or outcomes specific to the need identified by the initiative~~ <u>Implementation Plan</u>	Yes	~~Include~~ <u>The CDI Documentation must describe an implementation plan with goals or outcomes specific to the need(s) identified by the Community Development Initiative. Within the Community Development Initiative Narrative, describe milestones or steps of the plan that have been are:</u> 1. Completed; 2. Underway; and 3. Planned.
~~c. Affordable housing as a key strategy~~ <u>Key Strategy</u>	Yes	~~Affordable~~ <u>The CDI Documentation must clearly identify affordable housing is identified, not housing generally, as a key strategy of the initiative</u> <u>Community Development Initiative.</u>

~~REQUIRED~~ <u>Required</u> <u>Elements of CDI</u> <u>Documentation</u>	~~REQUIRED-~~ ~~DOCUMENTAT~~ ~~ION~~	~~DESCRIPTION OF REQUIREMENT~~ <u>Description of</u> <u>Requirement</u>
~~d. Stakeholder list~~ <u>List</u> <u>of Stakeholders</u> and ~~role~~ <u>Their Roles</u>	Yes	~~Provide a~~ <u>The CDI Documentation must</u> list ~~of~~ local stakeholders involved and a description of their role in the active implementation of the ~~initiative~~ <u>Community Development Initiative</u> .

Table 2: CDI Documentation Requirements – Additional Requirements for Projects in a QCT

~~REQUIRED~~ <u>Required</u> <u>Element of CDI</u> <u>Documentation</u>	~~REQUIRED-~~ ~~DOCUMENTAT~~ ~~ION~~	~~DESCRIPTION OF REQUIREMENT~~ <u>Description of</u> <u>Requirement</u>
~~ADDITIONAL REQUIREMENTS FOR PROJECTS IN A QCT~~		
~~a. Public or Private Investment (non-housing)~~ <u>Required if the Project is Located in a QCT</u>	~~Required if the project is in a QCT~~	~~Demonstrated~~ <u>The CDI Documentation must demonstrate a</u> strategy for obtaining commitments of public or private investment (or both) in non-housing infrastructure, amenities, ~~or~~ services that could include, but are not limited to: • Commercial/retail development; • Economic development; • Education-related initiative/ development; • Environmental clean-up; • Public works/infrastructure; • Parks, green space, ~~and~~ recreation; <u>and</u> • Transit-oriented development or transit initiatives.

Equitable Development**B. Equitable Development (3 ~~points~~Points)**

1. ~~1. ☐ To receive Equitable Development points, there must be evidence that the~~The project ~~attempts to~~will address the needs of a Community Most Impacted (CMI) by housing disparities and ~~that~~ a Qualified Stakeholder Group (QSG), with meaningful participation from that ~~community~~CMI, has a significant role in the project proposal as defined below. Occupancy restrictions or services provided as a result of the selection criteria are excluded.

~~Applicants must complete the Equitable Development Narrative and submit documentation demonstrating how the initiative meets the requirements outlined below into the Multifamily Customer Portal. A full copy of all referenced data, reports and information must be uploaded into the Multifamily Customer Portal. Links to other websites will not be accepted in lieu of uploading the supporting documentation.~~

A ~~Qualified Stakeholder Group~~ QSG:

- Is not required to be a registered nonprofit organization and could consist of a group of community members, advocates, people with lived experiences, etc. ~~The group must:~~ ;
 - Must demonstrate meaningful and inclusive representation and participation of a CMI ~~;~~ ;
 - Must include at least three participants who belong to the CMI the project is proposing to serve; and
 - Must be an independent body separate and apart from the proposed project owner, sponsor, developer, development team, service provider and management agent of record for the project. The developer or other members of the development team may initiate or convene a ~~Qualified Stakeholder Group~~ QSG, but the participants and opinions of the group must be independent of the development team organizations.
- ~~Must include at least three participants who belong to the CMI the project is proposing to serve.~~
 - Federally Recognized Tribes of Minnesota or Tribally designated housing entities or Tribal corporate entities developing on Tribal Reservations, Dakota Communities or Tribal trust lands meet the definition of a QSG and are not required to be an independent body separate and apart from the proposed project owner, sponsor, developer, development team, service provider and management agent of record for the project due to the Tribal ownership structure.

Examples of a QSG include:

- ~~Examples of a Qualified Stakeholder Group:~~ A local nonprofit organization that serves the needs of indigenous individuals and families ;
- A neighborhood organization concerned about healthcare access and inequities ;
- A parent group formed to influence a youth-centered development ;
- A group of individuals with lived experience of homelessness informing the service model of a supportive housing development ; and
- Tenants of an existing building, either a tenant association or individual tenants organized, informing on the rehabilitation of an existing building or construction of a new development.

To be eligible for Equitable Development, applicants must complete the Equitable Development Narrative and submit documentation into the Multifamily Customer Portal that meets all the following threshold criteria:

~~1. Threshold Criteria:-~~

1. ~~a.~~ Housing Disparity Addressed by the project.
 - a. ~~i.~~ Identity which of the following CMI(s) ~~is/are~~ this project ~~proposal focused on~~ proposes serving. If the project is focused on serving multiple populations, select the CMI(s) participating in the ~~Qualified Stakeholder Group~~ QSG that ~~has~~ have a significant role in the proposal.
 - i. ~~a.~~ Lowest Income (e.g., <= 30% of MTSP);
 - ii. ~~b.~~ People of Color;
 - iii. ~~c.~~ Indigenous People;
 - iv. ~~d.~~ LGBTQ+ People;
 - v. ~~e.~~ People Experiencing Homelessness;
 - vi. ~~f.~~ People with Disabilities;
 - vii. ~~g.~~ Immigrants;
 - viii. ~~h.~~ Large Families;
 - ix. ~~i.~~ Seniors; and/or
 - x. ~~j.~~ Families with Children;
2. ~~b.~~ Meaningful ~~participation~~ Participation of Communities Most Impacted: A ~~Qualified Stakeholder Group~~ QSG must have meaningful participation of the CMI that is the focus of the project proposal as documented in the narrative.
 - a. ~~i.~~ Describe the ~~Qualified Stakeholder Group's~~ QSG's mission, ~~and~~ purpose in elevating the voices of the identified CMI.
 - b. ~~ii.~~ Identify and describe what leadership and/or advisory roles people belonging to the identified CMI have in the ~~Qualified Stakeholder Group, including~~ QSG, which must include one or more of the following:
 - i. ~~a.~~ A paid leadership position; list position (if applicable);
 - ii. ~~b.~~ A member of the board (if applicable);
 - iii. ~~c.~~ A paid staff position (if applicable);
 - iv. ~~d.~~ A member role, such as serving on an advisory committee; and/or
 - v. ~~e.~~ Other meaningful role, such as a volunteer (describe);
 - c. ~~iii.~~ Provide a list of the ~~Qualified Stakeholder Group's~~ QSG's previous activities related to the identified CMI and community development. If there have been no previous activities, describe who formed the ~~Qualified Stakeholder Group~~ QSG and why.

3. ~~e.~~ Meaningful Engagement with the ~~identified~~Identified CMI through the ~~Qualified Stakeholder Group~~QSG: The development team must evidence that the ~~Qualified Stakeholder Group~~QSG and specifically the CMI participants have been meaningfully engaged in the project concept by conducting, at minimum, two ~~meetings~~engagement opportunities with the ~~group~~same QSG prior to submission of the current application. Engagement opportunities can be in person or virtual and may include meetings, focus groups, surveys, or similar venues where the QSG is participating in the development process.
- a. Documentation must be provided to evidence attendance and engagement ~~and may include~~. Acceptable evidence of attendance includes sign-in sheets or attendance confirmation. Acceptable evidence of engagement includes meeting minutes, meeting notes, survey results, presentation slides, etc.
 - b. **NOTE:** Any in-process engagement with the ~~Qualified Stakeholder Group~~QSG must include a detailed timeline for work done to-date, next steps, and future completion.
4. ~~d.~~ Significant ~~involvement~~Involvement of the ~~Qualified Stakeholder Group~~QSG: The developer ~~partnered with the Qualified Stakeholder Group~~or other members of the development team must partner with the QSG and the identified CMI to develop the project proposal. Identify and submit a narrative explaining how the ~~Qualified Stakeholder Group~~QSG was involved in one or more of the following aspects of the development, the specific input they provided, and how the project addresses or responds to that input. These must be in addition to any mandatory minimum requirements of the QAP, and in addition to the minimum requirements for which points are claimed in other selection criteria, such as Serves Lowest Income Tenants and/or Large Families. Applicants may select more than one of the following:
- a. ~~i.~~ Design;
 - b. ~~ii.~~ Services;
 - c. ~~iii.~~ Community Benefits: An agreement, between the developer and local community, to provide a benefit as identified by ~~Community~~CMI (~~ies~~) ~~Most Impacted~~. (i.e., projects that support paying a competitive wage, employing union workers and/or individuals from the neighborhood, or participating in a Worker-Driven Social Responsibility compliance and monitoring system, community services, training, shared green space, etc.); and/or
 - d. ~~iv.~~ Other (describe in the narrative).
5. ~~e.~~ Provide a signed letter from the ~~Qualified Stakeholder Group~~QSG. The letter must be signed by group participants who are willing to sign the document.

The letter must address each of the following questions:

- a. ~~i.~~ How has the developer or other members of the development team engaged with the ~~Qualified Stakeholder Group~~ QSG and the identified Communities Most Impacted to create a project responsive to the vision of the group and needs of the CMI?
- b. ~~ii.~~ How will this project help in fulfilling a need in your community?
- c. ~~iii.~~ How often did the ~~Qualified Stakeholder Group meet~~ QSG engage with the developer or other members of the development team and what ~~were those meetings like~~ was discussed?
- d. ~~iv.~~ How has the project changed in response to the input from the ~~Qualified Stakeholder Group~~ QSG?
- e. ~~v.~~ If the development is selected, what are your expectations for the ~~Qualified Stakeholder Group's~~ QSG's continued involvement in the project?

Rural/Tribal

C. Rural/Tribal (~~6 points~~ 4 to 8 Points)

1. ~~1.~~ Projects located in Rural/Tribal Designated Areas outside of the Metropolitan Area as defined by the ~~2024-2025~~ 2026-2027 QAP and urbanized areas in Greater Minnesota. Urbanized areas in Greater Minnesota are areas with population over 50,000. They include Duluth, East Grand Forks, La Crescent, Mankato, Moorhead, Rochester, and St. Cloud. Projects that were previously not selected may be eligible for Hold Harmless provisions. See Section 1.L of the Self-Scoring and Methodology Guide for additional details

Select one:

- a. ☐ Tier 1: The project is located in a Rural/Tribal Designated Area that is outside of the Metropolitan Area and within a community that has a population fewer than or equal to 2,000. Tribal Reservations, Dakota Communities and Tribal trust lands are also considered Tier 1. (8 points)
~~Metropolitan Area and has a population less than 5,000. (6 points)~~
- b. ☐ Tier 2: The project is located in a Rural/Tribal Designated Area outside of the Metropolitan Area and within a community that has a population between 2,001 and 5,000. (6 points)
- c. ☐ Tier 3: The project is located in a Rural/Tribal Designated Area outside of the Metropolitan Area and within a community that has a population between 5,001 and 10,000. (5 points)

- d. ~~and~~ ☐ Tier 4: The project is located in a Rural/Tribal Designated Area outside of the Metropolitan Area and within a community that has a population ~~at or~~ greater than ~~5,000~~ 10,000. (4 points)

Qualified Census Tracts/Community Revitalization, Tribal Equivalent Areas, and Opportunity Zones

D. Qualified Census Tracts ~~(QCT)~~/Community Revitalization, or Tribal Equivalent Areas, ~~and Opportunity Zones~~. (3 ~~points~~ Points)

Select one:

1. ☐ The proposed housing is located in a Qualified Census Tract (QCT)/Community Revitalization Area, ~~Tribal Equivalent Area, or Opportunity Zone~~. (3 ~~points~~)
~~Projects located in a Tribal Equivalent Area or Opportunity Zone are eligible for the criteria solely based upon geographic location.~~ To be eligible as a QCT/Community Revitalization component, the project must be in a Qualified Census Tract (refer to Qualified Census Tract – Reference Materials Index on the Minnesota Housing website) **and** be part of a concerted plan that provides for community revitalization consistent with the definition described in the Community Development Initiative selection criteria. (3 points)
2. ☐ The proposed housing is located in a Tribal Equivalent Area. Projects located in a Tribal Equivalent Area are eligible for the criteria solely based on geographic location. (3 points)
Projects that were previously not selected may be eligible for Hold Harmless provisions. See Section 1.L of the Self-Scoring and Methodology Guide for additional details.

Multifamily Award History

E. Multifamily Award History (4 ~~points~~ Points)

1. ☐ Projects located in communities that have not received an award or allocation of funding or HTC from Minnesota Housing for a ~~source of funding~~ resource offered through the Multifamily Consolidated RFP/HTC Round 1, HTC Round 2, in any pipeline funding round if the funding source is available in the RFP/HTC Round 1, ~~or~~ for projects receiving an allocation of bonding authority from Minnesota Management and Budget (MMB) with an award of 4% Minnesota Housing HTCs in the last five years. Projects that received Low and Moderate Income Rental (LMIR)-only financing are excluded. Refer to the Multifamily Award History Methodology in the Methodology Guide for more information. (4 points)

F. Black-, Indigenous-, People of ~~Color~~, and Color-owned Business Enterprises or Women-owned Business Enterprises (1 to 20 Points)

Projects that include business entities that are owned or led by individuals who are Black-, Indigenous or other Person of Color or business entities that are owned or led by one or more women. A Person of Color includes a person from Native and Indigenous North and South American, Black and African-descendant, Hispanic or Latinx, Asian and Pacific Islander and other non-white communities.

~~F. Black-, Indigenous-, People of Color, and Women-owned Business Enterprises (1 to 19 points)~~

~~1. A Black-, Indigenous-, People of Color¹² or Women-owned~~ Color-owned Business Enterprise is a ~~tribe or tribally designated~~ Tribe, Tribally designated housing entity, ~~tribal~~ Tribal corporate entity, or other entity which is at least 51% owned by ~~an individual(s)~~ one or more individuals that ~~is(are)~~ Black, Indigenous, ~~a or other~~ Person of Color, ~~or a woman.~~

A Women-owned Business Enterprise is an entity which is at least 51% owned by one or more women.

This includes nonprofits and governmental entities where the executive director or equivalent ~~where the individual~~ is Black, Indigenous, ~~a or other~~ Person of Color, or a woman, as applicable. The individual(s) must also control and manage the daily business operations.

1. Provide documentation demonstrating that the entity meets the definition. This ~~could~~ should include an organization chart and must include one or more of the following: a signed and dated certification statement, qualification ~~forms~~ form(s), ownership documentation, or third-party verification.

a. Ownership and Sponsorship ~~(Select one)~~

Select one:

- i. ☐ The project owner ~~and~~ sponsor is a ~~tribe or tribally~~ Tribe, Tribally designated housing entity, ~~tribal~~

Tribal corporate entity or ~~a~~ for-profit Black-, Indigenous-, People of Color-owned Business Enterprise. **(8 points)**

- ii. ☐ The project owner ~~and~~ sponsor is a for-profit Women-owned Business Enterprise

¹² ~~Includes Native and Indigenous North and South American, Black and African-descendant, Hispanic or Latinx, Asian and Pacific Islander, and other non-white communities.~~

(5 points)

- iii. ☐ The project owner ~~/~~ and sponsor is a nonprofit Black-, Indigenous-, People of ~~Color, —or~~ Color-owned Business Enterprise or a nonprofit Women-owned Business Enterprise. (4 points)

b. Development Team

The developer^{*}, general contractor, architect, service provider, ~~or~~ management agent or development consultant, with primary responsibility for the applicable development team function, is a Black-, Indigenous-, People of ~~Color, —or~~ Color-owned Business Enterprise or a Women-owned Business Enterprise. Eligibility will be determined at the time of application and will be monitored through the deferred loan construction completion and/or 8609.

Select one:

- i. ☐ Two or more entities are each a Black-, Indigenous-, People of Color-owned Business

Enterprise. (7 points)

- ii. ☐ Two or more entities are each a Women-owned Business ~~Enterprises~~ Enterprise or a combination of one Black-, Indigenous-, People of ~~Color, —or Women-owned~~ Color-owned Business Enterprise and one Women-owned Business Enterprises. (4

points)

- iii. ☐ One entity is a Black, Indigenous, People of Color-owned Business Enterprise~~/~~ or a Women-owned Business Enterprise. (1 point)

NOTE: If there is an identity of interest between the project owner and sponsor and the developer, an applicant cannot BOTH claim points based on the owner and sponsor under Black-, Indigenous-, People of Color-owned Business Enterprises or Women-owned Business Enterprises (4. F.1.a) AND based on the developer under Black-, Indigenous-, People of Color-owned Business Enterprises or Women-owned Business Enterprises (4. F.1.b) selection criteria.

~~**NOTE: Black-, Indigenous-, People of Color-, Women-owned Business Enterprises (F.1.a) and Black-, Indigenous-, People of Color-, Women-owned Business Enterprises (F.1.b) selection criteria cannot be claimed if there is an identity of interest between the Owner/Sponsor and the Developer for the same units.**~~

c. Capacity Building Partnership

The project owner and sponsor, developer, general contractor, architect, service provider or management agent partners with a Black-, Indigenous-, ~~or~~ People of Color-owned ~~or~~ Business Enterprise or a Women-owned Business Enterprise ~~entity~~ with the goal of building ~~the~~ that entity's capacity to develop, manage, construct, design-, or own affordable housing in the future. Documentation must show that the partnership is necessary to help build the entity's capacity. Minnesota Housing, at its sole discretion, must agree that the partnership will increase the entity's capacity.

Provide an agreement executed between the partnering ~~entity(ies)~~ entities that defines the division of specific duties and roles, ownership, profit, fee structure and /or cashflow projection if applicable based on the ownership structure. The agreement ~~should~~ must be specific to the applicant's proposed project and explicitly state the goal of building the Black-, Indigenous-, People of Color-owned Business Enterprise or Women-owned Business Enterprise's capacity to develop, manage, construct, design-, or own affordable housing in the future. ~~Select~~ The agreement must meet one- or more of the following criteria:

- i. ☐ The project owner and sponsor ~~agrees~~ agree to partner with a Black-, Indigenous-, People of

Color-owned Business Enterprise ~~/or a~~ Women-owned Business Enterprise sponsor that will have at least a 50.1% stake in all aspects of the development including, but not limited to, ownership in the ~~General Partnership,~~ general partner(s)/managing member(s), fee structure and/or cash flow-, and voting rights; **(4 points)** OR

- ii. ☐ The project owner and sponsor ~~agrees~~ agree to partner with a Black-, Indigenous-, People of

Color-owned Business Enterprise ~~/or a~~ Women-owned Business Enterprise owner and sponsor that will have at least a 30% stake in all aspects of the development including, but not limited to, ownership in the ~~General Partnership,~~ general partner(s)/managing member(s), fee structure and/or cash flow-, and voting rights; **(2 points)** AND/OR

- iii. ☐ The project developer, general contractor, architect, service provider-, or management agent agrees to partner with a Black-, Indigenous-, People of Color-owned Business Enterprise ~~/ or a~~ Women-owned Business Enterprise entity to perform a defined portion of the contracted work. **(1 point)**

NOTE:**EFFICIENT USE OF SCARCE RESOURCES AND LEVERAGE**

- An applicant may claim either 4.F.1.c.i or 4.F.1.c.ii but not both.
- If there is an identity of interest between the project owner and sponsor and the developer, an applicant cannot BOTH claim points based on the project owner and sponsor under Black-, Indigenous-, People of Color-owned Business Enterprises or Women-owned Business Enterprises (4. F.1.c.i/4. F.1.c.ii) AND based on the developer under Black-, Indigenous-, People of Color-owned Business Enterprises or Women-owned Business Enterprises (4. F.1.c.iii).

5. Efficient Use of Scarce Resources and Leverage**Financial Readiness to Proceed/Leveraged Funds****A. Financial Readiness to Proceed/Leveraged Funds (4 to 16 ~~points~~ Points)**

1. Applicants who have secured funding commitments for one or more **permanent capital funding sources** at the time of application must count the source in this calculation. Funding ~~from Minnesota Housing and Funding Partners (i.e., Greater Minnesota Housing Fund, Metropolitan Council Local Housing Incentives Account)~~ can only be included in the calculation if funds ~~were~~are committed ~~in a previous funding cycle/round,~~ not the subject of a current request.

Calculate your total using the formula below. Exclude any commitments for the amortizing first mortgage financing and any anticipated syndication proceeds from the current HTC request.

Total eligible funding secured, awarded~~r~~, or committed (excluding amortizing first mortgages and any anticipated proceeds from the current HTC request. If applicable, the Tax Increment Financing (TIF) amount provided by the city can be included as a commitment).

\$__ divided by Total Development Costs \$__ equals Percentage of Permanent Capital Funding Sources Committed __% (round to the nearest tenth):

- ☐ 10.51% or more of funding secured, awarded~~r~~, or committed **(16 points)**
- ☐ 9.01% to 10.5% of funding secured, awarded~~r~~, or committed **(14 points)**
- ☐ 7.51% to 9.0% of funding secured, awarded~~r~~, or committed **(12 points)**
- ☐ 6.01% to 7.5% of funding secured, awarded~~r~~, or committed **(10 points)**
- ☐ 4.51% to 6.0% of funding secured, awarded~~r~~, or committed **(8 points)**
- ☐ 3.01% to 4.5% of funding secured, awarded~~r~~, or committed **(6 points)**
- ☐ 1.51% to 3.0% of funding secured, awarded~~r~~, or committed **(4 points)**

For scoring purposes, the documentation must be in the form of a project specific Letter of Intent, city or council resolution, letter of approval, or statement of agreement or eligibility. Commitment documentation must state the amount and be executed or approved by the lender or contributor. Commitments must contain no contingencies other than receipt of an HTC allocation or award from Minnesota Housing [or the applicable conditions with which any recipient of similar funds would have to comply with to receive such funding](#). Documentation containing words synonymous with “consider” or “may,” (as in “may award”) regarding the commitment will not be acceptable.

Funding commitments, or an equivalent commitment, must be maintained and cannot be eliminated or reduced.

The list below includes potential Financial Readiness/Leveraged Funding Commitments, but the list is not all inclusive:

- Syndication proceeds due to previously allocated or awarded HTCs: Syndication proceeds from HTCs allocated or awarded in a previous cycle/round may be included if verification is included in the application. Acceptable verification is a letter from the allocating agency and an executed syndicator agreement or executed Letter of Intent from the syndicator that is acceptable to Minnesota Housing. The executed Letter of Intent must be current within ~~15~~[30](#) days of submission of the application.
- Monetary grants/donations
- The portion of the amortizing first mortgage supported by payments in lieu of taxes (PILOT): [PILOT is only available for owners that are unit of local government. Be aware that Minnesota Housing may disallow points if the application is considered for a structure in which the project owner will not be a unit of local government, such as a structure with HTCs.](#)
- Tax Increment Financing (TIF) and/or Property Tax Abatement: Provide satisfactory documentation that the contribution is committed to the project at the time of application. The documentation must include a resolution from the local government unit indicating its intention to provide TIF or property tax abatement assistance. The anticipated amount must be included in the resolution or a letter from the local government unit.
- Deferred loans
- Grants from nonprofit charitable organizations converted to deferred loans. An award letter from the nonprofit charitable organization contributor must be provided at the time of application verifying the contribution. Documentation must evidence that the contribution is restricted for housing development uses and the contribution must be included as a project source.
- Historic Tax Credits: In addition to the commitment documentation, at the time of application, provide written documentation of eligibility through evidence of Historic Register listing or Part

1 – Evaluation of Significance form that is certified and signed by the National Park Service (NPS), along with a syndicator/investor Letter of Intent. NPS must check a box on the form indicating that the property contributes to the significance or appears to contribute to the significance.

- ~~• Funder commitments to modify existing debt¹³, including approval of assumption of debt and extension of loan term; commitments must contain no contingencies other than receipt of an HTC allocation or award from Minnesota Housing. At the time of application, written documentation of approval from the funder clearly demonstrating that the approval is for the re-syndication/receipt of a new deferred or HTC allocation or award, justifying the amount and the terms of the contribution, must be provided.~~
- General Partner (GP) commitments can count ~~as long as~~ if satisfactory documentation is provided. Commitments cannot be eliminated or reduced. Examples include:

 - ~~○ GP cash and seller loans~~
 - GP cash: Information provided in the applicant's Multifamily Workbook is satisfactory documentation and is considered a commitment.
 - Seller loans: Information provided in the applicant's Multifamily Workbook is satisfactory documentation and is considered a commitment, unless it is a third-party seller. In the case of a third-party seller, commitment documentation must also be provided.
 - Deferred developer fee: Information provided in the applicant's Multifamily ~~workbook~~ Workbook is satisfactory documentation and is considered a commitment. For a committed deferred developer fee that cannot be paid back within 10 years on a pro forma basis (based on the pro forma submitted with the application), approval by the syndicator/investor is required.
 - ~~Purchase~~ Interim income and purchased reserves: Provide satisfactory documentation to ~~determine~~ demonstrate that the identified amount of reserves are available, and will be purchased with the property and a commitment that they will be used as a permanent capital source. The documentation could include a purchase agreement or financial statements, along with a commitment letter from the applicant.
 - Energy or Sales Tax Rebate: Information provided in the applicant's Multifamily ~~workbook~~ Workbook is satisfactory documentation and is considered a commitment.
- State Housing Tax Credit (SHTC):

¹³ ~~For Minnesota Housing's existing debt to count as committed, the Request for Action (RFA) process must be completed before the application is submitted.~~

- A project expecting to receive a SHTC designated contribution at a later date: A commitment from a prospective SHTC contributor at application is similar to other funding commitments from an outside party. The third party is committing to contribute a certain amount of funds to the project. A commitment may not include a contingency regarding the availability of SHTC. All funding commitments, or an equivalent commitment, must be maintained and cannot be eliminated or reduced. The expectation is that the funds will be disbursed to the project whether or not the funds are received via from the SHTC program.
- A project that was designated as a designee of a designated contribution or received an SHTC award through an RFP process: All funding commitments, or an equivalent commitment, must be maintained and cannot be eliminated or reduced. The expectation is that the funds will be disbursed to the project whether or not the funds are received via from the SHTC program. Submit the SHTC letter from Minnesota Housing with the amount.
- Funder commitments to modify existing debt will not be counted in this criterion.

NOTE: The Financial Readiness to ~~Process~~Proceed/Leveraged Funds (5.A.) and Other Contributions (5.B.) selection criteria cannot be claimed for the same sources.

~~Other Contributions~~

B. Other Contributions (2 to 10 ~~points~~Points)

1. For projects that receive **non-capital contributions**: Contributions can come from any entity, including the federal government; a local unit of government; an area employer; and/or a private philanthropic, religious, or charitable organization. This is a non-capital contribution to the development budget unless specified below. Calculate your total using the formula below, and ~~then~~ select the appropriate option.

This calculation is based on Total Development Costs. Do not use any exclusions. Total "Other" non-capital funding contributions and sources \$___ divided by Total Development Costs \$___ equals Other Contributions (rounded to the nearest tenth):

- a. ☐ ~~10.1~~ 6.00% and above (10 points)
- b. ☐ ~~8.1~~ 4.50% to ~~10.0~~ 5.99% (8 points)
- c. ☐ ~~6.1~~ 3.00% to ~~8.0~~ 4.49% (6 points)
- d. ☐ ~~3.5~~ 1.5% to ~~6.0~~ 2.99% (4 points)
- e. ☐ ~~1.0~~ .01% to ~~3.4~~ 1.49% (2 points)

At the time of application, written documentation from the contributor justifying the amount and the terms of the contribution must be provided and be consistent with current market comparable costs.

The documentation must be in the form of a project specific Letter of Intent, city or council resolution, letter of approval, statement of agreement or eligibility, or memorandum of understanding.

For scoring purposes, the documentation must state the amount and must be executed or approved, at a minimum, by the contributor. Commitments must contain no contingencies other than receipt of a funding selection from Minnesota Housing [or the applicable conditions with which any recipient of similar funds would have to comply with to receive such funding](#). Documentation containing words synonymous with “consider” or “may” (as in “may award”) regarding the contribution will not be acceptable.

The list below includes potential Other Contributions, but the list is not all inclusive:

- Land donation or write-down of the project site: Documentation used to determine the as-is market value must be submitted. This could include an appraisal, assessment information, broker opinion with comparable properties, or other data deemed acceptable by Minnesota Housing. [If submitting a purchase agreement, the purchase agreement must reflect the reduced price.](#)
- In-kind work and materials that benefit the project are donated at a lower or no cost value.
- Local government reduction, donation, or waiver of project specific costs, assessments, or fees (e.g., Sewer/Water Access Charge [SAC/WAC], Park Dedication Fees).
- Reservation land not subject to local property taxes: Documentation must include the amount and term (up to term of the Minnesota Housing deferred loan or LURA). Calculate net present value (NPV) by using NPV discounted by the applicable federal rate (AFR) for the term. [This can be a contribution to the operating budget.](#)
- Land with long-term low-cost leases: Calculate net present value (NPV) of the cumulative lease payments by using NPV discounted by applicable federal rate (AFR) for the term of the deferred loan/LURA or the term of the land lease, whichever is later. The contribution amount is determined by deducting the NPV amount and any capitalized acquisition costs from the value of the property. Documentation must include the proposed terms of the lease, including the length of lease and any annual payments required. Documentation used to determine the market value must be submitted. This could include an appraisal, assessment information, broker opinion with comparable properties, or other data deemed acceptable by Minnesota Housing. The final land lease must be equal to or exceed the term of the LURA or the deferred loan and must be approved by Minnesota Housing prior to closing. [This can be a contribution to the operating budget.](#)

- ~~• Funder commitments to modify existing debt¹⁴, including debt forgiveness, forgiveness of interest payable, or reduction in interest rate (measured as amount of interest saved over the term of the loan). Commitments must contain no contingencies other than receipt of an HTC allocation or award. At the time of application, written documentation from the funder justifying the amount and the terms of the contribution must be provided.~~
- Tax Increment Financing (TIF) and/or Property Tax Abatement for properties that cannot support an amortizing first mortgage. In this situation, the TIF or Property Tax Abatement is generally provided in the form of an operating subsidy. Calculate the net present value (NPV) using the applicable federal rate (AFR) for the term of the TIF or Property Tax Abatement. Provide satisfactory documentation that the contribution is committed to the project at the time of application. The documentation must include a resolution from the local unit of government indicating its intention to provide TIF and/or Property Tax Abatement assistance. The anticipated amounts must be included in the resolution or a letter from the local unit of government. The documentation should include the TIF or Property Tax Abatement analysis from the local unit of government or its consultant. This can be a contribution to the operating budget.
- Payments in lieu of taxes (PILOT) for properties that cannot support an amortizing first mortgage: PILOT is only available for owners that are unit of local government. Be aware that Minnesota Housing may disallow points if the application is considered for a structure in which the project owner will not be a unit of local government, such as a structure with HTCs. Documentation must include the amount and term (up to the term of the Minnesota Housing deferred loan or LURA). Calculate the net present value (NPV) using the applicable federal rate (AFR) for the term of the abatement (up to the term of the Minnesota Housing deferred loan or LURA). This can be a contribution to the operating budget.
- Funder commitments to modify existing debt will not be counted in this criterion.

NOTE: The Financial Readiness to Proceed/Leveraged Funds [\(5.A\)](#) and Other Contributions [\(5.B.\)](#) selection criteria cannot be claimed for the same resources.

Intermediary Costs

C. Intermediary Costs (1 to ~~6 points~~4 Points)

1. Intermediary costs are third-party service costs related to the project development. Costs excluded from Intermediary costs include Park Dedication Fees; Surveys; Soil Borings; Payment

¹⁴ ~~For Minnesota Housing's existing debt to count as committed, the Request for Action (RFA) process must be completed before the application is submitted.~~

and Performance Bond Premium; Sewer/Water Access Charge (SAC/WAC); Fixtures, Furnishing and Equipment (FFE); Hazard and Liability Insurance; and Building Permits.

This calculation is based upon the amount of intermediary costs on a sliding scale based on the percentage of Total Development Costs. For selected projects, this percentage may be enforced at the time of closing for deferred loans or at issuance of IRS Form 8609 for HTC developments. Calculate your total using the formula below.

Intermediary cost amount \$__ divided by Total Development Costs \$__ equals Intermediary Percentage __% (rounded to the nearest tenth):

- a. ☐ 0.0% to 15% (**64 points**)
- b. ☐ 15.1% to 20% (**3 points**)
- c. ☐ 20.1% to 25% (**2 points**)
- d. ☐ 25.1% to 30% (**1 point**)

BUILDING CHARACTERISTICS

6. Building Characteristics

A. Innovative Construction Techniques (3 points)

Universal Design

1. ☐ The project will use Innovative Construction Techniques (ICT).

To be eligible for the ICT selection criterion, a proposed project pre-application and final application submittal must meet all of the following conditions:

- a. The proposed technique will achieve one or both of the following goals, or it will pilot a technique that has the potential to achieve the goal(s) in the future after it is tested, and implementation issues have been worked out:
 - i. Reduce total construction cost by at least 10%; and/or
 - ii. Reduce the time a project is under for construction by at least 20%
- b. The proposed technique is one that Minnesota Housing typically does not see in projects that receive Minnesota Housing resources. For example, conventional wood frame construction with panelized walls is a construction technique often used in Minnesota and is not an alternative way to frame this condition. The proposed technique needs to be new and innovative.
- c. The proposed technique is feasible, can be replicated in future projects and has the potential to be brought to scale and used to meet different housing needs and in different settings. The technique has wide applicability.

- d. The development team is required to write and publicly release a report after the project has been completed, outlining lessons learned, such as: What worked well with the technique? What did not work well? What challenges and barriers did the development team run into, and how did it overcome them? How can future projects more effectively implement and use the construction technique, outlining promising practices and lessons learned?
- e. The use of the proposed technique is appropriate for the project and will not hinder its ability to provide quality housing on a timely basis, will last a long time and will meet the needs of tenants. The technique makes sense for this development.
- f. The project complies with Minnesota Housing's design standards and guidance. Minnesota Housing may grant waivers if they will allow particularly promising techniques to be tested, and the waivers will not substantially impact the quality and durability of the housing.

The applicant must provide the required pre-application documentation by the required pre-application deadline. The due date will be established prior to the application deadline for the Multifamily Consolidated RFP or HTC Round 2. Failure to submit all required pre-application materials may result in rejection of the pre-application. Applicants must complete the ICT narrative and submit documentation via the pre-application process to demonstrate how the project meets the requirements outlined in the ICT narrative. Provide Minnesota Housing's innovative construction techniques confirmation letter with the application.

Projects applying via 4% HTC Only Round are not required to submit a pre-application and can submit the materials as part of the application.

B. A. Universal Design (3 pointsPoints)

1. The project will incorporate Universal Design Features. A Universal Design unit is a unit that includes all Minimum Essential Universal Design Features, along with eight Optional Features for units in a new construction or adaptive re-use project, and four Optional Features for units in a rehabilitation project. Type A accessible units (as referenced in Minnesota Housing's Rental Housing Design and Construction Standards) also meet the definition of a Universal Design Unit.

The Universal Design Worksheet must be included with the application. A list of the required Minimum Essential Universal Design and Optional Features can be found in the Universal Design Worksheet.

Select one:

- a. ☐ An elevator building with 100% of the ~~assisted~~total units meeting the definition of a Universal Design Unit **(3 points)**

Number of units: ____

OR

- b. ☐ A non-elevator building with at least 10% of the ~~assisted~~total units meeting the definition of a Universal Design Unit **(3 points)**

Number of units: ____

~~A list of the required Minimum Essential Universal Design and Optional Features can be found in the Universal Design Worksheet.~~

Smoke Free Buildings

B. Smoke Free Buildings (1 point)

1. ☐ ~~The project will institute and maintain a written policy prohibiting smoking in all units and all common areas within the building(s) of the project. The written policy, submitted after selection during the due diligence process, 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 project must include a non-smoking clause in the lease for every household. Projects awarded a point in this scoring criteria may be required to maintain the smoke-free policy for the term of the LURA (1 point)~~

Enhanced Sustainability

C. Enhanced Sustainability (1 to ~~6~~12 Points)

The project will incorporate additional sustainability criteria into its design. **The applicant must complete the “How Will Criteria Be Implemented” column within the applicable year’s Multifamily Intended Methods Worksheet and clearly explain how each selected Optional Criteria point and alternative building performance pathway (Tier 3 and Tier 4) will be implemented.** The selected Optional Criteria point total on the Multifamily Intended Methods Worksheet must reconcile with the minimum number of Optional Criteria points required for the applicable tier, if claiming Tier 1 or Tier 2 points.

Applicants can select just Tier 1, Tier 2, Tier 3, or Tier 4; or a combination of Tiers 1 and 3, Tiers 2 and 3, Tiers 1 and 4, ~~or~~ Tiers 2 and 4, for a maximum of 6~~12~~ points. Please note: ~~All~~ all buildings in the project with residential units, regardless, if claiming or not claiming point(s) for enhanced sustainability, must be certified through the ENERGY STAR Residential New Construction Program using ENERGY STAR Multifamily New Construction (MFNC), ENERGY STAR Manufactured Homes

and/or ENERGY STAR Certified Homes as relevant. Refer to applicable MN Overlay for additional information regarding baseline requirements. Actual enrollment of project with Enterprise Green Communities Criteria (EGCC) is not required for any selected ~~Tier~~¹tier or combination of ~~Tier~~¹stiers.

1. ☐ Tier 1: The project will include at least two times the minimum number of Optional Criteria points, in addition to the Required Mandatory Criteria, as outlined within the applicable year's Minnesota Overlay to Enterprise Green Communities Criteria (EGCC) and as claimed in the Multifamily Intended Methods Worksheet. ~~(1 point)~~² points
2. ☐ Tier 2: The project will include at least three times the minimum number of Optional Criteria points, in addition to the Required Mandatory Criteria, as outlined within the applicable year's Minnesota Overlay to EGCC and as claimed in the Multifamily Intended Methods Worksheet. ~~(24 points)~~²⁴ points
3. ☐ Tier 3: The project will conform to at least one of the following alternative building performance pathways as claimed in the Multifamily Intended Methods Worksheet: ~~(36 points)~~³⁶ points
 - a. Pathway 1⁴⁵¹⁰ (applicable to new construction and rehabilitation (rehab) projects): The project meets Minnesota B3 Sustainable Building 2030 (SB 2030) Energy Standard.
 - b. Pathway 2⁴⁶¹¹ (applicable to new construction projects only): Certify the project with the Department of Energy (DOE) Zero Energy Ready Home (ZERH) program.
 - c. Pathway 3 (applicable to rehabilitation (rehab) projects only): The project meets the 2020EGCC – Criterion 5.1b Building Performance Standard

To receive points for Pathway 3, the project must follow the Performance Pathway as described in the applicable year's Minnesota Overlay to EGCC – Criterion 5.1b by providing an Energy Rater Index (ERI) Pathway by achieving one of the following ~~Home Energy Rating System (HERS) Index~~^{ERI} thresholds:

⁴⁵¹⁰ Follow Minnesota B3 Sustainable Building 2030 (SB 2030) Energy Standard. Compliance with SB 2030 Standard is achieved by a combination of on-site renewable energy generation and energy efficiency. Projects meeting SB 2030 Standard are evaluated for compliance during design, during construction, and for a period of 10 years of occupancy. Compliance will be monitored through the B3-MSBG Tracking Tool. All buildings with residential units in the project must be certified through the ENERGY STAR Residential New Construction Program. Refer to applicable MN Overlay for additional information regarding baseline requirements.

⁴⁶¹¹ Follow 2020 EGCC – Criterion 5.2b Moving to Zero Energy: Near Zero Certification.

- i. ~~A HERS Index~~ An ERI score of 80 or less for properties built in or after 1980;
 - ii. ~~A HERS Index~~ An ERI score of 100 or less for properties built before 1980; or
 - iii. A post-rehab ~~HERS Index~~ ERI score at least 15% less than the pre-rehab ~~HERS Index~~ ERI score.
4. ☐ Tier 4: The project will be certified by one of the following alternative building performance pathways as claimed in the Multifamily Intended Methods Worksheet (**48 points**):
- a. Passive House Institute (PHI) Classic;
 - b. Passive House Institute United States (PHIUS); or
 - c. PHI EnerPHit (applicable to rehabilitation projects only)
 - d. PHIUS CORE/Zero REVIVE (applicable to rehabilitation projects only)
 - e. ~~One of the following 2020 Enterprise Green Communities Criteria, Criterion 5.4~~
Achieving Zero Energy, Option 2 programs:
 - i. PHIUS + Source Zero;
 - ii. PHI Plus;
 - iii. PHI Premium;
 - iv. International Living Future Institute's Zero Energy Petal;
 - v. Zero Carbon Petal; or
 - vi. Living Building Challenge.

UNACCEPTABLE PRACTICES

7. Unacceptable Practices ~~(-1 to -35 points)~~

Minnesota Housing may impose penalty points for unacceptable practices ~~as set forth in Chapter 2.J.~~ of the QAP. (-1 to -35 points)

TOTAL POINTS

TOTAL DEVELOPER CLAIMED POINTS:

TOTAL MINNESOTA HOUSING AWARDED POINTS:

Summary report: Litera Compare for Word 11.7.0.54 Document comparison done on 11/13/2024 10:51:39 AM	
Style name: QAP Comparison	
Intelligent Table Comparison: Active	
Original filename: 2024-2025 Self-Scoring Worksheet.docx	
Modified filename: 26-27 Self-Scoring Worksheet_Use for Nov board CLEAN.docx	
Changes:	
<u>Add</u>	1005
~~Delete~~	855
~~Move From~~	43
<u>Move To</u>	43
<u>Table Insert</u>	0
~~Table Delete~~	8
<u>Table moves to</u>	0
~~Table moves from~~	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	1954



2026-2027 Self-Scoring Worksheet

Housing Tax Credits and Deferred Projects¹

Last Updated: November 2024

¹ Includes all 4% and 9% Housing Tax Credit (HTC) projects and deferred funds awarded through the annual Multifamily Consolidated Request for Proposals (RFP) as well as available financing throughout the year.

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Instructions and Requirements

The Self-Scoring Worksheet sets the selection criteria and funding priorities that Minnesota Housing will use to prioritize applications requesting 4% and 9% Housing Tax Credits (HTCs) and/or deferred funds that are selected through the Multifamily Consolidated Request for Proposals (RFP) or on a pipeline basis for available financing that may be available throughout the year.

Applicants must meet the requirements outlined in the Self-Scoring Worksheet, Qualified Allocation Plan (QAP), Scoring Guide, and Methodology Guide documents to be eligible for points. In the event of any conflict between the Self-Scoring Worksheet and the Scoring Guide or Methodology Guide, the Self-Scoring Worksheet controls. To submit the Self-Scoring Worksheet for an application, all applicants must use the Scoring Wizard in the Multifamily Customer Portal website. All documents referenced in this Self-Scoring Worksheet can be found on Minnesota Housing's website or in the Multifamily Customer Portal.

When selecting projects for funding in the Multifamily Consolidated RFP/HTC Round 1 and HTC Round 2, Minnesota Housing considers the total amount of points achieved in conjunction with such factors as feasibility, amount of total funding requested, available resources, geographic distribution and ability to complete the development in a timely manner.

A. Strategic Priority

1. All projects must meet at least one of the HTC statutory strategic priorities or a strategic objective contained in Minnesota Housing's current Strategic Plan as published on the Minnesota Housing website. Applicants must demonstrate how the project meets the Strategic Plan in the Multifamily Rental Housing Narrative.
2. Residential rental housing projects financed with an allocation of tax-exempt bonds under Minnesota Statutes, chapter 474A are the highest strategic priority for tax credits in accordance with Minnesota Statutes, section 462A.222, subdivision 3(d), and such projects are not required to meet a separate strategic priority.

B. Pre-Application

A pre-application may be required for specific selection preferences or selection criteria. The applicant must provide the required pre-application prior to the application deadline according to the due date established by Minnesota Housing and published on Minnesota Housing's website. Failure to submit required pre-application materials may result in rejection of the pre-application.

C. Preference for Eventual Tenant Ownership

HTC projects are eligible for homeowner conversion. These projects will receive a preference during the selection process when reviewing tie breakers. The Declaration of Land Use Restrictive Covenants (LURA) may contain provisions ensuring compliance with these ETO commitments by the owner, including a right of first refusal allowing tenants to purchase their units.

- ☐ The project will have an ETO component and agrees to follow the requirements of the ETO Guide.

D. Minimum Point Requirements

1. Requests for Minnesota Housing-administered 9% HTCs from the state's HTC credit ceiling must demonstrate the project is eligible for no fewer than 80 points, excluding projects funded through the Rural Development/Small Projects set-aside.
2. Requests for Minnesota Housing-administered 4% HTCs in association with tax-exempt volume limited bonds must demonstrate the project is eligible for no fewer than 40 points.
3. Minnesota Housing reserves the right to reject applications not meeting its project selection requirements as contained in the QAP, to revise proposal features and associated scoring and to help ensure the project meets the requirements.

E. Claiming of Points

An award and/or allocation is based upon the information provided in the application. The project is required to comply with all selection criteria that are claimed and awarded. This includes any due diligence/reporting requirements after selection and for the term of the declaration. Failure to comply could result in the loss of the award and/or allocation as well as the assessment of penalty points.

F. Documentation of Points

Scoring is submitted in the Multifamily Customer Portal via the Scoring Wizard. In the Scoring Wizard, mark the selection criteria expected for your project. **Where indicated in the Minnesota Housing Self-Scoring Worksheet, the applicant must also submit documentation that clearly supports the points claimed. Refer to the Scoring Guide and Multifamily Customer Portal for additional details. Minnesota Housing will determine the eligible points; points may not be awarded unless the required documentation is provided along with the application to justify the points claimed.**

During the competitive process, Minnesota Housing's review of the submitted Self-Scoring Worksheet is only to validate that the points claimed are eligible, to reduce points claimed if not eligible and to determine points awarded. Minnesota Housing will not award additional points that are not initially claimed by the applicant. Many performance obligations are created by the claiming of certain scoring

points. As such, Minnesota Housing will not assume the position of creating any such performance obligations on behalf of the applicant.

G. Documentation of Units

In the Scoring Wizard, mark the number of units for each selection criteria expected for your project. Minnesota Housing will not award points if the necessary number of units is not included in the Self-Scoring Worksheet. The number of units will also be validated in the Multifamily Workbook and may result in a loss of points if the documentation is not consistent. When calculating a percentage for the criterion, all units must be rounded up to the next full unit.

H. Extended Duration

Request for Minnesota Housing-administered HTC from the state's HTC credit ceiling and in association with tax-exempt volume limited bonds must maintain the low-income use for a minimum of 30 years or longer, if a longer duration is selected. The owner agrees that the Qualified Contract provisions of Internal Revenue Code, sections 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provisions would permit the owner to terminate the LURA at the end of the compliance period in the event Minnesota Housing does not present the owner with a Qualified Contract for the acquisition of the project) do not apply to the project, and the owner also agrees the Section 42 income, rental and occupancy restrictions must apply for the term of the LURA.

I. Design Standards

The project must meet the requirements in the Minnesota Housing Rental Housing Design/Constructions Standards. Additional design requirements will be imposed if points are claimed/awarded that require specific design elements (e.g., Innovative Construction Techniques, Universal Design, Enhanced Sustainability).

J. Declarations

1. A LURA covering the income and rent restrictions and occupancy requirements presented at selection may be recorded against the property.
2. A deferred loan declaration covering the income and rent restrictions and occupancy requirements presented at selection may be recorded against the property.

K. Deeper Rent Targeting

All applicants must meet the minimum deeper rent targeting unit requirements outlined below.

1. Requests for Minnesota Housing deferred financing or Minnesota Housing-administered HTCs from the state's credit ceiling or in association with tax-exempt volume limited bonds must restrict at least 2% of the total units, with a minimum number of one unit, to rents at or below the county 30% Multifamily Tax Subsidy Project (MTSP) rent limit. Units with project-based rental assistance count toward this requirement. Projects where 100% of the units include project-based rental assistance are exempt from this requirement.

Number of Units: _____

2. Requests for Minnesota Housing deferred financing or Minnesota Housing-administered HTCs from the state's credit ceiling or in association with tax-exempt volume limited bonds must restrict at least 3% of the total units, with a minimum number of one unit, to rents at or below the Housing Assistance Payment (HAP) payment standard as determined by the responsible entity in the jurisdiction. The units must generally be evenly distributed by bedroom type. Projects that are 100% project-based rental assistance or are located on Tribal Reservations, Dakota Communities and Tribal trust lands are exempt from this requirement.

0 Bedroom Units: _____

1 Bedroom Units: _____

2 Bedroom Units: _____

3 Bedroom Units: _____

4 Bedroom Units: _____

5 Bedroom Units: _____

6 Bedroom Units: _____

Total Number of Units: _____

L. Hold Harmless Provision

Applicants that apply but that are not selected for funding in the 2025 Consolidated RFP/2026 HTC Round 1 and/or 2026 HTC Round 2 (First Cycle) can reapply in the 2026 Consolidated RFP/2027 HTC Round 1 and/or 2027 HTC Round 2 (Second Cycle) using EITHER the scores from the First Cycle OR new scores from the Second Cycle for the Increasing Housing Choice selection criteria (3.A, 3.B, and 3.C). Applicants may not mix and match scores from the First Cycle and scores from the Second Cycle.

Round 1 – Minimum Threshold Requirements

In accordance with Minnesota Statutes, section 462A.222, subdivision 3(e), all 9% HTC applications submitted statewide in HTC Round 1 must meet one of the following threshold types. Please indicate the threshold item your project meets:

A. In the Metropolitan Area²

1. ☐ New construction or Substantial Rehabilitation in which, for the term of the extended use period (term of the LURA), at least 75% of the total HTC units are single-room occupancy, efficiency or one-bedroom units with rents affordable to households whose income does not exceed 30% of the area median income (AMI);
2. ☐ New construction or Substantial Rehabilitation family housing projects that are not restricted to persons 55 years old or older in which, for the term of the extended use period (term of the LURA), at least 75% of the total HTC units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms;
3. ☐ Substantial Rehabilitation projects in neighborhoods targeted by the city for revitalization;

B. Outside the Metropolitan Area

1. ☐ Projects which meet a locally identified housing need and which are in short supply in the local housing market, as evidenced by credible data submitted with the application;

C. People with Disabilities (Inside or Outside Metropolitan Area)

1. ☐ Projects that are not restricted to persons of a particular age group and in which, for the term of the extended use period (term of the LURA), a percentage of the units are set aside and rented to persons:
 - a. With a serious and persistent mental illness as defined in Minnesota Statutes, section 245.462, subdivision 20, paragraph (c);
 - b. With a developmental disability as defined in the United States Code, Title 42, Section 6001, paragraph (8), as amended through December 31, 1990;

² As set out in Minnesota Statutes, section 473.121, subdivision 2, Metropolitan Area means the area over which the Metropolitan Council has jurisdiction, including the counties of Anoka, Carver, Dakota (excluding the cities of Northfield and Cannon Falls), Hennepin (excluding the cities of Hanover and Rockford), Ramsey, Scott (excluding the city of New Prague) and Washington.

- c. Who have been assessed as drug dependent persons as defined in Minnesota Statutes, section 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes, section 254A.02, subdivision 2;
- d. With a brain injury as defined in Minnesota Statutes, section 256B.093, subdivision 4, paragraph (a);
- e. With permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules, chapter 1341;

NOTE:

- Minnesota Housing considers accessible units to be Type A and/or Type B units as identified in the referenced Chapter 1341, also known as the Minnesota Accessibility Code.
- This definition is not limited to persons with mobility impairment.

D. Preserve Existing Subsidized Housing (Inside or Outside Metropolitan Area)

1. ☐ Projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing, if the use of HTC is necessary to (1) prevent conversion to market rate use; or (2) to remedy physical deterioration of the project, which would result in loss of existing federal subsidies; **OR**

E. Rural Development (Inside or Outside Metropolitan Area)

1. ☐ Projects financed by United States Department of Agriculture (USDA) Rural Development (RD), which meet statewide distribution goals.

2026 – 2027 Housing Tax Credit and Deferred Funding Selection Criteria

1. Greatest Need Tenant Targeting

A. Large Family Housing (12 to 15 Points)

1. The proposal is for a project that provides family housing that is not restricted to persons 55 years old or older. The owner agrees to market to families with minor children.

Select all that apply:

- a. ☐ At least 75% of the total units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms. **(12 points)**

Number of units with:

2 Bedrooms: _____

3 Bedrooms: _____

4 Bedrooms: _____

5 Bedrooms: _____

6 Bedrooms: _____

- b. ☐ If eligible under 1.a. above, at least one-third of three or more bedrooms required above must contain four or more bedrooms. **(3 points)**

Number of units with:

4 Bedrooms: _____

5 Bedrooms: _____

6 Bedrooms: _____

B. Senior Housing (2 to 8 Points)

1. The proposal is for a project that provides housing that is restricted to persons 55 years of age or older.

- a. ☐ Select one:

- i. ☐ 100% of the total units **(4 points)**

Number of Units: _____

- ii. ☐ 90% to 99.99% of the total units **(3 points)**

Number of Units: _____

- iii. ☐ 80% to 89.99% of the total units **(2 points)**

Number of Units: _____

- b. ☐ Projects eligible under 1.a. above that agree to restrict the units to households with incomes at or below the county 30% MTSP income limit.

- c. The applicant agrees that if units are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities, will be restricted to at or below the county 30% MTSP rent limit. Select one:
- i. ☐ 30% to 100% of the total units **(4 points)**
Number of Units: _____
 - ii. ☐ 20% to 29.99% of the total units **(3 points)**
Number of Units: _____
 - iii. ☐ 10% to 19.99% of the total units **(2 points)**
Number of Units: _____
 - iv. ☐ 5% to 9.99% of the total units **(1 point)**
Number of Units: _____

NOTE: The Senior Housing selection criterion 1.B.1.b. cannot be claimed for units that are claimed under the Rental Assistance selection criterion 2.B. Further Restricting Rental Assistance.

C. Permanent Supportive Housing for Households Experiencing Homelessness (7 to 37 Points)

1. High Priority Homeless (HPH)³ (7 to 30 Points)

A minimum of 5% of the total units, but no fewer than four units, are set aside for and rented to High Priority Homeless households, who are households prioritized for permanent supportive housing by the Coordinated Entry System⁴ (HPH Units).

Minnesota Housing, at its sole discretion, in consultation with the owner of a selected project and the local community, will consider alternative referral and prioritization processes for populations that have a demonstrated need for supportive housing but are not included in the Coordinated Entry System.

³ **Specific performance requirement relief provisions are available for projects eligible for the Permanent Supportive Housing for High Priority Homeless selection criterion for “HPH Units.”** Reference Chapter 6.A. of the QAP for additional details. Specific performance requirements may be incorporated into the LURA and deferred loan documents recorded with the property. Alternative referral and prioritization options are available with approval from Minnesota Housing when there is not an eligible household on the Coordinated Entry waiting list. Reference the relief provisions in Chapter 6.A. of the QAP for additional details.

⁴ Coordinated Entry System is defined by the statewide Coordinated Entry standards and protocol as adopted by the local Continuum of Care, or such successor system as determined by Minnesota Housing.

Select one:

- a. ☐ 50% to 100% of the total units, but no fewer than 20 units **(30 points)**
Number of Units: _____
- b. ☐ 10% to 49.99% of the total units, but no fewer than 7 units **(10 points)**
Number of Units: _____
- c. ☐ 5% to 9.99% of the total units, but no fewer than 4 units **(7 points)**
Number of Units: _____

NOTE: The Permanent Supportive Housing for High Priority Homeless (1.C.1.) and People with Disabilities (1.D.) selection criteria cannot be claimed for the same units.

2. Other Homeless (5 to 7 Points)

Projects that are eligible for the High Priority Homeless selection criterion 1.C.1. and agree to set aside and rent additional units to serve Other Homeless households which includes individuals leaving institutions that do not have a permanent residence or other homeless populations not referred by the Coordinated Entry System. The criterion is based upon the total number of Permanent Supportive Housing units for Households Experiencing Homelessness in the project.

Select One:

- a. ☐ 100% of the total units set aside and rented to HPH and Other Homeless Households **(7 points)**
Number of Other Homeless Units: _____
- b. ☐ 75% - 99.9% of the total units set aside and rented to HPH and Other Homeless Households **(5 points)**
Number of Other Homeless Units: _____

Requirements for High Priority Homeless and Other Homeless

The applicant agrees to pursue and continue the renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available. If units set aside for High Priority Homeless or Other Homeless are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities, cannot exceed the greater of 30% of the household's monthly income or the most current Supportive Housing Standard for the unit size, as published annually by Minnesota Housing in the Multifamily Underwriting Standards in the Supportive Housing Standards section. The owner must establish and implement policies and procedures to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.

The documentation requirements to be eligible for Permanent Supportive Housing points is based upon the percentage of total units that are HPH, PWD and Other Homeless households in the project.

The classification determines the Supportive Housing application materials that must be submitted, including the narratives, forms, certifications and submittals identified in the Application Checklist in the Multifamily Customer Portal.

Projects are classified as either:

- **Primarily Supportive Housing:** 50% or more of the total units will serve HPH, PWD or Other Homeless households.
 - The market need for the proposed HPH units must be verified and documented on the Continuum of Care (CoC) Confirmation form. Minnesota Housing, at its sole discretion, will determine if there is market need for HPH units based upon a number of factors including location, household type, Coordinated Entry waiting list, pending projects, resources etc.
- **Partially Supportive Housing:** Less than 50% of the total units will serve HPH, PWD or Other Homeless households.
 - Minnesota Housing, at its sole discretion, will determine if there is a market need for HPH units based upon a number of factors including location, household type, Coordinated Entry waiting list, pending projects, etc. This will be verified with the local Continuum of Care during the application review process. If Minnesota Housing determines that there is not a need for additional HPH units within the local market, the applicant agrees that Minnesota Housing may remove the proposed HPH units from the project and convert the proposed units to units with rent restricted to 30% MTSP and maintain a priority to serve homeless households.

A proposal that claims this criterion and is selected will be required to comply with any due diligence/reporting requirements after selection and for the term of the declaration. Failure to comply could result in the loss of the award and/or allocation as well as the assessment of penalty points. The LURA and Minnesota Housing loan documents may contain performance requirements related to these permanent supportive housing units for High Priority Homeless and Other Homeless may be recorded with the property.

D. People with Disabilities (PWD) (7 to 19 Points)

1. Tier 1: Permanent supportive housing proposals that **are not restricted to persons of a particular age group** and in which a minimum of 5% of the total units, but no fewer than four units, are set aside and rented to **people with a disability as defined below**. The applicant

agrees that the units are restricted to households with incomes at or below the county 30% MTSP income limit.

The applicant 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 greater of 30% of the household's monthly income or the most current Supportive Housing Standard for the unit size, as published annually by Minnesota Housing in the Multifamily Underwriting Standards in the Supportive Housing Standards section. The owner must establish and implement policies and procedures to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.

Select one:

- a. ☐ 15% to 25% of the total units, but no fewer than six units **(10 points)**
Number of Units: _____
- b. ☐ 10% to 14.99% of the total units, but no fewer than five units **(9 points)**
Number of Units: _____
- c. ☐ 5% to 9.99% of the total units, but no fewer than four units **(7 points)**
Number of Units: _____

OR

2. Tier 2: People with Disabilities (PWD) units that will use Housing and Urban Development Section 811 Project-Based Rental Assistance (HUD Section 811 PRA): Permanent housing proposals that are not restricted to people of a particular age group and in which a minimum of 5% of the total units, but no fewer than four units, are set aside and rented to **people with a disability as defined below**. The applicant agrees that the units are restricted to households with incomes at or below the county 30% MTSP income limit.

Projects that are applying for HUD Section 811 PRA and do not have a current eligibility determination must **provide the required HUD Section 811 PRA pre-application by the established deadline**. Failure to submit all required pre-application materials may result in rejection of the pre-application. Minnesota Housing will further evaluate the feasibility of the HUD Section 811 PRA units during the formal application review process and reserves the right not to award the PWD points for HUD Section 811 PRA units.

Select the number of units set aside for People with Disabilities that will use HUD Section 811 PRA. The total number of HUD Section 811 PRA units **cannot** exceed 11 units. HUD Section 811 program requirements limit the percentage of supportive housing units. The total number of

supportive housing units (HPH, homeless, PWD) in the project **cannot** exceed 25% of the total units.

Select one:

- a. ☐ 15% to 25% of the total units, but no fewer than six units **(19 points)**
Number of Units: _____
- b. ☐ 10% to 14.99% of the total units, but no fewer than five units **(17 points)**
Number of Units: _____
- c. ☐ 5% to 9.99% of the total units, but no fewer than four units **(15 points)**
Number of Units: _____

Requirements for Tier 1 and Tier 2

A percentage of the units are set aside and rented to persons with any of the following disabilities:⁵

1. A serious and persistent mental illness as defined in Minnesota Statutes, section 245.462, subdivision 20, paragraph (c);
2. A developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (8), as amended through December 31, 1990;
3. Assessed as drug dependent as defined in Minnesota Statutes, section 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes, section 254A.02, subdivision 2;
4. A brain injury as defined in Minnesota Statutes, section 256B.093, subdivision 4, paragraph (a);
OR
5. Permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules, chapter 1341.

NOTE:

- Projects that claim Round 1 Minimum Threshold C.5. (persons with physical disabilities) and meet any other Round 1 Minimum Threshold Requirement serving People with Disabilities, may count any units rented to persons with a physical disability in their total units, even if the statutory 50% requirement of Threshold C.5. is not met.

⁵ **Specific performance requirement relief provisions are available for projects that meet the People with Disabilities selection criterion for “PWD Units.”** Reference Chapter 6.A. of the QAP for additional details. Specific performance requirements may be incorporated into the LURA and deferred loan documents recorded with the property.

- Projects that meet the Round 1 Minimum Threshold only with Threshold C.5. must meet the statutory requirement that 50% of units be accessible. Minnesota Housing considers accessible units to be Type A and B units as identified in the referenced Minnesota Rules Chapter 1341, also known as the Minnesota Accessibility Code.
- If the minimum threshold is not required, then the statutory requirement pertaining to accessible units is not applicable.
- The definition of permanent physical disability is not limited to people with mobility impairment.
- The Permanent Supportive Housing for High Priority Homeless (1.C.1) and People with Disabilities (1.D.) selection criteria may not be claimed for the same units. These units cannot be layered; they must be separate and distinct.
- Projects with unit(s) that are age restricted cannot claim the People with Disabilities (1.D.) selection criterion.

The project must submit documentation that meets all of the following conditions:

1. The applicant must submit the forms and submittals identified in the Application Checklist in the Multifamily Customer Portal.
2. The population, market need and resource plan for the PWD units will be determined after selection in consultation with the county or Tribal human services.
3. 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.

A proposal that claims and is eligible for the People with Disabilities selection criterion and is selected will be required to comply with any due diligence/reporting requirements after selection and term of the declaration. Failure to comply could result in the loss of the award and/or allocation as well as the assessment of penalty points. The LURA and Minnesota Housing loan documents may contain performance requirements related to these permanent supportive housing units for People with Disabilities and may be recorded with the property.

2. Serves Lowest Income for Long Durations

Projects with existing rental assistance that has been in place for 15 years or more can only take points under Preservation (2.A.). Projects with new rental assistance that has been in place for less than 15 years can only take points under Rental Assistance (2.B.). The Serves Lowest Income selection criterion (2.C.) can only be claimed for units that do not have rental assistance. The definitions explained below determine which criteria the project qualifies for, and the project is only eligible for points in those criteria.

The earliest starting point for the reference to 15 years or more is the following:

- For projects applying in the 2025 Multifamily Consolidated RFP/2026 HTC Round 1, the Year 1 must be 2010 or earlier.
- For projects applying in the 2026 HTC Round 2 and/or the 2026 Multifamily Consolidated RFP/2027 HTC Round 1, Year 1 must be 2011 or earlier.
- For projects applying in 2027 HTC Round 2, Year 1 must be 2012 or earlier.

A. Preservation (15 to 45 Points)

Thresholds

Applicants seeking points under the Preservation (2.A.) selection criterion must read the descriptions and then select one of the following three thresholds:

1. ☐ Risk of Loss Due to Market Conversion
 - a. Expiration of contract/use-restrictions
 - i. Existing property at risk of conversion to market rate housing within five years of application date, and conversion is not prohibited by existing financing or use restrictions; **OR**
 - ii. Existing HTC projects eligible to exercise their option to file for a Qualified Contract that have not previously exercised their option; **AND**
 - b. Risk of market conversion evidenced by a low physical vacancy rate (4% or lower) for market rate comparable units (comparable units to be validated by Minnesota Housing at Minnesota Housing's sole discretion); **AND**
 - c. Risk of market conversion evidenced by one or more of the following:
 - i. For properties with Section 8 contracts, a Rent Comparability Study acceptable to Minnesota Housing staff and reviewers that was completed within a year of the application date that shows current rents are below comparable market rents;
 - ii. A market study approved by Minnesota Housing completed within a year of the application date that shows current rents are below comparable market rents and that the property has a comparable location(s), amenities and condition to convert to market rate; **OR**
 - iii. Other verifiable third-party data on comparable properties (dated within one year of application due date) approved by Minnesota Housing.

NOTE: Minnesota Housing, at its sole discretion, must agree that a market exists for a conversion to market rate housing.

2. ☐ Risk of Loss Due to Critical Physical Needs

- a. Critical Physical Needs identified by third party assessment to support one of the following conclusions:
 - i. Identified scope of Critical Physical Needs, consistent with the definition in the Minnesota Housing Rental Housing Design/Construction Standards, exceeds the available annual cash flow and reserves, as evidenced by documentation submitted with the application. In the case of distressed properties with negative cash flow, the negative cash flow will offset the reserves balance in the calculation.
 - ii. 50% or more of the units within the project are condemned or determined to be no longer habitable, as evidenced by official documentation from a local building official.

NOTE: Minnesota Housing may conduct an inspection of the project and must agree with applicant scope of work, severity levels and cost estimates.

3. ☐ Risk of Loss Due to Ownership Capacity/Program Commitment

- a. One of the following four conditions exist:
 - i. Existing conditions created by the current owner such as bankruptcy, insolvency, default, foreclosure action, unpaid taxes and assessment, ongoing lack of compliance with lenders or terms of the existing federal assistance or self-determination by a nonprofit board are severe enough to put the property at significant risk of not remaining decent, safe and affordable. Ownership must be transferred to an unrelated party;
 - ii. The property has been or will be acquired from an unrelated party within three years of the application date after being offered for sale on the open market after an opt-out notice for the HAP contract has been submitted to Minnesota Housing;
 - iii. The property has been or will be acquired from an unrelated party within three years of the application date as a result of a Preservation Affordable Rental Investment Fund (PARIF) Right of First Refusal being exercised; **OR**
 - iv. The acquisition of a property with USDA RD rental assistance has occurred or will occur when the current or previous owner intends or intended to allow the existing USDA RD mortgage to mature and has turned down offers from USDA RD to re-amortize the mortgage. Must apply within five years of maturity date and within three years of acquisition.

NOTE: Minnesota Housing, at its sole discretion, must agree that a change in ownership is necessary for units to remain decent, safe or affordable.

Criteria

Applicants that meet one of the above thresholds must select either Tier 1: Existing Federal Assistance – Projects with Existing Project-Based Rental Assistance or Tier 2: Other Existing Federal Assistance and Critical Affordable Units to be eligible for points under Preservation. Applicants that select either Tier 1 or Tier 2 may also claim points under selection criterion 2.A.1.3: Severity of Critical Physical Needs.

1. ☐ Tier 1: Existing Federal Assistance – Projects with Existing Project-Based Rental Assistance **(20 to 40 points)**

This includes projects receiving project-based rental assistance or operating subsidies under a program of U.S. Department of Housing and Urban Development (HUD), USDA RD or the Native American Housing Assistance and Self Determination Act (NAHASDA). Properties that have converted their type of federal rental assistance through the Rental Assistance Demonstration Program (RAD), Component 2 (RAD 2) and RAD for Project Rental Assistance Contracts (PRAC) are eligible. Project-based voucher contracts through a local public housing authority or housing and redevelopment authority are eligible. Such assistance must have been committed to the property at least 15 years prior to the year of application.

For eligible projects, 15 or more years must have passed since the award of the federal project based rental assistance.

The owner will continue renewals of the existing project-based rental assistance contract(s) for as long as the assistance is available. Except for “good cause,” the owner will not evict existing subsidized residents and must continue to renew leases for those residents.

Developments with qualified existing federal assistance and which have secured additional federal rental assistance (including through a Section 8bb transfer) must count the total number of assisted units below. Such units are not eligible to be counted under Rental Assistance (2.B).

Select one:

- a. Existing Federally Assisted Units:
 - i. ☐ 50.01% to 100% of the total units are federally assisted **(40 points)**
Number of Units: _____
 - ii. ☐ 50% or Less of the total units are federally assisted **(20 points)**
Number of Units: _____

NOTE:

- The Rental Assistance (2.B.) selection criterion cannot be claimed if the project is of a type covered under Preservation – Tier 1: Existing Federal Assistance, even if the project is not claiming Preservation points because it does not meet a risk of loss threshold.
- Rental assistance for preservation projects under the Rental Assistance Demonstration Program (Component I) or the Public Housing Program are not eligible under Preservation - Tier 1: Existing Federal Assistance. Any public housing repositioning for preservation projects that results in project-based vouchers or project-based rental assistance is also not eligible.
- The Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) cannot be claimed for units that have new or existing rental assistance. This would include People with Disabilities – Tier 2 – HUD Section 811 PRA (1.D.2.), Preservation – Tier 1 and Tier 2 (2.A.1. and 2.A.2.) and Rental Assistance (2.B.).

OR

2. ☐ Tier 2: Other Existing Federal Assistance and Critical Affordable Units **(15 points)**

This includes rental housing with existing federal, state, local or intermediary funding with a current recorded deed restriction that limits rents for at least 50% of the total units to at or below the county 60% MTSP limit (or utilizes another rent limitation whose current maximum is at or below the 60% MTSP limit) without long-term project-based rental assistance. This may include units with HTCs, RD units without Rental Assistance, other existing federal assistance not described above or a loan funded by federal, state, local or intermediary sources. This includes current and former public housing units converted under RAD Component I or under Section 18 Demolition and Disposition and any other successor programs developed for public housing. Applicants who claim these points must agree to continue to limit the rents to at or below 60% MTSP for the term of the deferred declaration or the LURA.

For eligible projects, 15 or more years must have passed since the award of the existing federal assistance, the most recent HTC placed in service date or the closing of the loan that created rent restrictions.

AND

3. ☐ Severity of Critical Physical Needs **(3 to 5 points)**

Projects that are eligible for 2.A.1 and 2.A.2 and have documented critical physical needs that meet the requirements of the Risk of Loss Due to Critical Physical Needs threshold may also claim points based on particularly severe Critical Physical Needs. This applies to Tier 1 and 2, regardless of the Risk of Loss.

Select one:

- a. ☐ Critical Physical Needs greater than \$25,000 per unit **(5 points)**
- b. ☐ Critical Physical Needs greater than \$15,000 per unit **(3 points)**

NOTE:

- The Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) cannot be claimed for units that have new or existing rental assistance. This would include People with Disabilities – Tier 2 –HUD Section 811 PRA (1.D.2.), Preservation – Tier 1 and Tier 2 (2.A.1. and 2.A.2) and Rental Assistance (2.B.).
- Preservation – Tier 2 (2.A.2) and the Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) may not be claimed for the same units. These units cannot be layered; they must be separate and distinct.

B. Rental Assistance⁶ (6 to 26 Points)

1. Project-Based Rental Assistance

For projects that have a commitment for project-based rental assistance. This includes:

- New or transferred project-based rental assistance that was executed within the past 15 years.
 - Transfers of existing Section 8 contracts under the 8bb notice to new construction projects or existing developments that currently have no existing federal assistance.
- Refer to the 15 years definition at the beginning of the Preservation selection criterion.

The binding commitment is project-based by written contract or for project-based vouchers awarded in accordance with 24 Code of Federal Regulations, Chapter IX, Section 983.51. For the purposes of this category, project-based rental assistance is defined as a project-specific funding stream that supports the operations of the property, reduces the tenant rent burden and provides for the tenant paid portion of rent to be no greater than 30% of household income.

⁶ Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion 2.B. for “RA Units.” Reference Chapter 6.A. of the QAP for additional details. Specific performance requirements may be incorporated into the LURA and deferred loan documents recorded with the property.

The project agrees to continue renewals of the existing project-based rental assistance contract(s) for a minimum of 15 years from the later of the last placed-in-service date for any building in the property or loan closing. The applicant agrees that rents will remain affordable at the county 50% MTSP income limit for a 15-year period if the rental assistance is not available for the full period.

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. For all other types of rental assistance programs with an alternative rent structure, the applicant must submit commitment documentation that includes details regarding the rent structure, tenant-paid portion of rent as a percentage of household income, program structure, goals and population served.

The list below includes potential programs that may be considered project-based rental assistance, but the list is not all-inclusive:

- Moving to Work
- Site-based Housing Support⁷
- Project-based McKinney Vento Continuum of Care funding will be considered project-based rental assistance.
- Project-based rental assistance provided by a Tribe, Tribally designated housing⁸ entity or Tribal corporate entity⁹.
- Native American Housing Assistance and Self Determination Act (NAHSDA)
- A past award of existing rental assistance, including HUD Section 811 PRA, will be counted toward meeting the required percentages.

Minnesota Housing has determined that the following do not qualify for this selection criterion:

- An operating subsidy will not be considered project-based rental assistance.

⁷ Formerly known as Group Residential Housing.

⁸ Tribally designated housing entities are entities designated by the Tribe to administer its housing programs funded by HUD.

⁹ For purposes of this Self-Scoring Worksheet, "Tribal corporate entity" means a business entity formed by a Tribe under Tribal, state, or federal law and wholly owned by such Tribe.

- Privately funded rental assistance does not qualify an applicant to claim this criterion.
- A current request for rental assistance, such as HUD Section 811 PRA, does not qualify an applicant to claim this criterion. The HUD Section 811 PRA letter of determination letter is only a notice of eligibility determination and is not a commitment.

Select one:

- ☐ 100% of the total units will have project-based rental assistance **(19 points)**
Number of Units: _____
- ☐ 51.1% to 99.9% of the total units **(16 points)**
Number of Units: _____
- ☐ 20.1% to 51% of the total units **(13 points)**
Number of Units: _____
- ☐ 10.1% to 20% of the total units, but no fewer than four units **(10 points)**
Number of Units: _____
- ☐ 5% to 10% of the total units, but no fewer than four units **(7 points)**
Number of Units: _____
- ☐ Fewer than 5% of the total units, but no fewer than four units **(6 points)**
Number of Units: _____

2. Further Restricting Rental Assistance

Projects that are eligible under 2.B.1. a-f above that agree to further restrict units to households whose incomes do not exceed the county 30% MTSP income limit for a 15-year period.

Select one:

- ☐ 75.1% to 100% of the total units **(7 points)**
Number of Units: _____
- ☐ 50.1% to 75% % of the total units **(6 points)**
Number of Units: _____
- ☐ 25.1% to 50% of the total units **(5 points)**
Number of Units: _____
- ☐ 15.1% to 25% of the total units **(4 points)**
Number of Units: _____
- ☐ 5% to 15% of the total units, but no fewer than four units **(3 points)**
Number of Units: _____

NOTE:

- The Rental Assistance (2.B.) selection criterion cannot be claimed if the project is of a type covered under Preservation - Tier 1 criterion Existing Federal Assistance (2.A.1), even if the project is not claiming Preservation points because it does not meet a risk of loss threshold. Rental assistance for preservation projects under the Rental Assistance Demonstration Program (Component I) or the Public Housing Program are also not eligible. Any public housing repositioning for preservation projects that results in project-based vouchers or project-based rental assistance is also not eligible.
- The Serves Lowest Income Tenants/Rent Reduction selection criterion (2.C.) cannot be claimed for units that qualify as units that have new or existing rental assistance. This would include units that meet the requirements of People with Disabilities – Tier 2 – HUD Section 811 PRA (1.D.2.), Preservation – Tier 1 – Existing Federal Assistance (2.A.1.) or Rental Assistance (2.B.).

C. Serves Lowest Income Tenants/Rent Reduction (8 to 20 Points)

1. The project agrees to restrict the rents for a percentage of the units in the project. Eligible units **cannot** have project-based rental assistance, and the rents must be based on the monthly gross rent level, including tenant paid utilities. Rents will be affordable to households whose incomes do not exceed the county 30% MTSP or 50% MTSP income limit as published by HUD. MTSP rent limits are available on Minnesota Housing's website.

The applicant agrees to maintain the deeper rent structuring for which selection points are requested for the term of the LURA or deferred declaration.

This selection will restrict rents only. (Tenant incomes will not be restricted to the county 50% MTSP income limit by claiming this selection criterion).

Select one:

- a. ☐ 100% of the total units will restrict rents at or below the county 50% MTSP rent limit.
(13 points)
Number of Units: _____
 - b. ☐ At least 50% of the total units will restrict rents at or below the county 50% MTSP rent limit. **(8 points)**
Number of Units: _____
2. ☐ Projects that are eligible for 1.a. or 1.b. above and agree to further restrict the following percentage of units to the county 30% MTSP rent limit:

Select one:

- a. ☐ 30% to 40% of the total units **(7 points)**
Number of Units: _____
- b. ☐ 20% to 29.99% of the total units **(6 points)**
Number of Units: _____
- c. ☐ 10% to 19.99% of the total units **(5 points)**
Number of Units: _____
- d. ☐ 5% to 9.99% of the total units **(4 points)**
Number of Units: _____

NOTE: The Serves Lowest Income Tenants/Rent Reduction (2.C.) selection criterion cannot be claimed for units that qualify for units that have new or existing project-based rental assistance. This would include units that meet the requirements of People with Disabilities – Tier 2 –HUD Section 811 PRA (1.D.2.), Preservation – Tier 1 – Existing Federal Assistance (2.A.1.) or Rental Assistance (2.B.).

D. Long-Term Affordability (8 to 9 Points)

1. For an HTC project, the owner agrees to extend the long-term affordability of the project by agreeing to extend the term of the LURA beyond 30 years by choosing an option below. The owner also agrees that the Qualified Contract provisions of IRC Sections 42(h)(6)(i)(II) and 42(h)(6)(F) (which provisions would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a Qualified Contract for the acquisition of the project) do not apply to the project for the term of the LURA.

For a deferred loan project, the owner agrees to extend the term of the Declaration beyond 30 years.

Select one:

- a. ☐ The HTC project will extend the term of the LURA and waive the right to a Qualified Contract for a minimum of 50 years and/or the deferred loan project will extend the term of the deferred loan Declaration to 50 years. **(9 points)**
- b. ☐ The HTC project will extend the term of the LURA and waive the right to a Qualified Contract for a minimum of 40 years and/or the deferred loan project will extend the term of the deferred loan Declaration to 40 years. **(8 points)**

3. Increasing Housing Choice

A. Access to More Affordable Housing (8 to 6 Points)

1. Projects located in communities where there is a low share of affordable rental housing compared to all housing options or a large share of renters that are cost burdened by their rent, as outlined in the Access to More Affordable Housing Methodology in the Methodology Guide. Projects that were previously not selected may be eligible for Hold Harmless provisions. See Section 1.L of the Self-Scoring Worksheet and Methodology Guide for additional details.

Select one:

- a. ☐ The proposed housing is in a Tier 1 Tract or City(ies), Tribal Reservation(s), Dakota Communities or Tribal trust lands: Those in the 66.67th percentile or higher for the share of cost burdened renters or in the 0 to 33.33rd percentile for having a low share of affordable rental housing compared to all housing options in a community. Tribal Reservations, Dakota Communities and Tribal trust lands are also considered Tier 1 for having a need for more affordable housing. **(6 points)**
- b. ☐ The proposed housing is in a Tier 2 Tract or City(ies): Those in the 33.34th to 66.66th percentile for the share of cost burdened renters or in the 33.34th to 66.66th percentile for having a low share of affordable rental housing compared to all housing options in a community. **(4 points)**
- c. ☐ The proposed housing is in a Tier 3 Tract or City(ies): Those in the 0 to 33.33rd percentile for the share of cost burdened renters or in the 66.67th to 100th percentile for having a low share of affordable rental housing compared to all housing options in a community. **(2 points)**

B. Workforce Housing Communities (3 to 6 Points)

1. Projects located in or near a city or township needing workforce housing (communities having a large number of jobs or job growth, individual employer growth or having a large share of their workforce commuting long distances, as outlined in the Workforce Housing Communities Methodology in the Methodology Guide). Projects that were previously not selected may be eligible for Hold Harmless provisions. See Section 1.L of the Self-Scoring and Methodology Guide for additional details.

Select one:

- a. ☐ The proposed housing is in a Top Job Center or Net Five Year Job Growth Community. **(6 points)**

- b. ☐ The proposed housing is in an Individual Employer Growth Community where an individual employer has added at least 100 net jobs (for permanent employees of the company) in that community during the previous five years, as evidenced by documentation signed by an authorized representative of the company, subject to validation by Minnesota Housing. **(6 points)**
- c. ☐ The proposed housing is in a Long Commute Community. **(3 points)**

In the Metropolitan Area, project locations must be within five miles of a workforce housing city or township. In Greater Minnesota, project locations must be within ten miles of a workforce housing city or township.

C. Transit and Walkability (1 to 9 Points)

Communities with access to transit, either fixed route or demand response and/or walkable areas with nearby amenities.

If applicants would like to request revisions of a location's Walk Score, they should email Walk Score directly with details of the request to mhfa-request@walkscore.com. Walk Score staff will review the request and make any necessary adjustments to scoring with 45 business days. If an address cannot be found in the Walk Score tool, use the closest intersection within one-quarter mile of the proposed location.

Projects that were previously not selected may be eligible for Hold Harmless provisions. See Section 1.L of the Self-Scoring and Methodology Guide for additional details

Select one:

1. ☐ **Metropolitan Area.** For projects in the Metropolitan Area, indicate if the project is located in a community with transportation, access to transit and/or walkability.
 - a. Access to Transit: To claim access to transit in the Metropolitan Area, a project must be (Select one):
 - i. ☐ Located within one-half mile of a planned or existing Light Rail Transit (LRT), Bus Rapid Transit (BRT), commuter rail station or a Metro Transit Hi-Frequency Network transit stop. Planned stations include those eligible for Metropolitan Council [Livable Communities Demonstration Account \(LCDA\) Transit Oriented Development \(TOD\) Grants](#) but does not include express bus stations; **(7 points)**
 - ii. ☐ Located within one-quarter mile of a high service public transportation fixed route stop, which is defined as those with service from 6 a.m. to 7 p.m. that have a frequency of service approximately every half hour during that time,

- located within one-half mile of an express bus route stop or located within one-half mile of a park and ride lot; or **(4 points)**
- iii. ☐ Served by demand response/dial-a-ride with prior day notice. This excludes Metro Transit's Transit Link Service. Transit service must be available daily, Monday through Friday, for a minimum of 8 hours per day. **(2 points)**
- b. Walkability: To claim walkability in Minneapolis and Saint Paul, a project must be (Select one):
- i. ☐ Located in an area with a Walk Score of 80 or more according to www.walkscore.com; or **(2 points)**
- ii. ☐ Located in an area with a Walk Score between 60 and 79 according to www.walkscore.com. **(1 point)**
- c. Walkability: To claim walkability in Metropolitan Area communities other than Minneapolis and Saint Paul (Suburban Communities), a project must be (Select one):
- i. ☐ Located in an area with a Walk Score of 60 or more according to www.walkscore.com; or **(2 points)**
- ii. ☐ Located in an area with a Walk Score between 50 and 59 according to www.walkscore.com. **(1 point)**
2. ☐ **Greater Minnesota Urbanized Areas.** For projects in Greater Minnesota urbanized areas (population greater than 50,000), indicate if the project is located in a community with transportation, access to transit and/or walkability.

Urbanized areas are defined by the U.S. Census as places with populations greater than 50,000, and urbanized areas in Greater Minnesota are defined by the Minnesota Department of Transportation (MnDOT) ([Greater Minnesota Transit Investment Plan](#)) as areas in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato and St. Cloud.

- a. Access to Transit: To claim access to transit, a project in a Greater Minnesota urbanized area must be (Select one; refer to the Transit and Walkability Methodology of the Methodology Guide to determine points):
- i. ☐ Located within one-quarter mile of a planned or existing public transportation fixed route stop. For a planned transit stop to be eligible, applicants must provide detailed location and service information, including time and frequency of service, along with evidence of service availability from the transit authority providing service. Both planned and existing stops must be available daily, Monday through Friday, and provide service every 60 minutes for a minimum of 10 hours per day. **(7 points)**
- ii. ☐ Located between one-quarter mile and one-half mile of a planned or existing public transportation fixed route stop. For a planned transit stop to be

eligible, applicants must provide detailed location and service information, including time and frequency of service, along with evidence of service availability from the transit authority providing service. Both planned and existing stops must be available daily, Monday through Friday, and provide service every 60 minutes for a minimum of 10 hours per day. **(4 points)**

- iii. ☐ Located less than one-half mile from an express bus route stop or park and-ride lot. **(4 points)**

- b. Walkability: To claim walkability, a project in a Greater Minnesota urbanized area must be (Select one):

- i. ☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com; or **(2 points)**
- ii. ☐ Located in an area with a Walk Score between 50 and 69 according to www.walkscore.com. **(1 point)**

- 3. ☐ **Greater Minnesota Rural and Small Urban Areas.** For projects in Greater Minnesota rural and small urban areas (population fewer than 50,000), indicate if the project is located in a community with transportation, access to transit and/or walkability.

According to the U.S. Census, rural and small urban areas are places with populations fewer than 50,000.

For rural and small urban areas, applicants may claim Location Efficiency by having access to route deviation service or demand response/dial-a-ride and walkability. Route deviation service is different from fixed route transit in that the vehicle may leave its predetermined route upon request by passengers to be picked up or returned to destinations near the route, after which the vehicle returns to the predetermined route. Passengers may call in advance for route deviations similar to that of demand response/dial-a-ride or access the service at designated route stops without advance notice. Demand response usually involves curb-to-curb or door-to-door service with trips scheduled in advance (also known as “Dial-A-Ride”).

- a. Access to Transit: To claim access to transit, a project in a Greater Minnesota rural and small urban area must be (Select one):
 - i. ☐ Within 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 the applicable transit option is available daily, Monday through Friday, providing same day service. Commuter rail stations include the Elk River and Big Lake Stations serviced by Metro Transit’s Northstar Commuter Rail. **(7 points)**
 - ii. ☐ Served by demand response/dial-a-ride with prior day or greater notice needed, and service is available daily, Monday through Friday. **(4 points)**

b. Walkability: To claim walkability, a project in a Greater Minnesota rural and small urban area must be (Select one):

- i. ☐ Located in an area with a Walk Score of 50 or more according to www.walkscore.com; or **(2 points)**
- ii. ☐ Located in an area with a Walk Score between 30 and 49 according to www.walkscore.com. **(1 point)**

4. Supporting Community and Economic Development

A. Community Development Initiative (3 Points)

1. ☐ The project contributes to the **active implementation** of a Community Development Initiative to address locally identified needs and priorities, with active engagement by local stakeholders. The initiative can be created by, and involve engagement from, a wide variety of public and private local community development partners such as cities, counties, employers, private foundations, public housing authorities or other community stakeholders. The initiative must contain more components than the project itself.

Applicants must complete the Community Initiative Narrative (using the Minnesota Housing template). The narrative must clearly identify the Community Development Initiative and articulate how the applicant's proposed project contributes to the active implementation of that Community Development Initiative. Applicants must also provide a full copy of at least one of the Community Development Initiative supporting documents (CDI Documentation) referenced in the Community Development Initiative Narrative. Acceptable forms of CDI Documentation includes neighborhood plans, city or county plans, charters, or comprehensive plans. To qualify for the points under this selection criterion, the CDI Documentation must meet the requirements set forth in Table 1 and Table 2, as applicable, below.

Table 1: CDI Documentation Requirements

Required Elements of CDI Documentation	Description of Requirement
Description and Map of Targeted Geographic Area	The CDI Documentation must describe the geographic area to be targeted by the Community Development Initiative (Targeted Geographic Area) and include a map of the Targeted Geographic Area. The Targeted Geographic Area boundaries must be larger than the proposed rental project site, yet within a measurable impact area. For larger geographic areas, the Targeted Geographic Area must be small enough that one municipality or county (or a small conglomerate of municipalities or counties) can exercise jurisdiction over it.

Required Elements of CDI Documentation	Description of Requirement
Current Implementation Plan	The CDI Documentation must describe an implementation plan with goals or outcomes specific to the need(s) identified by the Community Development Initiative. Within the Community Development Initiative Narrative, describe milestones or steps of the plan that are: 1. Completed; 2. Underway; and 3. Planned.
Affordable Housing as a Key Strategy	The CDI Documentation must clearly identify affordable housing, not housing generally, as a key strategy of the Community Development Initiative.
List of Stakeholders and Their Roles	The CDI Documentation must list local stakeholders involved and a description of their role in the active implementation of the Community Development Initiative.

Table 2: CDI Documentation Requirements – Additional Requirements for Projects in a QCT

Required Element of CDI Documentation	Description of Requirement
Public or Private Investment (non-housing) Required if the Project is Located in a QCT	The CDI Documentation must demonstrate a strategy for obtaining commitments of public or private investment (or both) in non-housing infrastructure, amenities or services that could include, but are not limited to: • Commercial/retail development; • Economic development; • Education-related initiative/ development; • Environmental clean-up; • Public works/infrastructure; • Parks, green space and recreation; and • Transit-oriented development or transit initiatives.

B. Equitable Development (3 Points)

1. ☐ The project will address the needs of a Community Most Impacted (CMI) by housing disparities and a Qualified Stakeholder Group (QSG), with meaningful participation from that CMI, has a significant role in the project proposal as defined below. Occupancy restrictions or services provided as a result of the selection criteria are excluded.

A QSG:

- Is not required to be a registered nonprofit organization and could consist of a group of community members, advocates, people with lived experiences, etc.;
- Must demonstrate meaningful and inclusive representation and participation of a CMI;
- Must include at least three participants who belong to the CMI the project is proposing to serve; and
- Must be an independent body separate and apart from the proposed project owner, sponsor, developer, development team, service provider and management agent of record for the project. The developer or other members of the development team may initiate or convene a QSG, but the participants and opinions of the group must be independent of the development team organizations.
 - Federally Recognized Tribes of Minnesota or Tribally designated housing entities or Tribal corporate entities developing on Tribal Reservations, Dakota Communities or Tribal trust lands meet the definition of a QSG and are not required to be an independent body separate and apart from the proposed project owner, sponsor, developer, development team, service provider and management agent of record for the project due to the Tribal ownership structure.

Examples of a QSG include:

- A local nonprofit organization that serves the needs of indigenous individuals and families;
- A neighborhood organization concerned about healthcare access and inequities;
- A parent group formed to influence a youth-centered development;
- A group of individuals with lived experience of homelessness informing the service model of a supportive housing development; and
- Tenants of an existing building, either a tenant association or individual tenants organized, informing on the rehabilitation of an existing building or construction of a new development.

To be eligible for Equitable Development, applicants must complete the Equitable Development Narrative and submit documentation into the Multifamily Customer Portal that meets all the following threshold criteria:

1. Housing Disparity Addressed by the project.
 - a. Identity which of the following CMI(s) this project proposes serving. If the project is focused on serving multiple populations, select the CMI(s) participating in the QSG that have a significant role in the proposal.
 - i. Lowest Income (e.g., $\leq 30\%$ of MTSP);
 - ii. People of Color;
 - iii. Indigenous People;

- iv. LGBTQ+ People;
 - v. People Experiencing Homelessness;
 - vi. People with Disabilities;
 - vii. Immigrants;
 - viii. Large Families;
 - ix. Seniors; and/or
 - x. Families with Children.
2. Meaningful Participation of Communities Most Impacted: A QSG must have meaningful participation of the CMI that is the focus of the project proposal as documented in the narrative.
- a. Describe the QSG's mission and purpose in elevating the voices of the identified CMI.
 - b. Identify and describe what leadership and/or advisory roles people belonging to the identified CMI have in the QSG, which must include one or more of the following:
 - i. A paid leadership position; list position (if applicable);
 - ii. A member of the board (if applicable);
 - iii. A paid staff position (if applicable);
 - iv. A member role, such as serving on an advisory committee; and/or
 - v. Other meaningful role, such as a volunteer (describe).
 - c. Provide a list of the QSG's previous activities related to the identified CMI and community development. If there have been no previous activities, describe who formed the QSG and why.
3. Meaningful Engagement with the Identified CMI through the QSG: The development team must evidence that the QSG and specifically the CMI participants have been meaningfully engaged in the project concept by conducting, at minimum, two engagement opportunities with the same QSG prior to submission of the current application. Engagement opportunities can be in person or virtual and may include meetings, focus groups, surveys, or similar venues where the QSG is participating in the development process.
- a. Documentation must be provided to evidence attendance and engagement. Acceptable evidence of attendance includes sign-in sheets or attendance confirmation. Acceptable evidence of engagement includes meeting minutes, meeting notes, survey results, presentation slides, etc.
 - b. **NOTE:** Any in-process engagement with the QSG must include a detailed timeline for work done to-date, next steps and future completion.
4. Significant Involvement of the QSG: The developer or other members of the development team must partner with the QSG and the identified CMI to develop the project proposal. Identify and submit a narrative explaining how the QSG was involved in one or more of the following aspects of the development, the specific input they provided and how the project addresses or responds to that input. These must be in addition to any mandatory minimum requirements of

the QAP and in addition to the minimum requirements for which points are claimed in other selection criteria, such as Serves Lowest Income Tenants and/or Large Families. Applicants may select more than one of the following:

- a. Design;
 - b. Services;
 - c. Community Benefits: An agreement, between the developer and local community, to provide a benefit as identified by CMI(s). (i.e., projects that support paying a competitive wage, employing union workers and/or individuals from the neighborhood, or participating in a Worker-Driven Social Responsibility compliance and monitoring system, community services, training, shared green space, etc.); and/or
 - d. Other (describe in the narrative).
5. Provide a signed letter from the QSG. The letter must be signed by group participants who are willing to sign the document. The letter must address each of the following questions:
- a. How has the developer or other members of the development team engaged with the QSG and the identified Communities Most Impacted to create a project responsive to the vision of the group and needs of the CMI?
 - b. How will this project help in fulfilling a need in your community?
 - c. How often did the QSG engage with the developer or other members of the development team and what was discussed?
 - d. How has the project changed in response to the input from the QSG?
 - e. If the development is selected, what are your expectations for the QSG's continued involvement in the project?

C. Rural/Tribal (4 to 8 Points)

1. Projects located in Rural/Tribal Designated Areas outside of the Metropolitan Area as defined by the 2026-2027 QAP and urbanized areas in Greater Minnesota. Urbanized areas in Greater Minnesota are areas with population over 50,000. They include Duluth, East Grand Forks, La Crescent, Mankato, Moorhead, Rochester and St. Cloud. Projects that were previously not selected may be eligible for Hold Harmless provisions. See Section 1.L of the Self-Scoring and Methodology Guide for additional details

Select one:

- a. ☐ Tier 1: The project is located in a Rural/Tribal Designated Area that is outside of the Metropolitan Area and within a community that has a population fewer than or equal to 2,000. Tribal Reservations, Dakota Communities and Tribal trust lands are also considered Tier 1. **(8 points)**

- b. ☐ Tier 2: The project is located in a Rural/Tribal Designated Area outside of the Metropolitan Area and within a community that has a population between 2,001 and 5,000. **(6 points)**
- c. ☐ Tier 3: The project is located in a Rural/Tribal Designated Area outside of the Metropolitan Area and within a community that has a population between 5,001 and 10,000. **(5 points)**
- d. ☐ Tier 4: The project is located in a Rural/Tribal Designated Area outside of the Metropolitan Area and within a community that has a population greater than 10,000. **(4 points)**

D. Qualified Census Tracts/Community Revitalization or Tribal Equivalent Areas (3 Points)

Select one:

- 1. ☐ The proposed housing is located in a Qualified Census Tract (QCT)/Community Revitalization Area. To be eligible as a QCT/Community Revitalization component, the project must be in a Qualified Census Tract (refer to Qualified Census Tract – Reference Materials Index on the Minnesota Housing website) **and** be part of a concerted plan that provides for community revitalization consistent with the definition described in the Community Development Initiative selection criteria. **(3 points)**
- 2. ☐ The proposed housing is located in a Tribal Equivalent Area. Projects located in a Tribal Equivalent Area are eligible for the criteria solely based on geographic location. **(3 points)** Projects that were previously not selected may be eligible for Hold Harmless provisions. See Section 1.L of the Self-Scoring and Methodology Guide for additional details.

E. Multifamily Award History (4 Points)

- 1. ☐ Projects located in communities that have not received an award or allocation of funding or HTCs from Minnesota Housing for a resource offered through the Multifamily Consolidated RFP/HTC Round 1, HTC Round 2, in any pipeline funding round if the funding source is available in the RFP/HTC Round 1 or for projects receiving an allocation of bonding authority from Minnesota Management and Budget (MMB) with an award of 4% Minnesota Housing HTCs in the last five years. Projects that received Low and Moderate Income Rental (LMIR)-only financing are excluded. Refer to the Multifamily Award History Methodology in the Methodology Guide for more information. **(4 points)**

F. Black-, Indigenous-, People of Color-owned Business Enterprises or Women-owned Business Enterprises (1 to 20 Points)

Projects that include business entities that are owned or led by individuals who are Black-, Indigenous or other Person of Color or business entities that are owned or led by one or more women. A Person of Color includes a person from Native and Indigenous North and South American, Black and African-descendant, Hispanic or Latinx, Asian and Pacific Islander and other non-white communities.

A Black-, Indigenous-, People of Color-owned Business Enterprise is a Tribe, Tribally designated housing entity, Tribal corporate entity or other entity which is at least 51% owned by one or more individuals that are Black, Indigenous or other Person of Color.

A Women-owned Business Enterprise is an entity which is at least 51% owned by one or more women.

This includes nonprofits and governmental entities where the executive director or equivalent is Black, Indigenous or other Person of Color, or a woman, as applicable. The individual(s) must also control and manage the daily business operations.

1. Provide documentation demonstrating that the entity meets the definition. This should include an organization chart and must include one or more of the following: a signed and dated certification statement, qualification form(s), ownership documentation or third-party verification.

a. Ownership and Sponsorship

Select one:

- i. ☐ The project owner and sponsor is a Tribe, Tribally designated housing entity, Tribal corporate entity or for-profit Black-, Indigenous-, People of Color-owned Business Enterprise. **(8 points)**
- ii. ☐ The project owner and sponsor is a for-profit Women-owned Business Enterprise. **(5 points)**
- iii. ☐ The project owner and sponsor is a nonprofit Black-, Indigenous-, People of Color-owned Business Enterprise or a nonprofit Women-owned Business Enterprise. **(4 points)**

b. Development Team

The developer*, general contractor, architect, service provider, management agent or development consultant, with primary responsibility for the applicable development team function, is a Black-, Indigenous-, People of Color-owned Business Enterprise or a Women-owned Business Enterprise. Eligibility will be determined at the time of

application and will be monitored through the deferred loan construction completion and/or 8609.

Select one:

- i. ☐ Two or more entities are each a Black-, Indigenous-, People of Color-owned Business Enterprise. **(7 points)**
- ii. ☐ Two or more entities are each a Women-owned Business Enterprise or a combination of one Black-, Indigenous-, People of Color-owned Business Enterprise and one Women-owned Business Enterprises. **(4 points)**
- iii. ☐ One entity is a Black, Indigenous, People of Color-owned Business Enterprise or a Women-owned Business Enterprise. **(1 point)**

NOTE: If there is an identity of interest between the project owner and sponsor and the developer, an applicant cannot BOTH claim points based on the owner and sponsor under Black-, Indigenous-, People of Color-owned Business Enterprises or Women-owned Business Enterprises (4. F.1.a) AND based on the developer under Black-, Indigenous-, People of Color-owned Business Enterprises or Women-owned Business Enterprises (4. F.1.b) selection criteria.

c. Capacity Building Partnership

The project owner and sponsor, developer, general contractor, architect, service provider or management agent partners with a Black-, Indigenous-, People of Color-owned Business Enterprise or a Women-owned Business Enterprise with the goal of building that entity's capacity to develop, manage, construct, design or own affordable housing in the future. Documentation must show that the partnership is necessary to help build the entity's capacity. Minnesota Housing, at its sole discretion, must agree that the partnership will increase the entity's capacity.

Provide an agreement executed between the partnering entities that defines the division of specific duties and roles, ownership, profit, fee structure and/or cashflow projection if applicable based on the ownership structure. The agreement must be specific to the applicant's proposed project and explicitly state the goal of building the Black-, Indigenous-, People of Color-owned Business Enterprise or Women-owned Business Enterprise's capacity to develop, manage, construct, design or own affordable housing in the future. The agreement must meet one or more of the following criteria:

- i. ☐ The project owner and sponsor agree to partner with a Black-, Indigenous-, People of Color-owned Business Enterprise or a Women-owned Business Enterprise sponsor that will have at least a 50.1% stake in all aspects of the development including, but not limited to, ownership in the general

partner(s)/managing member(s), fee structure and/or cash flow and voting rights; **(4 points) OR**

- ii. ☐ The project owner and sponsor agree to partner with a Black-, Indigenous-, People of Color-owned Business Enterprise or a Women-owned Business Enterprise owner and sponsor that will have at least a 30% stake in all aspects of the development including, but not limited to, ownership in the general partner(s)/managing member(s), fee structure and/or cash flow and voting rights; **(2 points) AND/OR**
- iii. ☐ The project developer, general contractor, architect, service provider or management agent agrees to partner with a Black-, Indigenous-, People of Color-owned Business Enterprise or a Women-owned Business Enterprise entity to perform a defined portion of the contracted work. **(1 point)**

NOTE:

- An applicant may claim either 4.F.1.c.i or 4.F.1.c.ii but not both.
- If there is an identity of interest between the project owner and sponsor and the developer, an applicant cannot BOTH claim points based on the project owner and sponsor under Black-, Indigenous-, People of Color-owned Business Enterprises or Women-owned Business Enterprises (4. F.1.c.i/4. F.1.c.ii) AND based on the developer under Black-, Indigenous-, People of Color-owned Business Enterprises or Women-owned Business Enterprises (4. F.1.c.iii).

5. Efficient Use of Scarce Resources and Leverage

A. Financial Readiness to Proceed/Leveraged Funds (4 to 16 Points)

1. Applicants who have secured funding commitments for one or more **permanent capital funding sources** at the time of application must count the source in this calculation. Funding can only be included in the calculation if funds are committed, not the subject of a current request.

Calculate your total using the formula below. Exclude any commitments for the amortizing first mortgage financing and any anticipated syndication proceeds from the current HTC request.

Total eligible funding secured, awarded or committed (excluding amortizing first mortgages and any anticipated proceeds from the current HTC request. If applicable, the Tax Increment Financing (TIF) amount provided by the city can be included as a commitment).

\$_____ divided by Total Development Costs \$_____ equals Percentage of Permanent Capital Funding Sources Committed _____% (round to the nearest tenth):

- a. ☐ 10.51% or more of funding secured, awarded or committed **(16 points)**
- b. ☐ 9.01% to 10.5% of funding secured, awarded or committed **(14 points)**
- c. ☐ 7.51% to 9.0% of funding secured, awarded or committed **(12 points)**
- d. ☐ 6.01% to 7.5% of funding secured, awarded or committed **(10 points)**
- e. ☐ 4.51% to 6.0% of funding secured, awarded or committed **(8 points)**
- f. ☐ 3.01% to 4.5% of funding secured, awarded or committed **(6 points)**
- g. ☐ 1.51% to 3.0% of funding secured, awarded or committed **(4 points)**

For scoring purposes, the documentation must be in the form of a project specific Letter of Intent, city or council resolution, letter of approval or statement of agreement or eligibility. Commitment documentation must state the amount and be executed or approved by the lender or contributor. Commitments must contain no contingencies other than receipt of an HTC allocation or award from Minnesota Housing or the applicable conditions with which any recipient of similar funds would have to comply with to receive such funding. Documentation containing words synonymous with “consider” or “may,” (as in “may award”) regarding the commitment will not be acceptable.

Funding commitments, or an equivalent commitment, must be maintained and cannot be eliminated or reduced.

The list below includes potential Financial Readiness/Leveraged Funding Commitments, but the list is not all inclusive:

- Syndication proceeds due to previously allocated or awarded HTCs: Syndication proceeds from HTCs allocated or awarded in a previous cycle/round may be included if verification is included in the application. Acceptable verification is a letter from the allocating agency and an executed syndicator agreement or executed Letter of Intent from the syndicator that is acceptable to Minnesota Housing. The executed Letter of Intent must be current within 30 days of submission of the application.
- Monetary grants/donations
- The portion of the amortizing first mortgage supported by payments in lieu of taxes (PILOT): PILOT is only available for owners that are unit of local government. Be aware that Minnesota Housing may disallow points if the application is considered for a structure in which the project owner will not be a unit of local government, such as a structure with HTCs.
- Tax Increment Financing (TIF) and/or Property Tax Abatement: Provide satisfactory documentation that the contribution is committed to the project at the time of application. The documentation must include a resolution from the local government unit indicating its intention to provide TIF or property tax abatement assistance. The anticipated amount must be included in the resolution or a letter from the local government unit.
- Deferred loans

- Grants from nonprofit charitable organizations converted to deferred loans. An award letter from the nonprofit charitable organization contributor must be provided at the time of application verifying the contribution. Documentation must evidence that the contribution is restricted for housing development uses and the contribution must be included as a project source.
- Historic Tax Credits: In addition to the commitment documentation, at the time of application, provide written documentation of eligibility through evidence of Historic Register listing or Part 1 – Evaluation of Significance form that is certified and signed by the National Park Service (NPS), along with a syndicator/investor Letter of Intent. NPS must check a box on the form indicating that the property contributes to the significance or appears to contribute to the significance.
- General Partner (GP) commitments can count if satisfactory documentation is provided. Commitments cannot be eliminated or reduced. Examples include:
 - GP cash: Information provided in the applicant's Multifamily Workbook is satisfactory documentation and is considered a commitment.
 - Seller loans: Information provided in the applicant's Multifamily Workbook is satisfactory documentation and is considered a commitment, unless it is a third-party seller. In the case of a third-party seller, commitment documentation must also be provided.
 - Deferred developer fee: Information provided in the applicant's Multifamily Workbook is satisfactory documentation and is considered a commitment. For a committed deferred developer fee that cannot be paid back within 10 years on a pro forma basis (based on the pro forma submitted with the application), approval by the syndicator/investor is required.
 - Interim income and purchased reserves: Provide satisfactory documentation to demonstrate that the identified amount of reserves are available and will be purchased with the property and a commitment that they will be used as a permanent capital source. The documentation could include a purchase agreement or financial statements, along with a commitment letter from the applicant.
 - Energy or Sales Tax Rebate: Information provided in the applicant's Multifamily Workbook is satisfactory documentation and is considered a commitment.
- State Housing Tax Credit (SHTC):
 - A project expecting to receive a SHTC designated contribution at a later date: A commitment from a prospective SHTC contributor at application is similar to other funding commitments from an outside party. The third party is committing to contribute a certain amount of funds to the project. A commitment may not include a contingency regarding the availability of SHTC. All funding commitments, or an equivalent commitment, must be maintained and cannot be eliminated or reduced. The

- expectation is that the funds will be disbursed to the project whether or not the funds are received via from the SHTC program.
 - A project that was designated as a designee of a designated contribution or received an SHTC award through an RFP process: All funding commitments, or an equivalent commitment, must be maintained and cannot be eliminated or reduced. The expectation is that the funds will be disbursed to the project whether or not the funds are received via from the SHTC program. Submit the SHTC letter from Minnesota Housing with the amount.
- Funder commitments to modify existing debt will not be counted in this criterion.

NOTE: The Financial Readiness to Proceed/Leveraged Funds (5.A.) and Other Contributions (5.B.) selection criteria cannot be claimed for the same sources.

B. Other Contributions (2 to 10 Points)

1. For projects that receive **non-capital contributions**: Contributions can come from any entity, including the federal government; a local unit of government; an area employer; and/or a private philanthropic, religious or charitable organization. This is a non-capital contribution to the development budget unless specified below. Calculate your total using the formula below and select the appropriate option.

This calculation is based on Total Development Costs. Do not use any exclusions. Total “Other” non-capital funding contributions and sources \$ _____ divided by Total Development Costs \$ _____ equals Other Contributions (rounded to the nearest tenth):

- a. ☐ 6.00% and above **(10 points)**
- b. ☐ 4.50% to 5.99% **(8 points)**
- c. ☐ 3.00% to 4.49% **(6 points)**
- d. ☐ 1.5% to 2.99% **(4 points)**
- e. ☐ .01% to 1.49% **(2 points)**

At the time of application, written documentation from the contributor justifying the amount and the terms of the contribution must be provided and be consistent with current market comparable costs. The documentation must be in the form of a project specific Letter of Intent, city or council resolution, letter of approval, statement of agreement or eligibility or memorandum of understanding.

For scoring purposes, the documentation must state the amount and must be executed or approved, at a minimum, by the contributor. Commitments must contain no contingencies other than receipt of a funding selection from Minnesota Housing or the applicable conditions with which any recipient of similar funds would have to comply with to receive such funding. Documentation containing words

synonymous with “consider” or “may” (as in “may award”) regarding the contribution will not be acceptable.

The list below includes potential Other Contributions, but the list is not all inclusive:

- Land donation or write-down of the project site: Documentation used to determine the as-is market value must be submitted. This could include an appraisal, assessment information, broker opinion with comparable properties or other data deemed acceptable by Minnesota Housing. If submitting a purchase agreement, the purchase agreement must reflect the reduced price.
- In-kind work and materials that benefit the project are donated at a lower or no cost value.
- Local government reduction, donation or waiver of project specific costs, assessments or fees (e.g., Sewer/Water Access Charge [SAC/WAC], Park Dedication Fees).
- Reservation land not subject to local property taxes: Documentation must include the amount and term (up to term of the Minnesota Housing deferred loan or LURA). Calculate net present value (NPV) by using NPV discounted by the applicable federal rate (AFR) for the term. This can be a contribution to the operating budget.
- Land with long-term low-cost leases: Calculate net present value (NPV) of the cumulative lease payments by using NPV discounted by applicable federal rate (AFR) for the term of the deferred loan/LURA or the term of the land lease, whichever is later. The contribution amount is determined by deducting the NPV amount and any capitalized acquisition costs from the value of the property. Documentation must include the proposed terms of the lease, including the length of lease and any annual payments required. Documentation used to determine the market value must be submitted. This could include an appraisal, assessment information, broker opinion with comparable properties or other data deemed acceptable by Minnesota Housing. The final land lease must be equal to or exceed the term of the LURA or the deferred loan and must be approved by Minnesota Housing prior to closing. This can be a contribution to the operating budget.
- Tax Increment Financing (TIF) and/or Property Tax Abatement for properties that cannot support an amortizing first mortgage. In this situation, the TIF or Property Tax Abatement is generally provided in the form of an operating subsidy. Calculate the net present value (NPV) using the applicable federal rate (AFR) for the term of the TIF or Property Tax Abatement. Provide satisfactory documentation that the contribution is committed to the project at the time of application. The documentation must include a resolution from the local unit of government indicating its intention to provide TIF and/or Property Tax Abatement assistance. The anticipated amounts must be included in the resolution or a letter from the local unit of government. The documentation should include the TIF or Property Tax Abatement analysis

from the local unit of government or its consultant. This can be a contribution to the operating budget.

- Payments in lieu of taxes (PILOT) for properties that cannot support an amortizing first mortgage: PILOT is only available for owners that are unit of local government. Be aware that Minnesota Housing may disallow points if the application is considered for a structure in which the project owner will not be a unit of local government, such as a structure with HTC. Documentation must include the amount and term (up to the term of the Minnesota Housing deferred loan or LURA). Calculate the net present value (NPV) using the applicable federal rate (AFR) for the term of the abatement (up to the term of the Minnesota Housing deferred loan or LURA). This can be a contribution to the operating budget.
- Funder commitments to modify existing debt will not be counted in this criterion.

NOTE: The Financial Readiness to Proceed/Leveraged Funds (5.A) and Other Contributions (5.B.) selection criteria cannot be claimed for the same resources.

C. Intermediary Costs (1 to 4 Points)

1. Intermediary costs are third-party service costs related to the project development. Costs excluded from Intermediary costs include Park Dedication Fees; Surveys; Soil Borings; Payment and Performance Bond Premium; Sewer/Water Access Charge (SAC/WAC); Fixtures, Furnishing and Equipment (FFE); Hazard and Liability Insurance; and Building Permits.

This calculation is based upon the amount of intermediary costs on a sliding scale based on the percentage of Total Development Costs. For selected projects, this percentage may be enforced at the time of closing for deferred loans or at issuance of IRS Form 8609 for HTC developments. Calculate your total using the formula below.

Intermediary cost amount \$ _____ divided by Total Development Costs \$ _____ equals
Intermediary Percentage _____% (rounded to the nearest tenth):

- a. ☐ 0.0% to 15% (4 points)
- b. ☐ 15.1% to 20% (3 points)
- c. ☐ 20.1% to 25% (2 points)
- d. ☐ 25.1% to 30% (1 point)

6. Building Characteristics

A. Innovative Construction Techniques (3 points)

1. ☐ The project will use Innovative Construction Techniques (ICT).

To be eligible for the ICT selection criterion, a proposed project pre-application and final application submittal must meet all of the following conditions:

- a. The proposed technique will achieve one or both of the following goals, or it will pilot a technique that has the potential to achieve the goal(s) in the future after it is tested, and implementation issues have been worked out:
 - i. Reduce total construction cost by at least 10%; and/or
 - ii. Reduce the time a project is under for construction by at least 20%
- b. The proposed technique is one that Minnesota Housing typically does not see in projects that receive Minnesota Housing resources. For example, conventional wood frame construction with panelized walls is a construction technique often used in Minnesota and is not an alternative way to frame this condition. The proposed technique needs to be new and innovative.
- c. The proposed technique is feasible, can be replicated in future projects and has the potential to be brought to scale and used to meet different housing needs and in different settings. The technique has wide applicability.
- d. The development team is required to write and publicly release a report after the project has been completed, outlining lessons learned, such as: What worked well with the technique? What did not work well? What challenges and barriers did the development team run into, and how did it overcome them? How can future projects more effectively implement and use the construction technique, outlining promising practices and lessons learned?
- e. The use of the proposed technique is appropriate for the project and will not hinder its ability to provide quality housing on a timely basis, will last a long time and will meet the needs of tenants. The technique makes sense for this development.
- f. The project complies with Minnesota Housing's design standards and guidance. Minnesota Housing may grant waivers if they will allow particularly promising techniques to be tested, and the waivers will not substantially impact the quality and durability of the housing.

The applicant must provide the required pre-application documentation by the required pre-application deadline. The due date will be established prior to the application deadline for the Multifamily Consolidated RFP or HTC Round 2. Failure to submit all required pre-application materials may result in rejection of the pre-application. Applicants must complete the ICT narrative and submit documentation via the pre-application process to demonstrate how the project meets the requirements outlined in the ICT narrative. Provide Minnesota Housing's innovative construction techniques confirmation letter with the application.

Projects applying via 4% HTC Only Round are not required to submit a pre-application and can submit the materials as part of the application.

B. Universal Design (3 Points)

1. The project will incorporate Universal Design Features. A Universal Design unit is a unit that includes all Minimum Essential Universal Design Features, along with eight Optional Features for units in a new construction or adaptive re-use project, and four Optional Features for units in a rehabilitation project. Type A accessible units (as referenced in Minnesota Housing's Rental Housing Design and Construction Standards) also meet the definition of a Universal Design Unit.

The Universal Design Worksheet must be included with the application. A list of the required Minimum Essential Universal Design and Optional Features can be found in the Universal Design Worksheet.

Select one:

- a. ☐ An elevator building with 100% of the total units meeting the definition of a Universal Design Unit **(3 points)**
Number of units: _____
- b. ☐ A non-elevator building with at least 10% of the total units meeting the definition of a Universal Design Unit **(3 points)**
Number of units: _____

C. Enhanced Sustainability (1 to 12 Points)

The project will incorporate additional sustainability criteria into its design. **The applicant must complete the "How Will Criteria Be Implemented" column within the applicable year's Multifamily Intended Methods Worksheet and clearly explain how each selected Optional Criteria point and alternative building performance pathway (Tier 3 and Tier 4) will be implemented.** The selected Optional Criteria point total on the Multifamily Intended Methods Worksheet must reconcile with the minimum number of Optional Criteria points required for the applicable tier, if claiming Tier 1 or Tier 2 points.

Applicants can select just Tier 1, Tier 2, Tier 3 or Tier 4; or a combination of Tiers 1 and 3, Tiers 2 and 3, Tiers 1 and 4 or Tiers 2 and 4 for a maximum of 12 points. Please note all buildings in the project with residential units, regardless, if claiming or not claiming point(s) for enhanced sustainability, must be certified through the ENERGY STAR Residential New Construction Program using ENERGY STAR Multifamily New Construction (MFNC), ENERGY STAR Manufactured Homes and/or ENERGY STAR Certified Homes as relevant. Refer to applicable MN Overlay for additional information regarding

baseline requirements. Actual enrollment of project with Enterprise Green Communities Criteria (EGCC) is not required for any selected tier or combination of tiers.

1. ☐ Tier 1: The project will include at least two times the minimum number of Optional Criteria points, in addition to the Required Mandatory Criteria, as outlined within the applicable year's Minnesota Overlay to Enterprise Green Communities Criteria (EGCC) and as claimed in the Multifamily Intended Methods Worksheet. **(2 points)**
2. ☐ Tier 2: The project will include at least three times the minimum number of Optional Criteria points, in addition to the Required Mandatory Criteria, as outlined within the applicable year's Minnesota Overlay to EGCC and as claimed in the Multifamily Intended Methods Worksheet. **(4 points)**
3. ☐ Tier 3: The project will conform to at least one of the following alternative building performance pathways as claimed in the Multifamily Intended Methods Worksheet: **(6 points)**
 - a. Pathway 1¹⁰ (applicable to new construction and rehabilitation (rehab) projects): The project meets Minnesota B3 Sustainable Building 2030 (SB 2030) Energy Standard.
 - b. Pathway 2¹¹ (applicable to new construction projects only): Certify the project with the Department of Energy (DOE) Zero Energy Ready Home (ZERH) program.
 - c. Pathway 3 (applicable to rehabilitation (rehab) projects only): The project meets the 2020 EGCC – Criterion 5.1b Building Performance Standard. To receive points for Pathway 3, the project must follow the Performance Pathway as described in the applicable year's Minnesota Overlay to EGCC – Criterion 5.1b by providing an Energy Rater Index (ERI) Pathway by achieving one of the following ERI thresholds:
 - i. An ERI score of 80 or less for properties built in or after 1980;
 - ii. An ERI score of 100 or less for properties built before 1980; or
 - iii. A post-rehab ERI score at least 15% less than the pre-rehab ERI score.
4. ☐ Tier 4: The project will be certified by one of the following alternative building performance pathways as claimed in the Multifamily Intended Methods Worksheet **(8 points)**:

¹⁰ Follow Minnesota B3 Sustainable Building 2030 (SB 2030) Energy Standard. Compliance with SB 2030 Standard is achieved by a combination of on-site renewable energy generation and energy efficiency. Projects meeting SB 2030 Standard are evaluated for compliance during design, during construction and for a period of 10 years of occupancy. Compliance will be monitored through the B3-MSBG Tracking Tool. All buildings with residential units in the project must be certified through the ENERGY STAR Residential New Construction Program. Refer to applicable MN Overlay for additional information regarding baseline requirements.

¹¹ Follow 2020 EGCC – Criterion 5.2b Moving to Zero Energy: Near Zero Certification.

- a. Passive House Institute (PHI) Classic;
- b. Passive House Institute United States (PHIUS); or
- c. PHI EnerPHit (applicable to rehabilitation projects only)
- d. PHIUS CORE/Zero REVIVE (applicable to rehabilitation projects only)
- e. One of the following 2020 Enterprise Green Communities Criteria, Criterion 5.4 Achieving Zero Energy, Option 2 programs:
 - i. PHIUS + Source Zero;
 - ii. PHI Plus;
 - iii. PHI Premium;
 - iv. International Living Future Institute's Zero Energy Petal;
 - v. Zero Carbon Petal; or
 - vi. Living Building Challenge.

7. Unacceptable Practices

Minnesota Housing may impose penalty points for unacceptable practices as set forth in Chapter 2.J. of the QAP. **(-1 to -35 points)**



~~2024-2025~~ 2026-2027 Qualified Allocation Plan Methodology Guide

~~Applicable to the 2024 Multifamily Consolidated Request for Proposals (RFP) / 2025~~ Housing Tax
Credits ~~(HTC) March 2024~~ and Deferred Projects¹

Last Updated: November 2024

¹ Includes all 4% and 9% Housing Tax Credit (HTC) projects and deferred funds awarded through the annual ~~Multifamily Consolidated Request for Proposals (RFP)~~ as well as available financing throughout the year.

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~~No Multifamily Award in the Last Five Years — Greater Minnesota~~	~~38~~

~~2024~~2026 – ~~2025~~2027 QAP Methodology-Table

Introduction

~~2023~~Consolidated RFP/2024 HTC

~~Minnesota Housing will publish the geographic priorities for the 2023 Consolidated Request for Proposals (RFP)/2024 Housing Tax Credits (HTC) (Consolidated RFP) in June 2022 and update them in the spring of 2023 with the most currently available data as part of the early release of the Consolidated RFP application materials. Communities (areas) that were considered priority areas when the data was released in June 2022 will not be removed as part of the update in the spring of 2023. Communities (areas) can only be added as part of the spring 2023 data update.~~

The Federal Tax Reform Act of 1986 established the Low-Income Housing Tax Credit (HTC) Program for qualified residential rental properties. The HTC Program is one of the principal federal subsidies contained within tax law for acquisition/substantial rehabilitation and new construction of affordable rental housing.

Section 42 of the Internal Revenue Code (IRC) requires that allocating agencies develop and adopt a Qualified Allocation Plan (QAP) for the distribution of HTCs within their jurisdiction. Minnesota Housing also uses its QAP to set the overall funding priorities for the annual Multifamily Consolidated Request for Proposals (RFP).

Minnesota Housing's QAP includes:

~~2024~~Consolidated RFP/2025 HTC

- Qualified Allocation Plan document: Sets forth the policies and procedures according to which Minnesota Housing makes Allocations of 9% HTC and Awards of 4% HTC.
- Self-Scoring Worksheet: Sets forth the selection criteria and funding priorities that Minnesota Housing will use to prioritize applications requesting 9% HTC and 4% HTC and/or other agency resources available through the RFP.

The purpose of the QAP Methodology Guide (Guide) is to explain several geographic priorities that are selection criteria outlined in the Self-Scoring Worksheet. This Guide is a reference document to help applicants that are applying for 4% or 9% HTC or deferred funds through the Multifamily Consolidated RFP. In the event of any conflict between this Guide and the QAP, the QAP controls.

For each methodology, there is a definition, the data sources used to create the definition, time frames to consider and other notes. Applicants should review this Guide when selecting points in the Scoring Wizard found in the Multifamily Customer Portal. Applicants can also map project locations and determine applicable selection criteria points through the Community Profiles interactive map.

Capitalized terms used but not otherwise defined in this Guide have the meanings set forth in the QAP.

Timeline for Publication and Updates

The following table outlines the general timeline for when Minnesota Housing will publish the Guide applicable to the 2026-2027 QAP and when to expect updated versions.

The analysis methods used to identify communities and priorities will not change from the ~~2023~~2025 Multifamily Consolidated RFP/~~2024 HTC to the 2024~~2026 HTCs to the 2026 Multifamily Consolidated RFP/~~2025 HTC.~~2027 HTCs. However, the most current data sources will be used to identify the initial communities that meet the geographic priority for the ~~2024~~2026 Multifamily Consolidated RFP/~~2025- HTC~~2027 HTCs. Communities that were eligible for points as part of the ~~2023~~2025 Multifamily Consolidated RFP/~~2024 HTC~~2026 HTCs might *not* be eligible for those points during the ~~2024~~2026 Multifamily Consolidated RFP/~~2025 HTC.~~2027 HTCs

Table 1: 2026-2027 Guide Timeline

<u>Time</u>	<u>Activity</u>
<u>June 2024</u>	<u>Minnesota Housing publishes a draft of the Guide along with drafts of the QAP and Self-Scoring Worksheet. Minnesota Housing holds two rounds of public comment periods between June – October 2024.</u>
<u>Late November 2024</u>	<u>The Guide is available on Minnesota Housing’s website after Minnesota Housing board approval. This version can be used by applicants to prepare their applications for the 2025 Multifamily Consolidated RFP/2026 HTCs.</u>
<u>Spring 2025</u>	<u>Minnesota Housing publishes an updated Guide for the 2025 Multifamily Consolidated RFP/2026 HTCs rounds based on updated data. The Guide is part of the application release of the Multifamily Consolidated RFP application materials.</u>
<u>Fall 2025</u>	<u>Minnesota Housing publishes the Guide for the 2026 Multifamily Consolidated RFP/2027 HTCs.</u>
<u>Spring 2026</u>	<u>Minnesota Housing publishes an updated Guide for the 2026 Multifamily Consolidated RFP/2027 HTCs rounds based on updated data. The Guide is part of the application release of the Multifamily Consolidated RFP application materials.</u>

Interactive Maps

~~Communities and geographic priorities have been updated to include the most recent available data. There will be no additional updates prior to the release of the 2024 Consolidated RFP/2025- HTC.~~

~~The methodologies and their corresponding data sources for the 2023 Consolidated RFP/2024 HTC and 2024 Consolidated RFP/2025 HTC are outlined below. Please refer to each individual methodology document for more detailed descriptions.~~

Interactive maps for past, current, ~~and~~ future geographic scores ~~are accessible at~~ <https://www.mnhousing.gov/policy-and-research/community-profiles.html> ~~can be found on~~ [Minnesota Housing's Community Profiles webpage](#).

Hold Harmless Provision - Returning Applicants and New Applicants

We recognize applicants often select a location for their projects based on Minnesota Housing's geographic priorities and that applicants may need to apply more than once ~~before receiving funding for that project~~ [due to the overall number of projects requesting resources in comparison to the limited resources available in a given year](#). Because of this, Minnesota Housing will allow applicants who applied but were not selected ~~for funding in the 2022~~ [in the 2025 Multifamily](#) Consolidated RFP/[2023](#)[2026](#) HTC Round 1 and/or [2023](#)[2026](#) HTC Round 2 to reapply and use the geographic scores ~~from the prior year for that project. Similarly, applicants that applied but were not selected for~~ funding in the [2023](#)[2026 Multifamily](#) Consolidated RFP/[2024](#)[2027](#) HTC Round 1 and/or [2024](#)[2027](#) HTC Round 2 ~~can reapply in the 2024 Consolidated RFP/2025 HTC Round 1 and/or 2025 HTC Round 2 using the prior year's score for that project.~~ [Applicants who elect the provision are only eligible for the points they claimed in the prior application.](#)

[Note: There is not a hold harmless provision between the 2024-2025 QAP and the 2026-2027 QAP due to the changes in the geographic criteria.](#)

The hold harmless provision applies to all the scoring ~~categories~~ [criteria](#) in the table below, except for the ~~No~~-Multifamily Awards ~~in the Past 5 Years category. Minnesota Housing recognizes that communities are applying for scarce resources and~~ [History and the Qualified Census Tracts \(QCT\) selection criteria](#). The Multifamily Awards History selection criterion is excluded because the intent of this ~~category~~ [criterion](#) is to award points to [projects located in](#) a community that has not received funding in ~~recent history~~ [the preceding five years](#). The QCT selection criterion is excluded because [HUD designates QCTs annually and each notice has specified locations and effective dates. Visit HUD's website for more information on QCTs.](#)

New applicants or previously selected projects must use the updated geographic scores for the corresponding [Multifamily Consolidated RFP](#) scoring round. For example, an applicant [to the 2026 Multifamily Consolidated RFP/2027 HTC Rounds 1 or 2](#) with a new or previously selected project ~~in the 2023 Consolidated RFP/2024 HTC Round 1 or 2024 HTC Round 2~~ must use the geographic scores for the ~~2023~~[2026 Multifamily Consolidated RFP/2027](#) HTC [Rounds 1 and 2](#). The ability to use the prior year's geographic scores only applies to projects that previously applied and who were not selected ~~for funding~~.

Methodologies and Definitions

Table 2: 2026-2027 QAP Data Methodology

Methodology	Definition	Data Sources	Annual Review of Eligibility	Other Notes
~~Need-~~ ~~for~~ Access to More Affordable Housing_ (Selection Criterion 3.A)	Communities ~~with a need-~~ ~~for more-~~ ~~affordable-~~ ~~housing-~~ ~~options that~~ either have a low share of affordable rental housing compared to all housing options ~~in a-~~ ~~community-~~ OR a large share of renters ~~that~~ are cost burdened by their rent- ~~(30% or more-~~ ~~of household-~~ ~~income spent-~~ ~~on rent)-~~ =	Data source for low share of affordable rental housing compared to all housing; ~~HUD-~~ ~~Comprehensive-~~ ~~Housing-~~ ~~Affordability-~~ ~~Strategy (CHAS)-~~ ~~data:-~~ https://www.huduser.gov/portal/datasets/cp.html ; United States Department of Housing and Urban Development (HUD), Consolidated Planning/Comprehensive Housing Affordability Strategy (CHAS) data Data source for large share of renters that are cost burdened by their rent; United States (U.S.) Census Bureau, American Community Survey (ACS) ;	*Pay close attention if your community met the scoring criteria when ~~the data was-~~ ~~originally published-~~ ~~but did not with the-~~ ~~release of the-~~ ~~2024~~ Minnesota Housing published the data in November 2024 but no longer meets the scoring criteria when application materials for the 2025 Multifamily Consolidated RFP/2026 HTC data that are released in spring 2025. Your project is still eligible to receive the points for the ~~current~~ 2025 Multifamily Consolidated RFP/2026 HTC round rounds, but it may be an early indicator that it may not meet the criteria	Affordable rental housing is considered housing with rents affordable to households with incomes at or below 50% Area Median Income (AMI). Cost burdened is 30% or more of household income spent on rent.

Methodology	Definition	Data Sources	Annual Review of Eligibility	Other Notes
		data.census.gov	for the following year's Multifamily Consolidated RFP/HTC rounds.	

Methodology	Definition	Data Sources	Annual Review or Eligibility	Other Notes
Workforce Housing Communities (Selection Criterion 3.B)	Communities that are regional job centers have experienced job growth over a five-year period or have a significant large portion of the workforce that travels 30+ miles into that community for work.	Data source for job growth and job centers: Minnesota Department of Employment and Economic Development (DEED)- ~~Quarterly Census of Employment and Wages:~~ https://mn.gov/deed/data/data-tools/quarterly-census-of-employment-and-wages Data source for long commute communities: ~~US Census Bureau's Longitudinal Employer Household Dynamics (LEHD) program:~~ <a (lehd)<="" :="" a="" bureau,="" census="" dynamics="" employer-household="" href="https://lehd.ces.census.gov/data/" longitudinal="" u.s.="">	~~* Due to the impact that the COVID pandemic had on employment across Minnesota's communities, Minnesota Housing will continue to use the 2022 Consolidated RFP/2023 HTC workforce housing communities for the duration of the 2024-2025 QAP as a hold harmless provision. Minnesota Housing will continue to evaluate job growth and long commute communities, as defined in the current methodology, and add any NEW workforce communities with updated jobs~~	~~Communities~~ Cities/towns must have 2,000+ jobs to be considered a workforce housing community or have an individual employer that has had a net increase of 100+ permanent employees over the past five years. A five-mile commuted buffer is applied in the Twin Cities 7-County ~~Twin Cities~~ Metropolitan Area, ² and a 10-mile commuted buffer is applied for Greater Minnesota Communities communities .

² [As defined in the QAP.](#)

Methodology	Definition	Data Sources	Annual Review or Eligibility	Other Notes
		Program.	~~numbers. No communities will be removed from the existing methodology during the 2024-2025 QAP.~~ Pay close attention if your community met the scoring criteria when Minnesota Housing published the data in November 2024 but no longer meets the scoring criteria when application materials for the 2025 Multifamily Consolidated RFP/2026 HTC that are released in spring 2025. Your project is still eligible to receive the points for the 2025 Multifamily Consolidated RFP/2026 HTC rounds, but it may be an early indicator that it may not meet the criteria for the following year's Multifamily Consolidated RFP/HTC rounds.	
Methodology	Definition	Data Sources	Annual Review of Eligibility	Other Notes

Methodology	Definition	Data Sources	Annual Review or Eligibility	Other Notes
Transit and Walkability <u>(Selection Criterion 3.C)</u>	~~Access~~ <u>Communities with access</u> to transit, either fixed route or demand response. ~~Located in a~~ <u>and/or</u> walkable ~~area~~ <u>areas</u> with nearby amenities.	Metro Transit, Minnesota Valley Transit Authority (MVTA), Duluth Transit Authority, East Grand Forks Transit, La Crescent Apple Express, Mankato Transit, Moorhead Transit (MATBUS), Rochester Public Transit, Saint Cloud Metro Bus. <u>Data for demand response and dial-a-ride transit services in Greater Minnesota Rural and Small Urban Areas is accessible on Minnesota Department of Transportation's (MnDOT) Transit in Greater Minnesota webpage</u> <u>Walk Scores according to www.walkscore.com</u>	~~*Pay close attention if your community met the scoring criteria when the data was originally published but did not with the release of the 2024~~ <u>Minnesota Housing published the data in November 2024 but no longer meets the scoring criteria when application materials for the 2025 Multifamily Consolidated RFP/2026 HTC data</u> that are released in spring 2025. Your project is still eligible to receive the points for the ~~current~~ <u>2025 Multifamily Consolidated RFP/2026 HTC round</u> rounds, but it may be an early indicator that it may not meet the criteria for the following year's <u>Multifamily Consolidated RFP/HTC</u> rounds.	~~Data for demand response and dial-a-ride transit services in Greater Minnesota Rural and Small Urban Areas is accessible on MnDOT's transit website~~ <u>https://www.dot.state.mn.us/transit/find-your-transit-provider.html</u>

Methodology	Definition	Data Sources	Annual Review of Eligibility	Other Notes
Rural/Tribal Designated Areas <u>(Selection Criterion 4.C)</u>	Areas outside of the Twin Cities 7-County Metropolitan Area ¹ and Greater Minnesota urbanized areas.	~~Rural/Tribal Designated Areas are not subject to change~~ <u>Data source: Minnesota Demographer's Office Historic Estimates.</u>	<u>Data published for the 2025 Multifamily Consolidated RFP/2026 HTC will remain unchanged through the 2025 Multifamily Consolidated RFP/2026 HTC. Communities will not change tiers.</u> ~~No annual review needed. Areas eligible for these points are not subject to change.~~ <u>Data published in 2025 for the 2026 Multifamily Consolidated RFP/2027 HTC will remain unchanged through the 2026 Multifamily Consolidated RFP/2027 HTC. Communities will not change tiers.</u>	~~Tier 1 — The project is located in a Rural/Tribal Designated Area and within a community that has a population fewer than 5,000.~~ ~~Tier 2 — The project is located in a Rural/Tribal Designated Area and within a community that has a population at or greater than 5,000.~~

Methodology	Definition	Data Sources	Annual Review of Eligibility	Other Notes
Tribal Equivalent ~~Qualified Census Tracts (QCTs Areas (Selection Criterion 4.D))~~	~~In addition to HUD-designated QCTs,~~ Tribal Reservations ~~are evaluated whether they and~~ <u>Dakota Communities</u> <u>determined to</u> meet the same criteria as HUD QCTs.	Data source: <u>U.S. Census Bureau,</u> American Community Survey (ACS); ~~data.census.gov~~	*Pay close attention if your community met the scoring criteria when ~~the data was originally published but did not with the release of the 2024~~ <u>Minnesota Housing published the data in November 2024 but no longer meets the scoring criteria when application materials for the 2025 Multifamily Consolidated RFP/2026 HTC data</u> <u>that are released in spring 2025.</u> Your project is still eligible to receive the points for the ~~current~~ <u>2025 Multifamily Consolidated RFP/2026 HTC round</u> <u>rounds</u> , but it may be an early indicator that it may not meet the criteria for the following year's <u>Multifamily Consolidated RFP/HTC rounds.</u>	~~HUD QCT Designation Algorithm found here:-~~ <u>https://www.huduser.gov/portal/qct/QCT_Algorithm.html</u> <u>HUD QCT Designation Algorithm provides the algorithm used by HUD to designate the Qualified Census Tracts (QCTs).</u>

Methodology	Definition	Data Sources	Annual Review of Eligibility	Other Notes
Opportunity Zones	Community development program established by Congress in the Tax Cut and Jobs Act of 2017 to encourage long term investments in low income and urban communities nationwide.	Census tracts were nominated by Governor Dayton and certified and designated by the U.S. Department of Treasury in May 2018.	No annual review needed. Areas eligible for these points are not subject to change.	These are Census tract based areas.

Methodology	Definition	Data Sources	Annual Review of Eligibility	Other Notes
~~No~~-Multifamily Awards in the Past Five Years Award History (Selection Criterion 4.E)	Cities or townships ~~that have not~~ in which no project has received ~~an~~ a qualified award from Minnesota Housing in the past five years.	• <u>Multifamily Consolidated RFP</u> (Excludes: Projects solely funded by a funding partner) ○ HTC Round 1 ○ HTC Round 2 ○ Any Minnesota Housing deferred funding source - Excludes: Projects solely funded by a funding partner • Pipeline projects with any eligible multifamily deferred funding source. • 4% only HTC projects	Data published in ~~2022 for the 2023~~ for the 2025 Multifamily Consolidated RFP/~~2024~~2026 HTC will remain unchanged through the ~~2023~~2025 Multifamily Consolidated RFP/~~2024~~2026 HTC. Communities will not be added or removed. Data published in ~~2023 for the 2024~~2025 for the 2026 Multifamily Consolidated RFP/~~2025~~2027 HTC will remain unchanged through the ~~2024~~2026 Multifamily Consolidated RFP/~~2025~~2027 HTC. Communities will not be added or removed.	Minnesota Housing will not ~~use~~consider the most recently awarded or allocated Multifamily Consolidated RFP funding, but rather will set the cut off one complete year prior. This allows communities advance notice to determine what communities are/are not included in this scoring criterion. For example, for the 2025 Multifamily Consolidated RFP/2026 HTC Round 1, Minnesota Housing will not consider selections from the 2024 Multifamily Consolidated RFP/2025 HTC Round 1.

~~2024-2025 QAP Need for~~ Access to More Affordable Housing ~~Options-~~ Methodology

~~2024 Consolidated RFP/2025 HTC~~

Access to More Affordable Housing Communities ~~with a need for more affordable housing options-~~ either have a low share of affordable rental¹ housing³ compared to all housing options in a community²⁴ **OR** a large share of renters are cost burdened by their rent³⁵ (30% or more of household income spent on rent).

Access to More Affordable Housing Communities are geographically defined by census tracts in the Metropolitan Area, ~~as defined in the QAP, and.~~ Access to More Affordable Housing Communities in Greater Minnesota — Urbanized Areas⁴ (these include ~~Duluth, East Grand Forks, La Crescent, Mankato, Moorhead, Rochester, and Saint Cloud~~). For Greater Minnesota — Reservations and Rural/Small Urban Areas⁵, communities are is geographically defined by ~~reservation~~ Reservation boundaries or ~~place (city)~~ boundaries.

Projects ~~located in communities-~~ are eligible for ~~these~~ points if under selection criterion 3.A of the 2026-2027 Self-Scoring Worksheet if they are located in one of the following tiers of Access to More Affordable Housing Communities:

- Tier 1 Tracts or Cities, ~~and Tribal~~ Reservations ~~(10, Dakota Communities or Tribal Trust Land~~ (6 points): those census tracts or cities in the ~~80th~~ 66.67th percentile or higher ~~in for~~ the ~~highest~~ share of cost burdened renters **OR** in the ~~lowest~~ 0-33.33rd percentile for having a low share of

¹ ~~Affordable at or below 50% Area Median Income (AMI).~~

³ Rental housing with rents affordable to households with incomes at or below 50% Area Median Income (AMI).

²⁴ Analysis based on ~~data from the HUD Comprehensive Housing Affordability Strategy (CHAS) data; 2015-2019 and 2016-2020;~~ <https://www.huduser.gov/portal/datasets/cp.html> 2016-2020 HUD Comprehensive Housing Affordability Strategy (CHAS) data.

³⁵ Analysis based on data from the U.S. Census Bureau American Community Survey (ACS) ~~2017-2021 and~~ 2018-2022; ~~data.census.gov.~~

⁴ ~~Defined by the U.S. Census as places/urban areas with populations greater than 50,000.~~

⁵ ~~Communities with 500 or more households were used as a minimum threshold. In urban areas with populations less than 50,000.~~

affordable rental housing ~~relative to the community type~~ compared to all housing options.

Tribal Reservations, Dakota Communities and Tribal Trust Lands are also considered Tier 1 ~~for having a need for more affordable housing options.~~

- **Tier 2 Tracts or Cities (4 points):** those census tracts or cities in the 33.34th –66.66th percentile for the share of cost burdened renters **OR** in the 33.34th –66.66th percentile for having a low share of affordable rental housing compared to all housing options.
- **Tier 23 Tracts or Cities (82 points):** those census tracts or cities in the ~~50–79th~~ 0–33.33rd percentile ~~in for the highest~~ share of cost burdened renters **OR** in the ~~lowest~~ 66.67th –100th percentile for having a low share of affordable rental housing ~~relative to the community type~~ compared to all housing options.

To acknowledge differences in community types, percentiles were created by separately comparing census tracts ~~within each community type~~ in the Metropolitan Area¹ and comparing places (cities) in Greater Minnesota.

This document includes maps of the census tracts in the Metropolitan Area¹ and places or Reservations in Greater Minnesota that meet the ~~two~~ one of the three tiers of Need for Access to More Affordable Housing Options for the Metropolitan Area, as defined in the QAP, and Greater Minnesota—Urbanized Areas. For Greater Minnesota—Reservations and Rural/Small Urban Areas a map and table of eligible places are provided Communities. Applicants can map project locations and determine ~~Need for~~ how many points they can claim under selection criterion 3.A of the 2026-2027 Self-Scoring Worksheet, Access to More Affordable Options points Housing through the ~~Community Profiles~~ interactive map at www.mnhousing.gov/profiles Community Profiles interactive map.

~~When Minnesota Housing updates the Methodology Guide, if~~ additional areas become eligible applying the same criteria highlighted above using ~~2016–2020~~ 2017–2021 CHAS data or ~~2018–2022~~ 2019–2023 ACS data, Minnesota Housing will add them to the maps; no areas will be subtracted from the maps with the update. Refer to the ~~2024–2025 QAP Data Methodology~~ Guide Timeline table for more information on how data updates may impact point eligibility under this category. ~~UPDATE: Communities have been added to include the most recent eligible areas.~~

~~Twin Cities 7-County Metropolitan Area~~[selection criterion.](#)

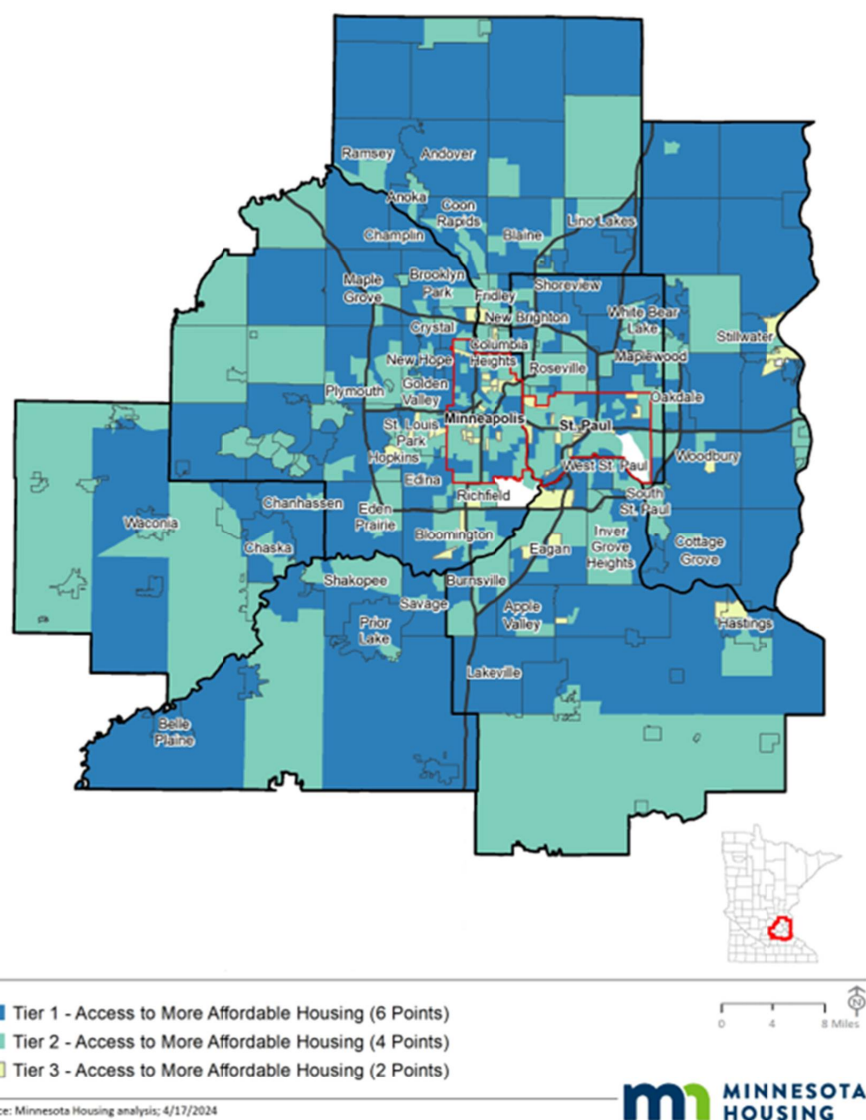
Greater Minnesota—Urbanized Areas

Metropolitan Area Access to More Affordable Housing Communities

Identification of Access to More Affordable Housing Communities in the Metropolitan Area¹ is based on analysis of two criteria at the census tract scale: 1) share of all renter households that are cost burdened; and 2) share of all housing units that is rental housing affordable to households with incomes at or below 50% AMI.

- If a census tract is in the 66.67th-100th percentile for cost burden **OR** 0-33.33rd percentile for lacking affordable rental options, it is considered Tier 1. Tribal Reservations, Dakota Communities and Tribal Trust Lands are also considered Tier 1.
- Tier 2 includes census tracts in the 33.34th-66.66th percentile for cost burden **OR** 33.34th-66.66th for lacking affordable rental options.
- Tier 3 includes census tracts in the 0-33.33rd percentile for cost burden **OR** 66.67th-100th for lacking affordable rental options.

Figure 1: Access to More Affordable Housing Communities – Metropolitan Area¹



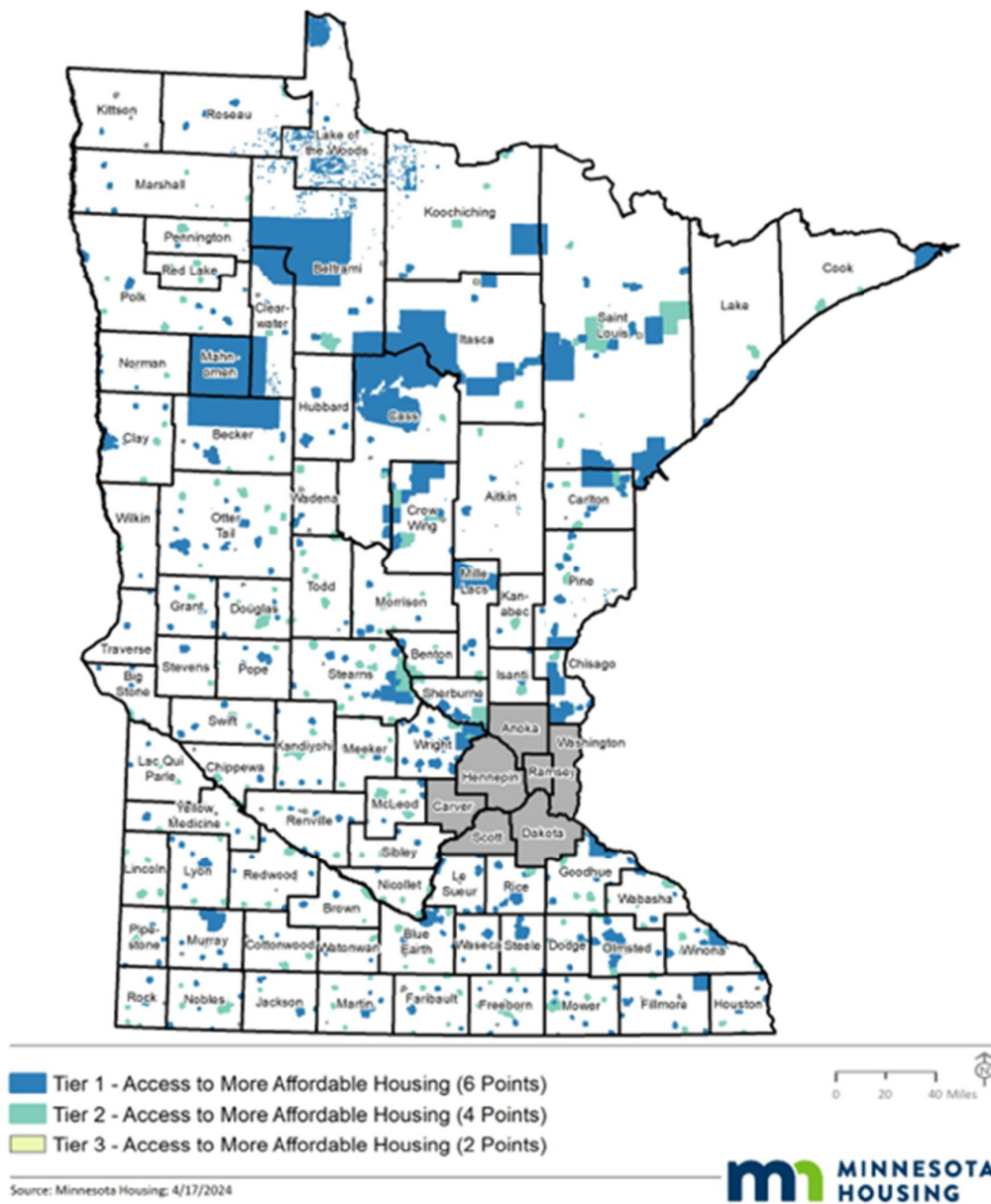
Reservations and Greater Minnesota –Urbanized Areas continued Access to More Affordable Housing Communities

Identification of Access to More Affordable Housing Communities in Greater Minnesota is based on analysis of two criteria at the city scale: 1) share of all renter households that are cost burdened; and 2) share of all housing units that is rental housing affordable to households with incomes at or below 50% AMI.

- If a city is in the 66.67th-100th percentile for cost burden **OR** 0-33.33rd percentile for lacking affordable rental options, it is considered Tier 1. Tribal Reservations, Dakota Communities and Tribal Trust Lands are also considered Tier 1.
- Tier 2 includes cities in the 33.34th-66.66th percentile for cost burden **OR** 33.34th-66.66th for lacking affordable rental options.
- Tier 3 includes cities in the 0-33.33rd percentile for cost burden **OR** 66.67th-100th for lacking affordable rental options.

Greater Minnesota – Rural and Small Urban Areas

Need for [Figure 2: Access to More Affordable Housing: Communities – Reservations and Greater Minnesota-Rural/Small Urban Areas](#)



~~2024-2025 QAP~~ Workforce Housing Communities Methodology

2024 Consolidated RFP/2025 HTC

~~Due to the impact that the COVID pandemic has had on employment across Minnesota's communities, Minnesota Housing will continue to use the 2022 RFP/2023 HTC workforce housing communities for the duration of the 2024-2025 QAP as a hold harmless provision. Minnesota Housing will continue to evaluate job growth and long commute communities, as defined in the current methodology, and add any NEW workforce communities with updated jobs numbers. No communities will be removed from the existing methodology during the 2024-2025 QAP. UPDATE: Communities have been added to include the most recent eligible areas.~~

Workforce Housing Communities ~~with a need for workforce housing~~ are identified using data on: (1) total jobs~~4~~₂; (2) five-year job growth~~7~~₂; or (3) long distance commuting. Data on jobs and growth are from ~~the Minnesota Department of Employment and Economic Development's~~ DEED's Quarterly Census of Employment and Wages.⁶ Data on commuting are from the U.S. Census Bureau's Longitudinal Employer – Household Dynamics program.⁷ Workforce ~~housing areas~~ Housing Communities are defined separately for the Metropolitan Area ~~as defined in the QAP~~¹ and Greater Minnesota. ~~The priority~~ Selection criterion 3.B of the 2026-2027 Self Scoring Worksheet has two point levels, 6 and 3 points. The following sections describe the eligible communities and buffers around these communities for the two regions. Applicants will find interactive maps to identify whether a property falls within these areas ~~at on~~ Minnesota Housing's ~~website at~~ www.mnhousing.gov/profiles Community Profiles webpage. Refer to ~~the 2024-2025~~ Table 2: 2026-2027 QAP Data Methodology table for more information on how data updates may impact point eligibility under this category.

Workforce Housing Communities include Top Job Centers, Net Five Year Job Growth Communities, Individual Employer Growth Communities, and Long Commute Communities, each as defined below.

⁶The five-year job growth communities presented in this methodology are for ~~2014-2019, 2015-2020, 2016-2021, and 2017-2022.~~ ~~Data source: <https://mn.gov/deed/data/data-tools/qcew/>~~ Source: DEED's Quarterly Census of Employment and Wages (QCEW).

⁷ Data from LEHD are ~~current to for~~ for 2021. Minnesota Housing will also add eligible communities with more current data if available by application release. ~~Data source:-~~ <https://lehd.ces.census.gov/data/> Source: U.S. Census Bureau LEHD data.

1. Projects are eligible for **6 Points** if the project is located in a Workforce Housing Community that meets one or more of the following criteria:

• **6 Points**

- ~~Top Job Centers.~~ **Center:** A community ~~is eligible if it~~ that is one of the top ~~10 job centers in Greater Minnesota or the top five~~ 5 job centers in the ~~Metropolitan Area as defined in the QAP region.~~⁸ Communities are buffered by 10 miles in Greater Minnesota and 5 miles in the Metropolitan Area ~~as defined in the QAP~~¹ to account for a modest commuteshed.

~~{ OR }~~

- ~~Net Five Year Job Growth.~~ **Community:** A community in Greater Minnesota ~~if they have~~ that has at least 2,000 jobs in the current year and had ~~a net positive~~ job growth ~~of at least 100 jobs~~ in the last five years. ~~In the~~ or a community in the Metropolitan Area, ~~as defined in the QAP, the minimum net job growth is 500.~~ that had at least 2,000 jobs at the start of the five year period and experienced at least net 500 job growth in the last five years Communities are buffered by 10 miles in Greater Minnesota and 5 miles in the Metropolitan Area ~~as defined by the QAP~~¹ to account for a modest commuteshed.

~~{ OR }~~

- ~~Individual Employer Growth.~~ **Community:** A community ~~is eligible if in~~ which an individual employer has added at least 100 net jobs (for permanent employees of the company) in that community during the last five years ~~and can~~. The applicant must provide sufficient documentation signed by an authorized representative of the company to prove the growth.

2. **OR** Projects are eligible for **3 Points** if the project is located in a Workforce Housing Community that meets the following criterion:

~~{ OR }~~

• **3 Points**

- ~~Long Commute Communities.~~ **Community:** A community ~~is eligible if it~~ that has at least 2,000 jobs in the current year ~~and~~, is not a ~~top job center, job growth community, or an individual employer growth community, yet is identified as a long commute community. These are communities~~ Top Job Center, Net Five Year Job Growth Community, or an Individual Employer Growth Community, and where 15% or more of the ~~communities'~~ community's workforce travels 30+ miles into the community for

⁸ Regions are defined using Regional Housing Advisory Group (RHAG) definitions.

work. Communities are buffered by 10 miles in Greater Minnesota and 5 miles in the Metropolitan Area, ~~as defined by the QAP,~~¹ to account for a modest commuteshed.

The maps and tables below and on following pages list and display ~~eligible areas~~ [Workforce Housing Communities](#) for the Metropolitan Area, ~~as defined by the QAP, (pages 2 – 4)~~¹ and Greater Minnesota ~~(pages 5 – 7)~~. If additional communities become eligible prior to release of the [Multifamily Consolidated RFP](#), Minnesota Housing will add them to the lists; no communities will be subtracted from the lists with the update.

Metropolitan Area Top Job Centers Communities

The Twin Cities 7-County Metropolitan Area ~~as defined by the QAP~~ Top Job Centers ~~and~~, according to the Minnesota Housing analysis of DEED’s most recent Quarterly Census of Employment and Wages (2017-2022), are:

- [Minneapolis, Hennepin County](#)
- [Saint Paul, Ramsey County](#)
- [Bloomington, Hennepin County](#)
- [Eden Prairie, Hennepin County](#)
- [Plymouth, Hennepin County](#)

Metropolitan Area Net Five Year Job Growth Communities ~~2014-2019, 2015-2020, 2016-2021 or 2017-2022~~

~~(6 Points)~~

~~Source: Minnesota Housing analysis of Minnesota Department of Employment and Economic Development Quarterly Census of Employment and Wages (2014-2019, 2015-2020, 2016-2021 or 2017-2022).~~

The Twin Cities 7-County Metropolitan Area ~~Long Commute Communities~~ communities with at least 2,000 jobs and net job growth of 500 jobs or more in a five-year (2017-2022) period, according to the Minnesota Housing analysis of DEED’s most recent Quarterly Census of Employment and Wages (2017-2022), are:

~~(3 Points)~~

~~Source: Minnesota Housing analysis of U.S. Census Longitudinal Employer Household Dynamics Data, 2018, 2019, 2020 and 2021.~~

~~Metro Workforce Housing Communities for 2024-2025 QAP~~

~~Greater Minnesota Job Centers and Job Growth Communities 2014-2019, 2015-2020, 2016-2021 or 2017-2022~~

~~(6 Points)~~

~~Source: Minnesota Housing analysis of Minnesota Department of Employment and Economic Development Quarterly Census of Employment and Wages (2014-2019, 2015-2020, 2016-2021 and 2017-2022).~~

- [Andover, Anoka County](#)
=
- [Bayport, Washington County](#)
=
- [Blaine, Anoka County](#)
=
- [Bloomington, Hennepin County](#)
=
- [Brooklyn Park, Hennepin County](#)
=
- [Coon Rapids, Anoka County](#)
=
- [Cottage Grove, Washington County](#)
=
- [Eden Prairie, Hennepin County](#)
=
- [Fridley, Anoka County](#)
=
- [Hopkins, Hennepin County](#)
=
- [Inver Grove Heights, Dakota County](#)
=
- [Lakeville, Dakota County](#)
=

- [Maple Grove, Hennepin County](#)
=
- [Medina, Hennepin County](#)
=
- [Minneapolis, Hennepin County](#)
=
- [North Saint Paul, Ramsey County](#)
=
- [Osseo, Hennepin County](#)
=
- [Plymouth, Hennepin County](#)
=
- [Richfield, Hennepin County](#)
=
- [Rogers, Hennepin County](#)
=
- [Rosemount, Dakota County](#)
=
- [Saint Paul, Ramsey County](#)
=
- [Savage, Scott County](#)
=
- [Shakopee, Scott County](#)
=
- [Vadnais Heights, Ramsey County](#)
=
- [Woodbury, Washington County](#)
=

Metropolitan Area Long Commute Communities

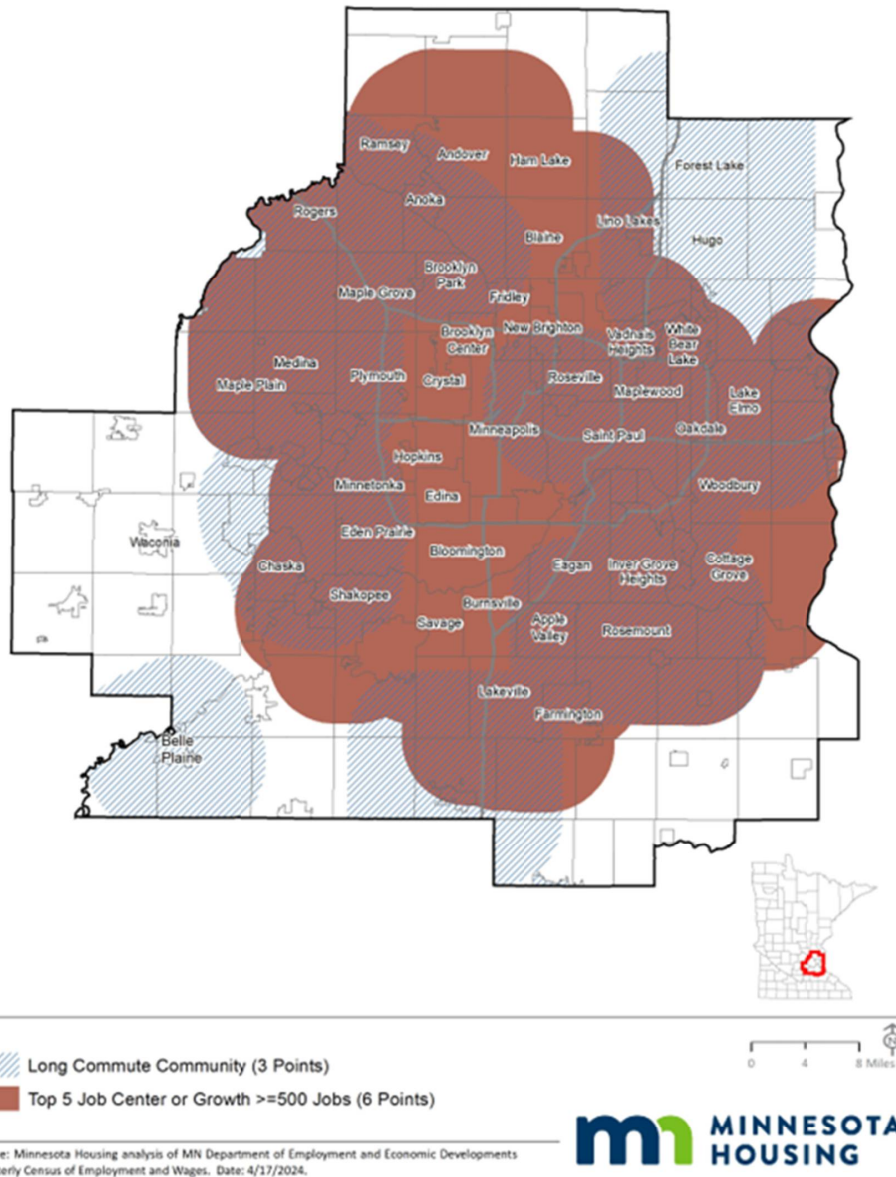
The Twin Cities 7-County Metropolitan Area Long Commute Communities, according to the Minnesota Housing analysis of the most recent U.S. Census Bureau Longitudinal Employer Household Dynamics data (2021), are:

- [Belle Plaine, Scott County](#)
=
- [Champlin, Hennepin County](#)
=
- [Chanhassen, Carver and Hennepin Counties](#)
=
- [Falcon Heights, Ramsey County](#)
=
- [Forest Lake, Washington County](#)
=
- [Hugo, Washington County](#)
=

- [Lake Elmo, Washington County](#)
=
- [Medina, Hennepin County](#)
=
- [New Market Township, Scott County](#)
=
- [North Saint Paul, Ramsey County](#)
=
- [Oakdale, Washington County](#)
=
- [Rogers, Hennepin County](#)
=
- [Rosemount, Dakota County](#)
=
- [South St. Paul, Dakota County](#)
=

Metropolitan Area Workforce Housing Communities

Figure 3: Workforce Housing Communities – Metropolitan Area¹



Greater Minnesota Top Job Centers Communities

The Greater Minnesota Top Job Centers , according to the Minnesota Housing analysis of DEED's most recent Quarterly Census of Employment and Wages (2017-2022), by region are:

- Northeast Region
 - Duluth, Saint Louis County
 - Grand Rapids, Itasca County
 - Hibbing, Saint Louis County
 - Cloquet, Carlton County

- [Virginia, Saint Louis County](#)
- [Northwest Region](#)
 - [Bemidji, Beltrami County](#)
 - [Thief River Falls, Pennington County](#)
 - [Crookston, Polk County](#)
 - [Park Rapids, Hubbard County](#)
 - [Roseau, Roseau County](#)
- [West Central Region](#)
 - [Alexandria, Douglas County](#)
 - [Moorhead, Clay County](#)
 - [Detroit Lakes, Becker County](#)
 - [Fergus Falls, Otter Tail County](#)
 - [Perham, Otter Tail County](#)
- [Central Region](#)
 - [Saint Cloud, Multi- County](#)
 - [Elk River, Sherburne County](#)
 - [Brainerd, Crow Wing County](#)
 - [Monticello, Wright County](#)
 - [Buffalo, Wright County](#)
- [Southwest Region](#)
 - [Willmar, Kandiyohi County](#)
 - [Marshall, Lyon County](#)
 - [Hutchinson, McLeod County](#)
 - [Worthington, Nobles County](#)
 - [Litchfield, Meeker County](#)
- [Southeast Region](#)
 - [Rochester, Olmsted County](#)
 - [Mankato, Blue Earth County](#)
 - [Winona, Winona County](#)
 - [Owatonna, Steele County](#)
 - [Austin, Mower County](#)

Greater Minnesota Net Five Year Job Growth Communities

The Greater Minnesota communities with at least 2,000 jobs and net positive job growth in a five-year (2017-2022) period, according to the Minnesota Housing analysis of DEED's most recent Quarterly Census of Employment and Wages (2017-2022), are:

- [Alexandria, Douglas County](#)
- [Becker, Sherburne County](#)
- [Big Lake, Sherburne County](#)
- [Buffalo, Wright County](#)
- [Cannon Falls, Goodhue County](#)
- [Cold Spring, Stearns County](#)
- [Delano, Wright County](#)
- [Detroit Lakes, Becker County](#)
- [Elk River, Sherburne County](#)
- [Glenwood, Pope County](#)
- [Litchfield, Meeker County](#)
- [Minden Township, Benton County](#)
- [Monticello, Wright County](#)
- [Mountain Iron, Saint Louis County](#)
- [New Prague, Le Sueur County](#)
- [North Branch, Chisago County](#)
- [Otsego, Wright County](#)
- [Perham, Otter Tail County](#)
- [Pine City, Pine County](#)
- [Rochester, Olmsted County](#)
- [Saint Joseph, Stearns County](#)
- [Saint Michael, Wright County](#)
- [Saint Peter, Nicollet County](#)
- [Sauk Centre, Stearns County](#)
- [Thief River Falls, Pennington County](#)
- [Wadena, Wadena County](#)
- [Windom, Cottonwood County](#)

Greater Minnesota Long Commute Communities

(3 Points)

~~Source: The Greater Minnesota Long Commute Communities, according to the Minnesota Housing analysis of U.S. Census Longitudinal Employer Household Dynamics Data, 2018, 2019 2020 or the most recent U.S. Census Bureau Longitudinal Employer Household Dynamics data (2021-), are:~~

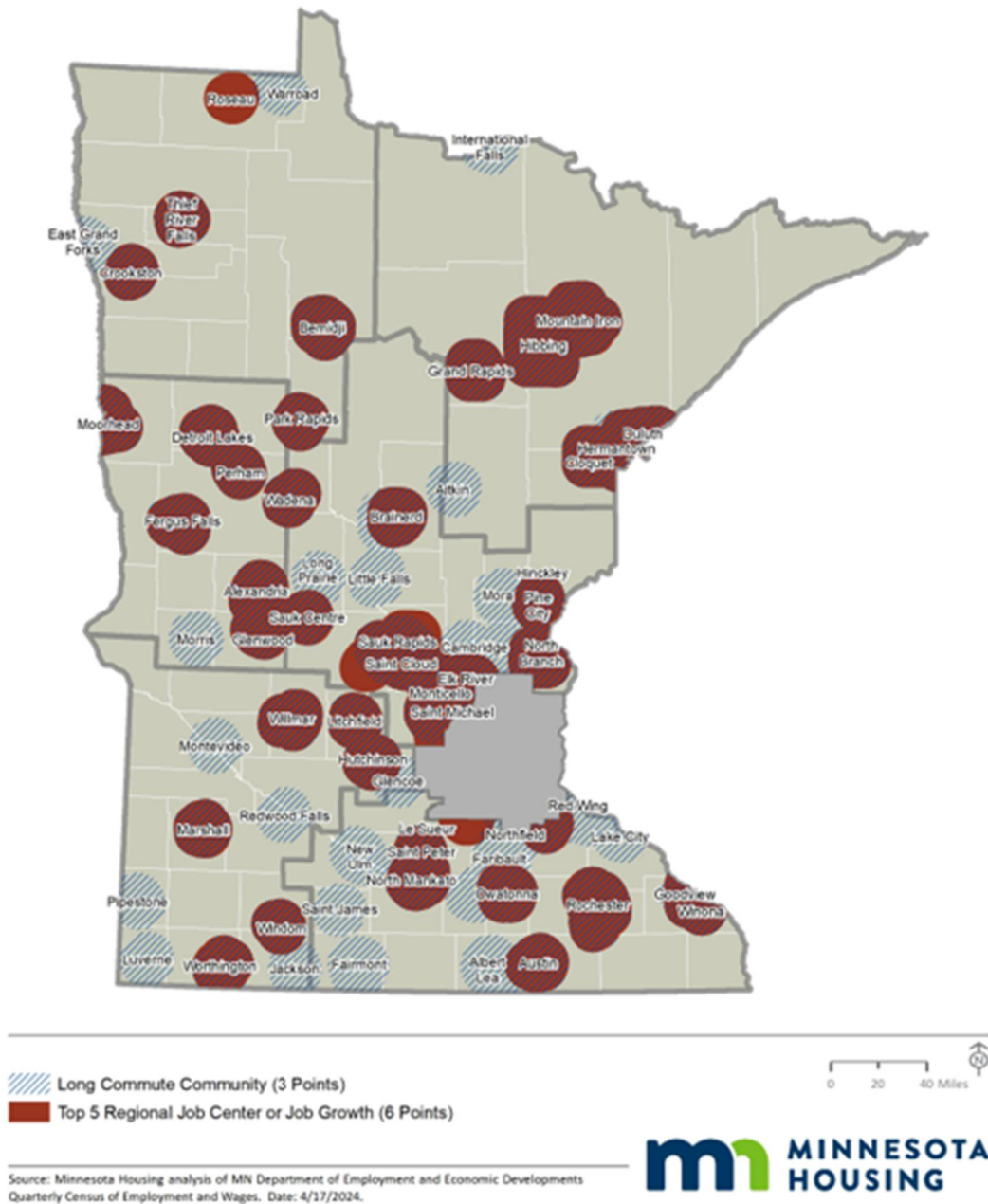
• <u>Aitkin, Aitkin County</u>	• <u>Lake City, Wabasha County</u>
=	=
• <u>Albert Lea, Freeborn County</u>	• <u>Litchfield, Meeker County</u>
=	=
• <u>Alexandria, Douglas County</u>	• <u>Little Falls, Morrison County</u>
=	=
• <u>Austin, Mower County</u>	• <u>Long Prairie, Todd County</u>
=	=
• <u>Baxter, Crow Wing County</u>	• <u>Luverne, Rock County</u>
=	=
• <u>Becker, Sherburne County</u>	• <u>Mankato, Blue Earth County</u>
=	=
• <u>Bemidji, Beltrami County</u>	• <u>Marshall, Lyon County</u>
=	=
• <u>Brainerd, Crow Wing County</u>	• <u>Montevideo, Chippewa County</u>
=	=
• <u>Buffalo, Wright County</u>	• <u>Monticello, Wright County</u>
=	=
• <u>Cambridge, Isanti County</u>	• <u>Moorhead, Clay County</u>
=	=
• <u>Cannon Falls, Goodhue County</u>	• <u>Mora, Kanabec County</u>
=	=
• <u>Cloquet, Carlton County</u>	• <u>Morris, Stevens County</u>
=	=
• <u>Crookston, Polk County</u>	• <u>Mountain Iron, Saint Louis County</u>
=	=
• <u>Detroit Lakes, Becker County</u>	• <u>New Ulm, Brown County</u>
=	=
• <u>Duluth, Saint Louis County</u>	• <u>North Branch, Chisago County</u>
=	=
• <u>East Grand Forks, Polk County</u>	• <u>North Mankato, Nicollet County</u>
=	=
• <u>Elk River, Sherburne County</u>	• <u>Northfield, Rice County</u>
=	=
• <u>Fairmont, Martin County</u>	• <u>Otsego, Sherburne County</u>
=	=
• <u>Faribault, Rice County</u>	• <u>Owatonna, Steele County</u>
=	=
• <u>Fergus Falls, Otter Tail County</u>	• <u>Park Rapids, Hubbard County</u>
=	=
• <u>Glencoe, Mcleod County</u>	• <u>Perham, Otter Tail County</u>
=	=
• <u>Glenwood, Pope County</u>	• <u>Pine City, Pine County</u>
=	=
• <u>Goodview, Winona County</u>	• <u>Pipestone, Pipestone County</u>
=	=
• <u>Grand Rapids, Itasca County</u>	• <u>Princeton, Mille Lacs County</u>
=	=
• <u>Hermantown, Saint Louis County</u>	• <u>Red Wing, Goodhue County</u>
=	=
• <u>Hibbing, Saint Louis County</u>	• <u>Redwood Falls, Redwood County</u>
=	=
• <u>Hutchinson, Mcleod County</u>	• <u>Rochester, Olmsted County</u>
=	=
• <u>International Falls, Koochiching County</u>	• <u>Sauk Centre, Stearns County</u>
=	=
• <u>Jackson, Jackson County</u>	• <u>Sauk Rapids, Benton County</u>
=	=
	• <u>St. Cloud, Stearns County</u>
	=

- [St. James, Watonwan County](#)
- =
- [St. Joseph, Stearns County](#)
- =
- [St. Michael, Wright County](#)
- =
- [St. Peter, Nicollet County](#)
- =
- [Thief River Falls, Pennington County](#)
- =
- [Virginia, Saint Louis County](#)
- =
- [Wadena, Wadena County](#)
- =

- [Waite Park, Stearns County](#)
- =
- [Warroad, Roseau County](#)
- =
- [Waseca, Waseca County](#)
- =
- [Willmar, Kandiyohi County](#)
- =
- [Windom, Cottonwood County](#)
- =
- [Winona, Winona County](#)
- =
- [Worthington, Nobles County](#)
- =

Greater Minnesota Workforce Housing Communities ~~for 2024-2025 QAP~~

Figure 4: Workforce Housing Communities – Greater Minnesota



~~2024-2025 QAP~~ Transit and Walkability Methodology

~~2024 Consolidated RFP/2025 HTC~~

~~If additional areas become eligible under the same criteria outlined below prior to the 2024 RFP, Minnesota Housing will add the areas to the maps; no areas will be subtracted from the maps with the update. Refer to the 2024-2025 QAP Data Methodology table for more information on how data updates may impact point eligibility under this category. **UPDATE: Communities have been added to include the most recent eligible areas.**~~

~~Metropolitan Area (as defined in the QAP)~~

In the Metropolitan Area, ~~as defined in the QAP,~~ applicants can receive up to **9 points** ~~for transit and walkability~~under selection criterion 3.C of the 2026-2027 Self-Scoring Worksheet, Transit and Walkability. Applicants can claim points for access to transit and walkability together, or for either category separately. Applicants can map project locations and determine access to transit points through the Community Profiles interactive map.

Table 3: Access to Transit – Metropolitan Area (Select One of the Following)

~~Access to Transit (one of the following):~~ ~~Applicants can map project locations and determine access to transit points at the Minnesota Housing Community Profiles tool at www.mnhousing.gov/profiles~~ <u>Criterion</u>	<u>Description</u>	<u>Points</u>
Proximity to Light Rail Transit (LRT)/Bus Rapid Transit (BRT)/Commuter Rail Station, or Hi-Frequency Network.	Locations within ~~1/2~~ <u>one-half</u> mile of a planned ⁸⁹ or existing	

⁸⁹ ~~Includes planned stations eligible for **Livable Communities Demonstration Account (LCDA) Transit Oriented Development (TOD) Grants** (<https://metro council.org/Communities/Services/Livable-Communities-Grants/LCA/2020-LCA-TOD-application-guide.aspx>)~~Livable Communities Demonstration Account (LCDA) Transit Oriented Development (TOD) Grants. Does not include Express Bus Stations eligible for LCDA TOD Grants.

Access to Transit (one of the following): <i>Applicants can map project locations and determine access to transit points at the Minnesota Housing Community Profiles tool at www.mnhousing.gov/profiles</i> <u>Criterion</u>	<u>Description</u>	<u>Points</u>
	LRT, BRT, ~~or~~ Commuter Rail Station or Metro Transit's Hi-Frequency Network.	~~Points~~ -7
Access to High Service Public Transportation	Locations within ~~one-quarter~~ <u>one-quarter</u> mile of a high service ⁹¹⁰ public transportation fixed route stop or within ~~one-half~~ <u>one-half</u> mile of an express route bus stop or park and ride lot.	4
Access to Demand Response/Dial-A-Ride	Served by demand response/dial-a-ride transit service <u>with prior day notice</u> . Excludes Metro Transit's Transit Link Service. Transit service must be available <u>daily</u> Monday through Friday for a minimum of eight hours per day.	2
Walkability (one of the following):		

Table 4: Walkability – Metropolitan Area¹ (One of the Following)

⁹¹⁰ is High service fixed route stop is defined as those serviced during the time period 6 a.m. through 7 p.m. and with service approximately every half hour during that time.

Located within Minneapolis or Saint Paul: <u>Location</u>	<u>Walk Score¹¹</u>	<u>Points</u>
~~Walk Score of 80+~~ Walk Score is based on results from the following tool: www.walkscore.com <u>Minneapolis and St. Paul</u>	<u>80+</u>	2
~~Walk Score of 60-79~~ <u>Minneapolis and St. Paul</u>	<u>60-79</u>	1
Located within a Suburban Community		
~~Walk Score of 60+~~ Walk Score is based on results from the following tool: www.walkscore.com <u>Suburban Communities</u>	<u>60+</u>	2
~~Walk Score of 50-59~~ <u>Suburban Communities</u>	<u>50-59</u>	1

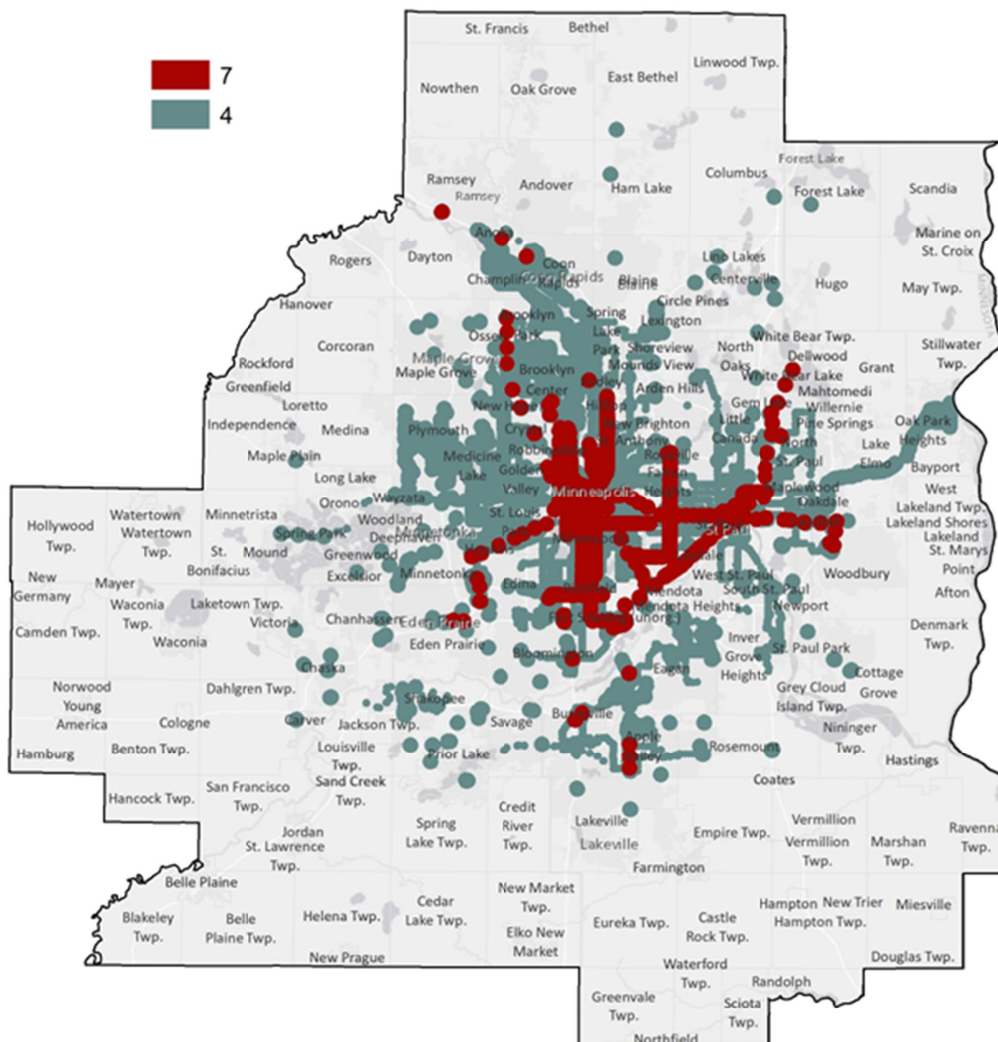
The following map¹² shows areas with access to transit. An interactive version of this map is ~~accessible at <https://www.mnhousing.gov/policy-and-research/community-profiles.html>~~ available on Minnesota Housing's Community Profiles webpage.

¹¹ Walk Score is based on results from the [Walk Score tool](#). If applicants would like to request revisions of a location's Walk Score, they should email Walk Score directly with details of the request to the following email address: mhfa-request@walkscore.com. Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If an address cannot be found in the Walk Score tool, use closest intersection within ¼ mile of the proposed location.

¹⁰ ~~If applicants would like to request revisions of a location's Walk Score, they should email Walk Score directly with details of the request to the following email address: mhfa-request@walkscore.com. Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If an address cannot be found in the Walk Score tool, use closest intersection within ¼ mile of the proposed location.~~

¹² Source: Minnesota Housing analysis of Metro Transit data on Hi-Frequency Network, Planned and Existing Transit Lines, bus service, and park and rides (obtained January 2024).

Figure 5: Access to Transit Communities – Metropolitan Area



~~Map Source: Minnesota Housing analysis of Metro Transit data on Hi-Frequency Network, Planned and Existing Transit Lines, bus service, and park and rides (obtained January 2024)~~

Greater Minnesota —Urbanized Areas

~~For~~In urbanized areas, defined by the U.S. Census Bureau as places with populations greater than 50,000, located in Greater Minnesota, applicants can receive up to **9 points** ~~with a combination of access to fixed route transit and walkability~~under selection criterion 3.C of the 2026-2027 Self-Scoring Worksheet, Transit and Walkability. Applicants can claim points for access to ~~fixed route~~ transit and walkability together, or for either category separately. These areas, identified by ~~the Minnesota Department of Transportation (MnDOT)~~^{11, 13}, are in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato, and St. Cloud.

Table 5: Access to Transit – Greater Minnesota Urbanized Areas (Select One of the Following)

For urbanized areas:

<u>Criterion¹⁴</u>	~~Access to Transit (one of the following):~~ Points
Within ~~¼~~ <u>one-quarter</u> mile of existing or planned ¹² fixed route transit stop	7
Between ~~¼~~ <u>one-quarter</u> mile ~~and~~ ~~½~~ <u>an one-half</u> mile of existing or planned fixed route transit stop	4

¹¹ ~~Greater Minnesota Transit Investment Plan:~~
~~<https://www.dot.state.mn.us/transit/find-your-transit-provider.html>~~

¹³ Greater Minnesota Transit Investment Plan:
<https://www.dot.state.mn.us/transit/find-your-transit-provider.html>

¹⁴ For a Greater Minnesota planned stop to be eligible for points under the QAP, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The existing or planned stop or route must be available daily, Monday through Friday and provide service every 60 minutes for a minimum of 10 hours per day.

¹² ~~For a Greater Minnesota planned stop to be eligible for points under the QAP, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop or route must be available Monday through Friday and provide service every 60 minutes for a minimum of 10 hours per day.~~

<u>Criterion¹⁴</u>	<u>Access to Transit (one of the following): Points</u>
Within ~~1/2~~ <u>one-half</u> mile of an express bus route stop or park and ride lot	4
~~Walkability (one of the following):~~	

Table 6: Walkability – Greater Minnesota Urbanized Areas (One of the Following)

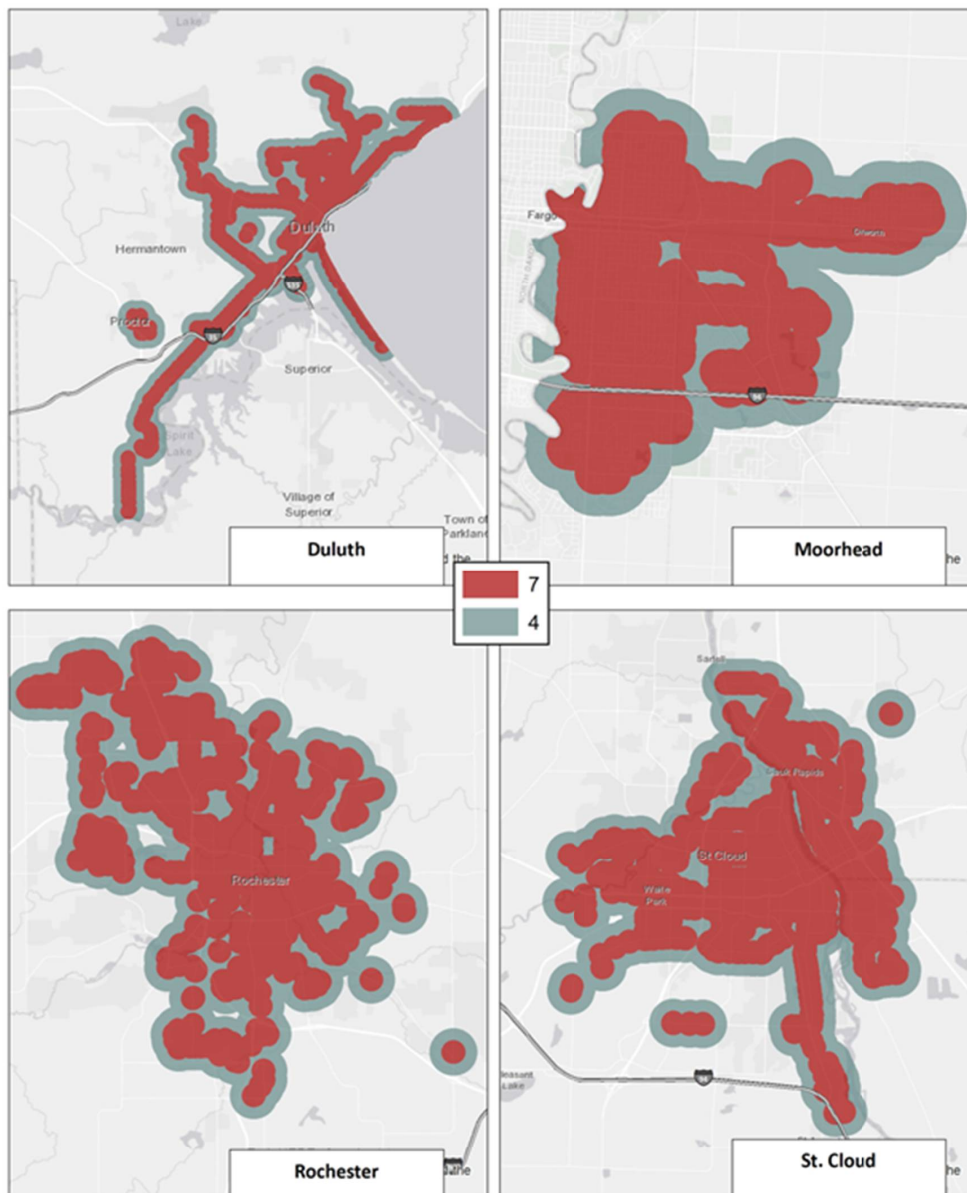
<u>Walk Score¹⁵</u>	<u>Points</u>
~~Walk Score of~~ 70+	2
~~Walk Score of~~ 50-69	1
<del> Walk Score is based on results from the following tool:– www.walkscore.com.¹³ </del> ~~The proposed housing must have access to transit service Monday through Friday for a minimum of 10 hours per day.~~ ~~The maps in Figure 2 display fixed route stops and ¼ and ½ mile buffers in Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato and St. Cloud.~~	

The maps in Figures 6 and 7 display fixed route stops and ¼ and ½ mile buffers in Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato and St. Cloud.

¹⁵ Walk Score is based on results from the Walk Score tool. If applicants would like to request revisions of a location's Walk Score, they should email Walk Score directly with details of the request to the following email address: mhfa-request@walkscore.com. Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If an address cannot be found in the Walk Score tool, use closest intersection within ¼ mile of the proposed location.

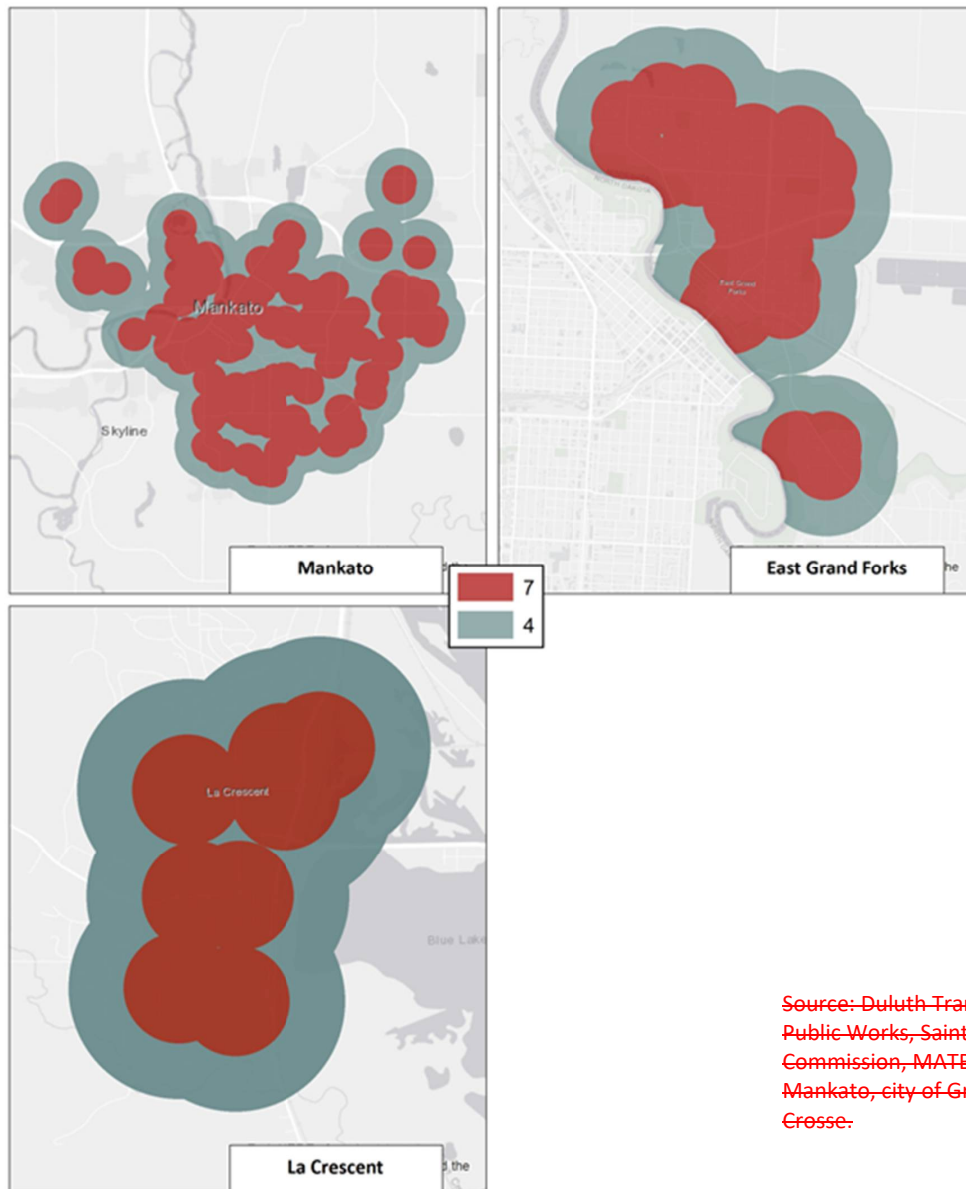
¹³ ~~If applicants would like to request revisions of a location's Walk Score, they should email Walk Score directly with details of the request to the following email address: mhfa-request@walkscore.com. Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If an address cannot be found in the Walk Score tool, use closest intersection within ¼ mile of the proposed location.~~

Figure 6¹⁶ Access to Transit Communities – Greater Minnesota Urbanized Communities (Duluth, Rochester, St. Cloud and Moorhead)



¹⁶ Source: Duluth Transit Authority, Rochester Public Works, Saint Cloud Metropolitan Transit Commission and MATBUS (Moorhead).

Figure 7¹⁷ Access to Transit Communities – Greater Minnesota Urbanized Communities (Mankato, East Grand Forks and La Crescent)



Source: Duluth Transit Authority, Rochester Public Works, Saint Cloud Metropolitan Transit Commission, MATBUS (Moorhead), city of Mankato, city of Grand Forks and city of La Crosse.

¹⁷ Source: city of Mankato, city of Grand Forks and city of La Crosse.

~~Greater Minnesota~~—Rural and Small Urban Areas

~~For~~In rural and small urban areas, which are places with populations less than 50,000, located in Greater Minnesota, applicants can receive up to **9 points** ~~by~~under selection criterion 3.C of the 2026-2027 Self-Scoring Worksheet, Transit and Walkability. Types of transit include having access to route deviation service or demand response/dial-a-ride, ~~and walkability. Applicants can claim points for access to route deviation service or demand response/dial a ride and walkability together, or for either category separately.~~ Route deviation service is different from fixed route transit in that the vehicle may leave its predetermined route upon request by passengers to be picked up or returned to destinations near the route, after which the vehicle returns to the predetermined route. Passengers may call in advance for route deviations similar to that of demand response/dial-a-ride or access the service at designated route stops without advanced notice. Demand response usually involves curb-to-curb or door-to-door service with trips scheduled in advance (also known as “Dial-A-Ride”).

Refer to ~~MnDOT’s website at~~

~~<https://www.dot.state.mn.us/transit/find-your-transit-provider.html>~~MnDOT’s website to locate a project’s transit service provider.

Table 7: Access to Transit – Greater Minnesota ~~Rural and Small Urban Areas~~ (One of the Following)

~~For rural and small urban areas:~~

<u>Criterion</u>	~~Access to Transit (one of the following):~~ Points
Within ~~½~~ <u>one-half</u> mile of a designated transit stop OR served by demand response/dial-a-ride OR within ~~½~~ <u>one-half</u> mile of a commuter rail station ⁴⁴¹⁸ and <u>the applicable transit option</u> is available daily Monday through Friday providing same day service	7
Served by demand response/dial-a-ride with prior day or greater notice needed, and <u>service</u> is available daily Monday through Friday.	4
~~Walkability (one of the following):~~	

⁴⁴¹⁸ Includes the Elk River and Big Lake Stations serviced by Metro Transit’s Northstar Commuter Rail.

Table 8: Walkability – Greater Minnesota Rural and Small Urban Areas (One of the Following)

<u>Walk Score¹⁹</u>		<u>Poin</u>
~~Walk Score of~~ 50+	~~Walk Score is based on results from the following tool: www.walkscore.com. Applicant must submit a dated print out of location's Walk Score from the Walk Score tool.¹⁵~~	2
~~Walk Score of~~ 30-49		1
~~For proposed housing in communities with deviated route service but beyond the ½ mile requirement, requests for route deviations must meet the advanced notice requirements for demand response in that pointing category to receive the points.~~		

For proposed housing in communities with deviated route service but beyond the ½ mile requirement, requests for route deviations must meet the advanced notice requirements for demand response in that pointing category to receive the points.

¹⁹ Walk Score is based on results from the [Walk Score tool](#). Applicant must submit a dated print out of location's Walk Score from the Walk Score tool. If applicants would like to request revisions of a location's Walk Score, they should email Walk Score directly with details of the request to the following email address: mhfa-request@walkscore.com. Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If an address cannot be found in the Walk Score tool, use the closest intersection within ¼ mile of the proposed location.

¹⁵ ~~If applicants would like to request revisions of a location's Walk Score, they should email Walk Score directly with details of the request to the following email address: mhfa-request@walkscore.com. Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If an address cannot be found in the Walk Score tool, use the closest intersection within ¼ mile of the proposed location.~~

~~2024-2025 QAP~~ Rural/Tribal Designated Areas Methodology

~~2024 Consolidated RFP/2025 HTC~~

~~Minnesota Housing defines rural/tribal designated areas as~~ Rural/Tribal Designated Areas are areas outside of the Metropolitan Area, ~~as defined by the QAP,~~ and urbanized areas in Greater Minnesota. Urbanized areas in Greater Minnesota are areas with populations over 50,000. ~~They include, which~~ includes Duluth, East Grand Forks, La Crescent, Mankato, Moorhead, Rochester and St. Cloud. Refer to ~~the 2024-2025~~ Table 2: 2026-2027 QAP Data Methodology ~~table~~ for more information on how data updates may impact point eligibility under this ~~category~~ criterion.

There are ~~two~~ four tiers under ~~the~~ selection criterion 4.C of the 2026-2027 Self-Scoring Worksheet, Rural/Tribal ~~Designated Areas:~~

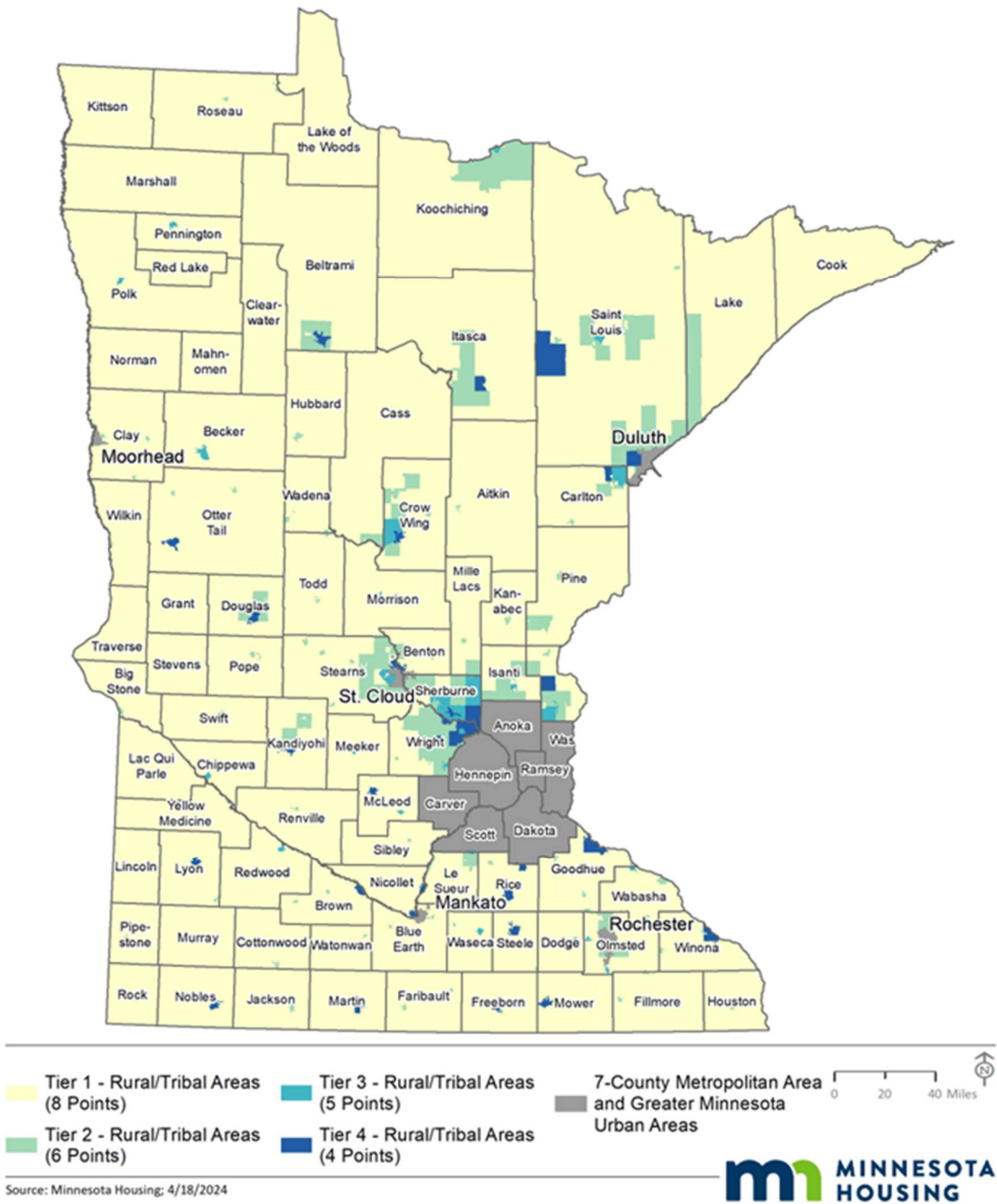
- **Tier 1 (8 points):** The project is in a Rural/Tribal Designated Area that is located outside of the Metropolitan Area and within a community that has a population fewer than or equal to 2,000. Tribal Reservations, Dakota Communities and Tribal trust lands are also considered Tier 1.
- ~~Tier 12 (6 Points)~~ points): The project is in a Rural/Tribal Designated Area that is located outside of the Metropolitan Area and within a community that has a population ~~fewer than~~ between 2,001 and 5,000.
- **Tier 3 (5 points):** The project is in a Rural/Tribal Designated Area that is located outside of the Metropolitan Area and within a community that has a population between 5,001 and 10,000.
- ~~Tier 24 (4 Points)~~ points): The project is in a Rural/Tribal Designated Area that is located outside of the Metropolitan Area and within a community that has a population ~~at or~~ greater than ~~5,000~~ 10,000.

The data source for determining the population size of a community is the Minnesota State Demographic Center's annual city and township estimates. Minnesota Housing will use the most recent estimates available at the time of release of the Guide.

The map below shows ~~areas receiving the rural/tribal designation points.~~

Rural/Tribal Designated Areas.

Figure 8: Rural/Tribal Designated Areas



~~2024-2025 QAP Qualified Census Tracts (QCT),~~ Tribal Equivalent Areas Methodology

~~2024 Consolidated RFP/2025 HTC~~

Qualified Census Tracts (QCTs) are based on census tract boundaries, but the boundaries of larger census tracts and ~~reservations~~ Reservations in Greater Minnesota do not always align. Thus, large geographic areas of some low-income ~~reservations~~ Reservations are not classified as QCTs. Tribal Reservations, Dakota Communities, and/or Tribal trust land that meet the HUD criteria for designation as a QCT are treated as a ~~QCT-equivalent area~~ Tribal Equivalent Area for scoring purposes if either (1) the entire ~~reservation~~ Reservation meets the definition of a QCT; or (2) if ~~at least one census~~ tract within the ~~reservation~~ Tribal Reservation, Dakota Communities, or Tribal trust land area is eligible under current HUD QCT criteria^{16, 20}. Applicants will find interactive maps to identify whether a property falls within these areas on Minnesota Housing's ~~website at~~ <https://www.mnhousing.gov/policy-and-research/community-profiles.html> Community Profiles webpage.

To be eligible under current HUD QCT criteria, these Tribal Reservation, Dakota Communities, or Tribal trust land areas must meet either income or poverty thresholds:

~~2024 Consolidated RFP/2025 HTC Eligible Areas-~~

~~(3 Points)~~

~~The reservations in the table below and identified on the map on the following page are eligible as Tribal QCT-Equivalent Areas. To be eligible, these areas must meet either income or poverty thresholds:~~

- **Income Thresholds.** Areas are eligible ~~based on income thresholds~~ if 50% or more of households have incomes below the average household size adjusted income limit for at least two of three evaluation years (~~2018-2020 or~~ 2019-2021).
- **Poverty Thresholds.** Areas are eligible ~~based on the poverty threshold~~ if the poverty rate is 25% or higher for at least two of three evaluation years (~~2018-2020 or~~ 2019-2021).

¹⁶ HUD QCT Designation Algorithm found here: https://www.huduser.gov/portal/qct/QCT_Algorithm.html

²⁰ HUD QCT Designation Algorithm found here:
https://www.huduser.gov/portal/qct/QCT_Algorithm.html

The Tribal Reservations, Dakota Communities and Tribal trust lands in the table below and identified on the map on the following page are Tribal Equivalent Areas.

Table 9: Tribal Reservations, Dakota Communities or Tribal Trust Land Based on Characteristics of Eligibility for Tribal Equivalent Areas²¹

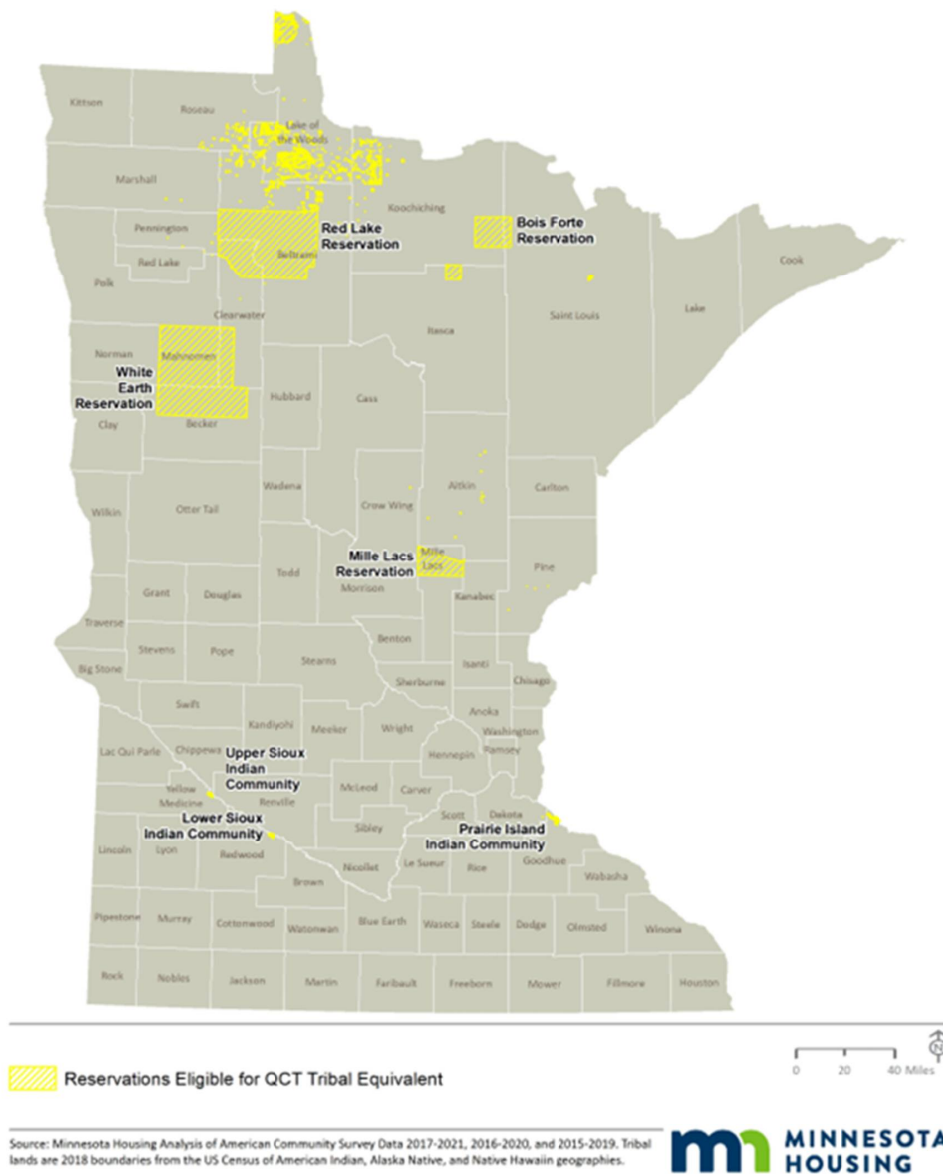
~~Indian Reservations or Trust Land in Minnesota Based on Characteristics of Eligibility for Qualified Census Tracts (Values in parenthesis represent years eligible from 2019-2021)~~		
~~Indian Reservation~~<u>Tribal Reservations, Dakota Communities or Tribal Trust Land</u>	Years Eligible Based on Income	Years Eligible based on Poverty
Bois Forte Reservation, MN	3 ~~(3)~~	3 ~~(3)~~
Lower Sioux Indian Community, MN	2 ~~(3)~~	0 ~~(0)~~
Mille Lacs Reservation and Off-Reservation Trust Land, MN	3 ~~(2)~~	0 ~~(0)~~
Prairie Island Indian Community and ~~Off-Reservation~~ <u>Off-Reservation</u> Trust Land, MN	0 ~~(0)~~	3 ~~(3)~~
Red Lake Reservation, MN	3 ~~(3)~~	3 ~~(3)~~
Upper Sioux Community and Off-Reservation Trust Land, MN	2 ~~(2)~~	0 ~~(0)~~
White Earth Reservation and Off-Reservation Trust Land, MN	2 ~~(3)~~	0 ~~(0)~~
~~Sources: Decennial Census, HUD Income Limits (Statewide for Very Low Income, 50%), American Community Survey 2014-2018, 2015-2019, 2016-2020 and 2017-2021 samples.~~		

Minnesota Housing will update the list of eligible ~~reservations~~Tribal Reservations/Dakota Communities/Tribal trust lands with the most current data prior to releasing the Multifamily Consolidated RFP. Tribal Reservations, Dakota Communities and Tribal trust lands can only be added and will not be removed based on the update. Refer to ~~the 2024-2025~~Table 2: 2026-2027 QAP Data Methodology ~~table~~ for more information on how data updates may impact point eligibility under this category. **~~UPDATE: Communities have been added to include the most recent eligible areas.~~**

²¹ Sources: Decennial Census, HUD Income Limits (Statewide for Very Low Income, 50%) and American Community Survey 2015-2019, 2016-2020 and 2017-2021 samples.

~~Tribal Lands Eligible Under QCT Methods~~

Figure 9: Communities Eligible as Tribal Equivalent Areas



~~2024-2025 QAP Opportunity Zones Methodology~~

~~2024 Consolidated RFP/2025 HTC~~

~~Opportunity Zones are a community development program established by Congress in the Tax Cut and Jobs Act of 2017 to encourage long-term investments in low-income and urban communities nationwide.~~

~~In accordance with H.R.1 Tax Cut and Jobs Act of 2017, Governor Dayton nominated 128 census tracts for designation as a qualified opportunity zone. On May 18, 2018, the U.S. Department of Treasury certified and formally designated these census tracts as qualified Opportunity Zones.~~

~~Opportunity Funds are a new class of private sector investment vehicles authorized to aggregate and deploy private investment into Opportunity Zones. **Census tracts designated as Opportunity Zones do not change.**~~

~~Opportunity Funds allow U.S. investors holding unrealized gains in stocks and mutual funds to pool their resources in projects located in Opportunity Zones, which will be invested in rebuilding low-income communities.~~

~~Opportunity Funds pool investments in Opportunity Zones.~~

~~U.S. investors are eligible to receive:~~

- ~~• A temporary tax deferral for capital gains invested in an Opportunity Fund~~
- ~~• A step up in basis for capital gains reinvested in an Opportunity Fund~~
- ~~• A permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in a qualified opportunity zone fund if the investment is held for at least 10 years~~

~~The following maps show the designated 128 census tracts. For more information regarding Opportunity Zones in Minnesota visit the Department of Employment and Economic Development's (DEED) website at <https://mn.gov/deed/business/financing-business/tax-credits/opp-zones/> or for a list of census tracts by county go to <https://mn.gov/deed/business/financing-business/tax-credits/opp-zones/census-opp-zone-tracts.jsp>.~~

Opportunity Zones Designations

~~Twin Cities 7-County Metro: Opportunity Zones Designations~~

~~2024-2025 QAP~~ Multifamily Award History Methodology

Projects located in communities in which no project has received an award or allocation of funding or HTC from Minnesota Housing in the last five years²² can claim **4 points** under selection criterion 4.E, Multifamily Award History of the 2026-2027 Self-Scoring Worksheet. The programs and selection years that will be used to determine whether a qualify award was made to a project located in the community in the last five years are listed in Table 10. Minnesota Housing will not consider selections made in the most recent Multifamily Consolidated RFP, but rather will set the cut off one complete year prior. For example, for the 2025 Multifamily Consolidated RFP/2026 HTC Round 1, Minnesota Housing will not consider selections from the 2024 Multifamily Consolidated RFP/2025 HTC Round 1. This allows applicants advance notice to determine what communities are/are not included in this selection criterion. In cases where Minnesota Housing apportions its HTC to a suballocator, that project will be included as a Minnesota Housing award for purposes of this methodology. Awards by a suballocator will otherwise be excluded.

Communities where projects were funded or financed in the past five years with Low and Moderate Income Rental (LMIR) first mortgage-only funding, a Rental Rehabilitation Deferred Loan (RRDL), Workforce Housing Development Program funds, a Publicly Owned Housing Program (POHP) loan or an asset management loan will be excluded.

Table 10: Programs Used When Determining Whether a Community has Received an Award in Last Five Years

2024 Consolidated RFP/2025 HTC

~~Four points will be awarded for communities that have not received an award or allocation of funding in the last five years.* Programs included to determine whether a community has not received an award are provided in the table below.~~

~~Communities under this criterion are defined as a city or township.~~

~~The maps on the following pages highlight the communities eligible for points under this criterion that have not received a Multifamily Award in the last five years.~~

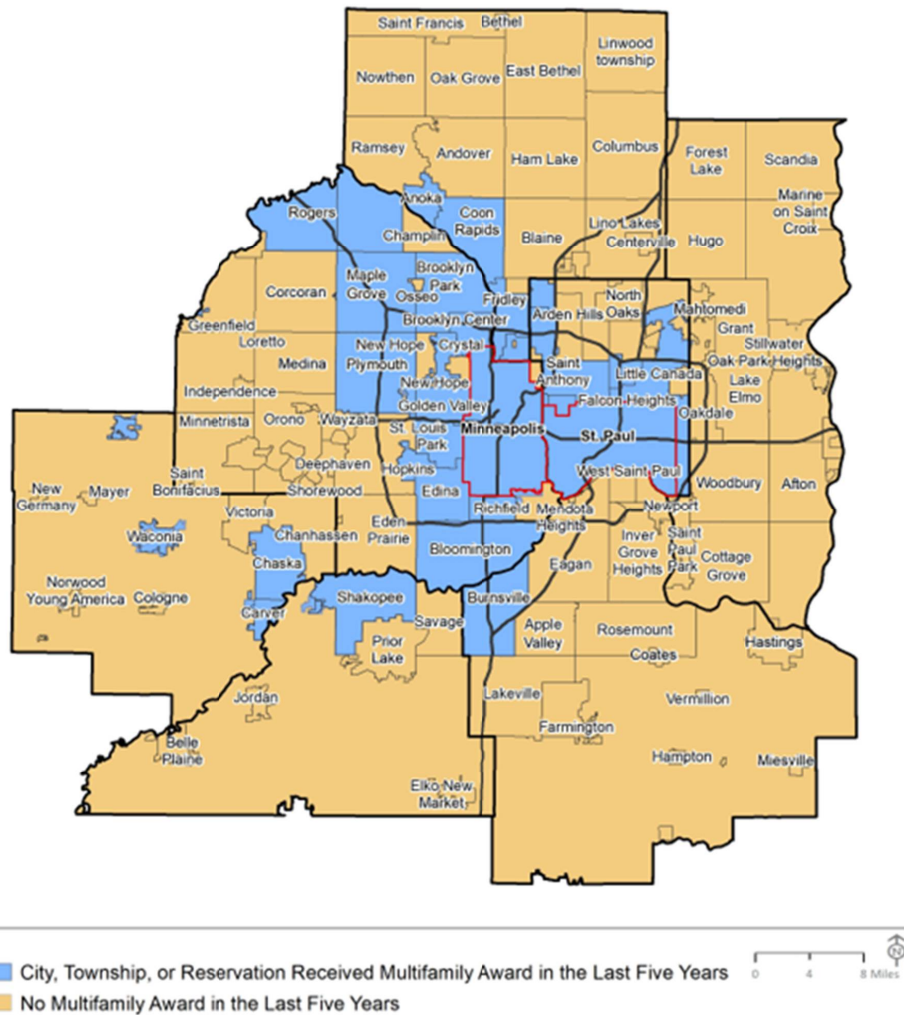
²² For scattered site projects, the location of each building will be incorporated into this methodology.

Programs ~~Included~~	~~Year~~ Years	Publication Dates	Other Data Notes
• <u>Multifamily</u> = Consolidated RFP ○ • HTC Round 1 ○ • HTC Round 2 ○ • Any = Minnesota Housing deferred funding source • Excludes: Projects solely funded by a funding partner	Project selections or commitments from January 1, ~~2018~~ <u>2019</u> , through ~~January~~ <u>December</u> 31, ~~2022~~ <u>2023</u>	NOTE:- ~~Minnesota Housing will not use the most recently awarded or allocated Multifamily Consolidated RFP funding, but rather will set the cut off one complete year prior. This allows communities advance notice to determine what communities are/are not included in this scoring criterion.~~	Rescinded awards are subtracted out. Minnesota Housing apportioned <u>suballocator</u> HTC allocations are included.
Pipeline ~~projects~~ <u>funding</u> with any ~~eligible-multifamily deferred~~ funding source <u>available in the Multifamily Consolidated RFP</u>	Project selections or commitments from January 1, ~~2018~~ <u>2019</u> , through ~~January~~ <u>December</u> 31, ~~2022~~ <u>2023</u>	~~one complete year prior. This allows communities advance notice to determine what communities are/are not included in this scoring criterion.~~	Rescinded awards are subtracted out.
4% HTC only projects <u>(Projects with allocation of bonding from MMB and 4% HTC from Minnesota Housing)</u>	Project selections or commitments from January 1, ~~2018~~ <u>2019</u> , through ~~January~~ <u>December</u> 31, ~~2022~~ <u>2023</u>	~~are/are not included in this scoring criterion.~~	Project must have been issued a preliminary determination (42M) letter.
Other Notes ~~Excludes: Communities where projects were funded or financed in the past five years with Low and Moderate Income Rental (LMIR) first mortgage-only funding, a Rental Rehabilitation Deferred Loan (RRDL), Workforce Housing Development Program funds, a Publicly Owned Housing Program (POHP) loan, or an asset management loan.~~ HTC Data: ~~• In cases where Minnesota Housing apportions its tax credits to another suballocator, that project and location will be included as a Minnesota Housing award for purposes of this methodology.~~ ~~• Investments by a suballocator will otherwise be excluded from this methodology.~~			

~~*For scattered site projects, the location of each building will be incorporated into this methodology.~~

The maps on the following pages highlight the communities that have not received a Multifamily Award in the last five years.

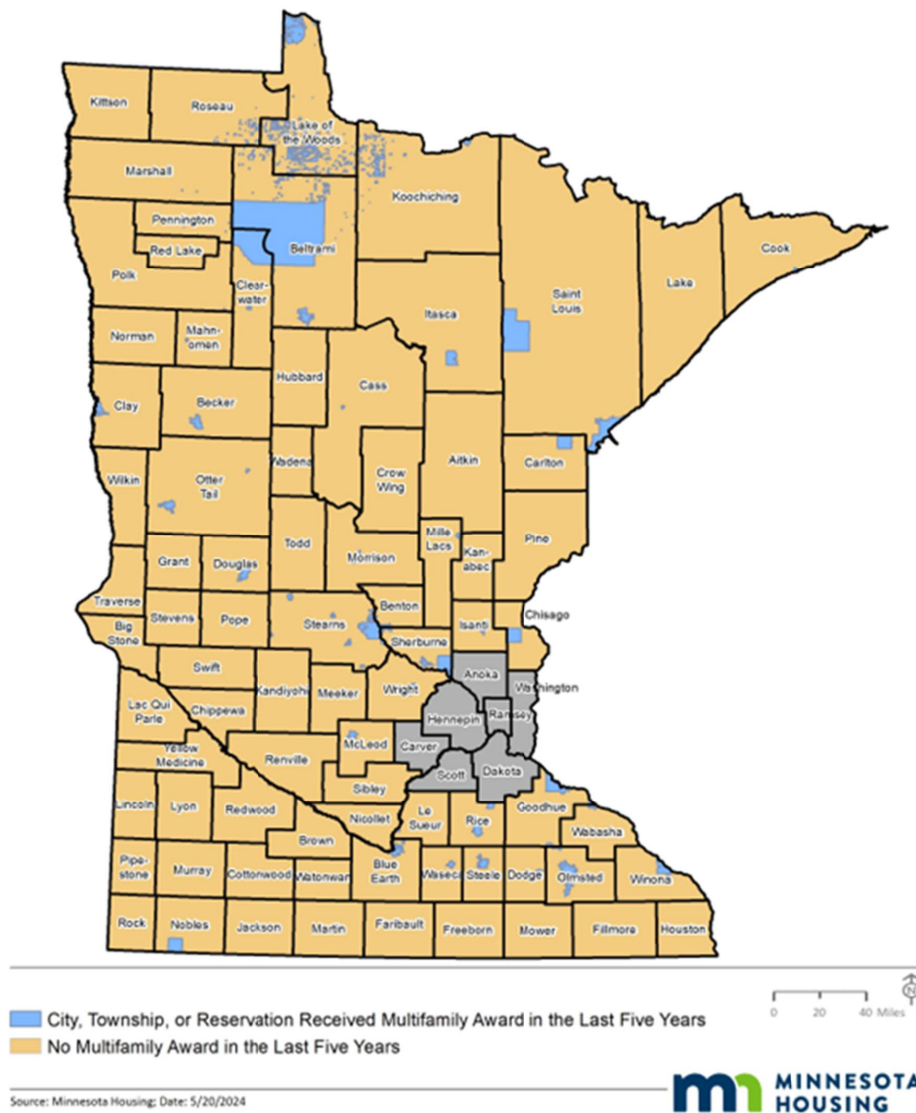
Figure 10: Multifamily Award in the Last Five Years History Communities – Metropolitan Area



Source: Minnesota Housing analysis; Date: 5/20/2024



Figure 11: Multifamily Award in the Last Five Years ~~History Communities~~ – Greater Minnesota



Summary report: Litera Compare for Word 11.7.0.54 Document comparison done on 11/13/2024 10:43:51 AM	
Style name: QAP Comparison	
Intelligent Table Comparison: Active	
Original filename: 2024 RFP_2025 HTC Methodology Guide FINAL 3.19.24.docx	
Modified filename: Methodology Guide REL Proposed Revisions_Use for Nov board CLEAN.docx	
Changes:	
<u>Add</u>	945
~~Delete~~	565
~~Move From~~	25
<u>Move To</u>	25
<u>Table Insert</u>	7
~~Table Delete~~	24
<u>Table moves to</u>	0
~~Table moves from~~	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	1591



2026-2027 Qualified Allocation Plan Methodology Guide

Housing Tax Credits and Deferred Projects¹

Last Updated: November 2024

¹ Includes all 4% and 9% Housing Tax Credit (HTC) projects and deferred funds awarded through the annual Multifamily Consolidated Request for Proposals (RFP) as well as available financing throughout the year.

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2026 – 2027 QAP Methodology

Introduction

The Federal Tax Reform Act of 1986 established the Low-Income Housing Tax Credit (HTC) Program for qualified residential rental properties. The HTC Program is one of the principal federal subsidies contained within tax law for acquisition/substantial rehabilitation and new construction of affordable rental housing.

Section 42 of the Internal Revenue Code (IRC) requires that allocating agencies develop and adopt a Qualified Allocation Plan (QAP) for the distribution of HTCs within their jurisdiction. Minnesota Housing also uses its QAP to set the overall funding priorities for the annual Multifamily Consolidated Request for Proposals (RFP).

Minnesota Housing's QAP includes:

- Qualified Allocation Plan document: Sets forth the policies and procedures according to which Minnesota Housing makes Allocations of 9% HTC and Awards of 4% HTC.
- Self-Scoring Worksheet: Sets forth the selection criteria and funding priorities that Minnesota Housing will use to prioritize applications requesting 9% HTC and 4% HTC and/or other agency resources available through the RFP.

The purpose of the QAP Methodology Guide (Guide) is to explain several geographic priorities that are selection criteria outlined in the Self-Scoring Worksheet. This Guide is a reference document to help applicants that are applying for 4% or 9% HTC or deferred funds through the Multifamily Consolidated RFP. In the event of any conflict between this Guide and the QAP, the QAP controls.

For each methodology, there is a definition, the data sources used to create the definition, time frames to consider and other notes. Applicants should review this Guide when selecting points in the Scoring Wizard found in the Multifamily Customer Portal. Applicants can also map project locations and determine applicable selection criteria points through the [Community Profiles interactive map](#).

Capitalized terms used but not otherwise defined in this Guide have the meanings set forth in the QAP.

Timeline for Publication and Updates

The following table outlines the general timeline for when Minnesota Housing will publish the Guide applicable to the 2026-2027 QAP and when to expect updated versions.

The analysis methods used to identify communities and priorities will not change from the 2025 Multifamily Consolidated RFP/2026 HTCs to the 2026 Multifamily Consolidated RFP/2027 HTCs. However, the most current data sources will be used to identify the initial communities that meet the geographic priority for the 2026 Multifamily Consolidated RFP/2027 HTCs. Communities that were

eligible for points as part of the 2025 Multifamily Consolidated RFP/2026 HTC might *not* be eligible for those points during the 2026 Multifamily Consolidated RFP/2027 HTCs

Table 1: 2026-2027 Guide Timeline

Time	Activity
June 2024	Minnesota Housing publishes a draft of the Guide along with drafts of the QAP and Self-Scoring Worksheet. Minnesota Housing holds two rounds of public comment periods between June – October 2024.
Late November 2024	The Guide is available on Minnesota Housing’s website after Minnesota Housing board approval. This version can be used by applicants to prepare their applications for the 2025 Multifamily Consolidated RFP/2026 HTCs.
Spring 2025	Minnesota Housing publishes an updated Guide for the 2025 Multifamily Consolidated RFP/2026 HTCs rounds based on updated data. The Guide is part of the application release of the Multifamily Consolidated RFP application materials.
Fall 2025	Minnesota Housing publishes the Guide for the 2026 Multifamily Consolidated RFP/2027 HTCs.
Spring 2026	Minnesota Housing publishes an updated Guide for the 2026 Multifamily Consolidated RFP/2027 HTCs rounds based on updated data. The Guide is part of the application release of the Multifamily Consolidated RFP application materials.

Interactive Maps

Interactive maps for past, current and future geographic scores can be found on Minnesota Housing’s [Community Profiles](#) webpage.

Hold Harmless Provision - Returning Applicants and New Applicants

We recognize applicants often select a location for their projects based on Minnesota Housing’s geographic priorities and that applicants may need to apply more than once due to the overall number of projects requesting resources in comparison to the limited resources available in a given year. Because of this, Minnesota Housing will allow applicants who applied but were not selected in the 2025 Multifamily Consolidated RFP/2026 HTC Round 1 and/or 2026 HTC Round 2 to reapply and use the geographic scores for funding in the 2026 Multifamily Consolidated RFP/2027 HTC Round 1 and/or 2027 HTC Round 2. Applicants who elect the provision are only eligible for the points they claimed in the prior application.

Note: There is not a hold harmless provision between the 2024-2025 QAP and the 2026-2027 QAP due to the changes in the geographic criteria.

The hold harmless provision applies to all the scoring criteria in the table below, except for the Multifamily Awards History and the Qualified Census Tracts (QCT) selection criteria. The Multifamily

Awards History selection criterion is excluded because the intent of this criterion is to award points to projects located in a community that has not received funding in the preceding five years. The QCT selection criterion is excluded because HUD designates QCTs annually and each notice has specified locations and effective dates. Visit HUD's website for more information on QCTs.

New applicants or previously selected projects must use the updated geographic scores for the corresponding Multifamily Consolidated RFP scoring round. For example, an applicant to the 2026 Multifamily Consolidated RFP/2027 HTC Rounds 1 or 2 with a new or previously selected project must use the geographic scores for the 2026 Multifamily Consolidated RFP/2027 HTC Rounds 1 and 2. The ability to use the prior year's geographic scores only applies to projects that previously applied and who were not selected.

Methodologies and Definitions

Table 2: 2026-2027 QAP Data Methodology

Methodology	Definition	Data Sources	Annual Review of Eligibility	Other Notes
Access to More Affordable Housing (Selection Criterion 3.A)	Communities that either have a low share of affordable rental housing compared to all housing options OR a large share of renters that are cost burdened by their rent.	Data source for low share of affordable rental housing compared to all housing: United States Department of Housing and Urban Development (HUD), Consolidated Planning/Comprehensive Housing Affordability Strategy (CHAS) data Data source for large share of renters that are cost burdened by their rent: United States (U.S.) Census Bureau, American Community Survey (ACS)	Pay close attention if your community met the scoring criteria when Minnesota Housing published the data in November 2024 but no longer meets the scoring criteria when application materials for the 2025 Multifamily Consolidated RFP/2026 HTC that are released in spring 2025. Your project is still eligible to receive the points for the 2025 Multifamily Consolidated RFP/2026 HTC rounds, but it may be an early indicator that it may not meet the criteria for the following year's Multifamily Consolidated RFP/HTC rounds.	Affordable rental housing is considered housing with rents affordable to households with incomes at or below 50% Area Median Income (AMI). Cost burdened is 30% or more of household income spent on rent.

Methodology	Definition	Data Sources	Annual Review of Eligibility	Other Notes
Workforce Housing Communities (Selection Criterion 3.B)	Communities that are regional job centers, have experienced job growth over a five-year period or have a large portion of the workforce that travels 30+ miles into that community for work.	Data source for job growth and job centers: Minnesota Department of Employment and Economic Development (DEED), Quarterly Census of Employment and Wages Data source for long commute communities: U.S. Census Bureau, Longitudinal Employer-Household Dynamics (LEHD) Program.	Pay close attention if your community met the scoring criteria when Minnesota Housing published the data in November 2024 but no longer meets the scoring criteria when application materials for the 2025 Multifamily Consolidated RFP/2026 HTC that are released in spring 2025. Your project is still eligible to receive the points for the 2025 Multifamily Consolidated RFP/2026 HTC rounds, but it may be an early indicator that it may not meet the criteria for the following year's Multifamily Consolidated RFP/HTC rounds.	Cities/towns must have 2,000+ jobs to be considered a workforce housing community or have an individual employer that has had a net increase of 100+ permanent employees over the past five years. A five-mile commuteshed buffer is applied in the Twin Cities 7-County Metropolitan Area,² and a 10-mile commuteshed buffer is applied for Greater Minnesota communities.

² As defined in the QAP.

Methodology	Definition	Data Sources	Annual Review of Eligibility	Other Notes
Transit and Walkability (Selection Criterion 3.C)	Communities with access to transit, either fixed route or demand response; and/or walkable areas with nearby amenities.	Metro Transit, Minnesota Valley Transit Authority (MVTA), Duluth Transit Authority, East Grand Forks Transit, La Crescent Apple Express, Mankato Transit, Moorhead Transit (MATBUS), Rochester Public Transit, Saint Cloud Metro Bus. Data for demand response and dial-a-ride transit services in Greater Minnesota Rural and Small Urban Areas is accessible on Minnesota Department of Transportation's (MnDOT) Transit in Greater Minnesota webpage Walk Scores according to www.walkscore.com	Pay close attention if your community met the scoring criteria when Minnesota Housing published the data in November 2024 but no longer meets the scoring criteria when application materials for the 2025 Multifamily Consolidated RFP/2026 HTC that are released in spring 2025. Your project is still eligible to receive the points for the 2025 Multifamily Consolidated RFP/2026 HTC rounds, but it may be an early indicator that it may not meet the criteria for the following year's Multifamily Consolidated RFP/HTC rounds.	

Methodology	Definition	Data Sources	Annual Review of Eligibility	Other Notes
Rural/Tribal Designated Areas (Selection Criterion 4.C)	Areas outside of the Twin Cities 7-County Metropolitan Area ² and Greater Minnesota urbanized areas.	Data source: Minnesota Demographer's Office Historic Estimates.	Data published for the 2025 Multifamily Consolidated RFP/2026 HTC will remain unchanged through the 2025 Multifamily Consolidated RFP/2026 HTC. Communities will not change tiers. Data published in 2025 for the 2026 Multifamily Consolidated RFP/2027 HTC will remain unchanged through the 2026 Multifamily Consolidated RFP/2027 HTC. Communities will not change tiers.	

Methodology	Definition	Data Sources	Annual Review of Eligibility	Other Notes
Tribal Equivalent Areas (Selection Criterion 4.D)	Tribal Reservations and Dakota Communities determined to meet the same criteria as HUD QCTs.	Data source: U.S. Census Bureau , American Community Survey (ACS)	Pay close attention if your community met the scoring criteria when Minnesota Housing published the data in November 2024 but no longer meets the scoring criteria when application materials for the 2025 Multifamily Consolidated RFP/2026 HTC that are released in spring 2025. Your project is still eligible to receive the points for the 2025 Multifamily Consolidated RFP/2026 HTC rounds, but it may be an early indicator that it may not meet the criteria for the following year's Multifamily Consolidated RFP/HTC rounds.	HUD QCT Designation Algorithm provides the algorithm used by HUD to designate the Qualified Census Tracts (QCTs).

Methodology	Definition	Data Sources	Annual Review of Eligibility	Other Notes
Multifamily Award History (Selection Criterion 4.E)	Cities or townships in which no project has received a qualified award from Minnesota Housing in the past five years.	• Multifamily Consolidated RFP (Excludes: Projects solely funded by a funding partner) ○ HTC Round 1 ○ HTC Round 2 ○ Any Minnesota Housing deferred funding source • Pipeline projects with any eligible multifamily deferred funding source. • 4% only HTC projects	Data published for the 2025 Multifamily Consolidated RFP/2026 HTC will remain unchanged through the 2025 Multifamily Consolidated RFP/2026 HTC. Communities will not be added or removed. Data published in 2025 for the 2026 Multifamily Consolidated RFP/2027 HTC will remain unchanged through the 2026 Multifamily Consolidated RFP/2027 HTC. Communities will not be added or removed.	Minnesota Housing will not consider the most recently awarded or allocated Multifamily Consolidated RFP funding, but rather will set the cut off one complete year prior. This allows communities advance notice to determine what communities are/are not included in this scoring criterion. For example, for the 2025 Multifamily Consolidated RFP/2026 HTC Round 1, Minnesota Housing will not consider selections from the 2024 Multifamily Consolidated RFP/2025 HTC Round 1.

Access to More Affordable Housing Methodology

Access to More Affordable Housing Communities either have a low share of affordable rental housing³ compared to all housing options in a community⁴ **OR** a large share of renters are cost burdened by their rent⁵ (30% or more of household income spent on rent).

Access to More Affordable Housing Communities are geographically defined by census tracts in the Metropolitan Area. Access to More Affordable Housing Communities in Greater Minnesota is geographically defined by Reservation boundaries or city boundaries.

Projects are eligible for points under selection criterion 3.A of the 2026-2027 Self-Scoring Worksheet if they are located in one of the following tiers of Access to More Affordable Housing Communities:

- **Tier 1 Tracts or Cities, Tribal Reservations, Dakota Communities or Tribal Trust Land (6 points):** those census tracts or cities in the 66.67th percentile or higher for the share of cost burdened renters **OR** in the 0-33.33rd percentile for having a low share of affordable rental housing compared to all housing options. Tribal Reservations, Dakota Communities and Tribal Trust Lands are also considered Tier 1.
- **Tier 2 Tracts or Cities (4 points):** those census tracts or cities in the 33.34th –66.66th percentile for the share of cost burdened renters **OR** in the 33.34th –66.66th percentile for having a low share of affordable rental housing compared to all housing options.
- **Tier 3 Tracts or Cities (2 points):** those census tracts or cities in the 0–33.33rd percentile for the share of cost burdened renters **OR** in the 66.67th –100th percentile for having a low share of affordable rental housing compared to all housing options.

To acknowledge differences in community types, percentiles were created by separately comparing census tracts in the Metropolitan Area² and comparing places (cities) in Greater Minnesota.

This document includes maps of the census tracts in the Metropolitan Area² and places or Reservations in Greater Minnesota that meet the one of the three tiers of Access to More Affordable Housing Communities. Applicants can map project locations and determine how many points they can claim under selection criterion 3.A of the 2026-2027 Self-Scoring Worksheet, Access to More Affordable Housing through the [Community Profiles interactive map](#).

³ Rental housing with rents affordable to households with incomes at or below 50% Area Median Income (AMI).

⁴ Analysis based on 2016-2020 [HUD Comprehensive Housing Affordability Strategy \(CHAS\) data](#).

⁵ Analysis based on data from the [U.S. Census Bureau](#) American Community Survey (ACS) 2018-2022.

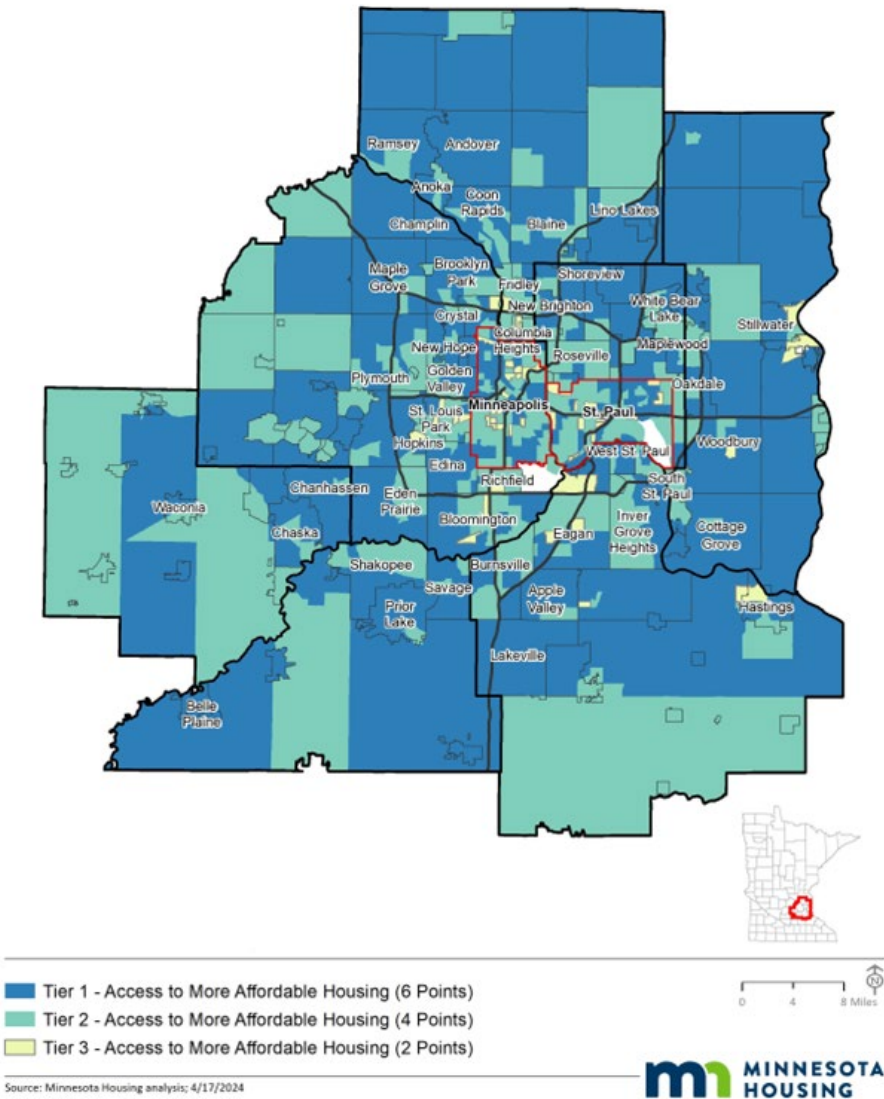
When Minnesota Housing updates the Methodology Guide, if additional areas become eligible applying the same criteria highlighted above using 2017-2021 CHAS data or 2019-2023 ACS data, Minnesota Housing will add them to the maps; no areas will be subtracted from the maps with the update. Refer to the Guide Timeline table for more information on how data updates may impact point eligibility under this selection criterion.

Metropolitan Area Access to More Affordable Housing Communities

Identification of Access to More Affordable Housing Communities in the Metropolitan Area² is based on analysis of two criteria at the census tract scale: 1) share of all renter households that are cost burdened; and 2) share of all housing units that is rental housing affordable to households with incomes at or below 50% AMI.

- If a census tract is in the 66.67th-100th percentile for cost burden **OR** 0-33.33rd percentile for lacking affordable rental options, it is considered Tier 1. Tribal Reservations, Dakota Communities and Tribal Trust Lands are also considered Tier 1.
- Tier 2 includes census tracts in the 33.34th-66.66th percentile for cost burden **OR** 33.34th-66.66th for lacking affordable rental options.
- Tier 3 includes census tracts in the 0-33.33rd percentile for cost burden **OR** 66.67th-100th for lacking affordable rental options.

Figure 1: Access to More Affordable Housing Communities – Metropolitan Area²

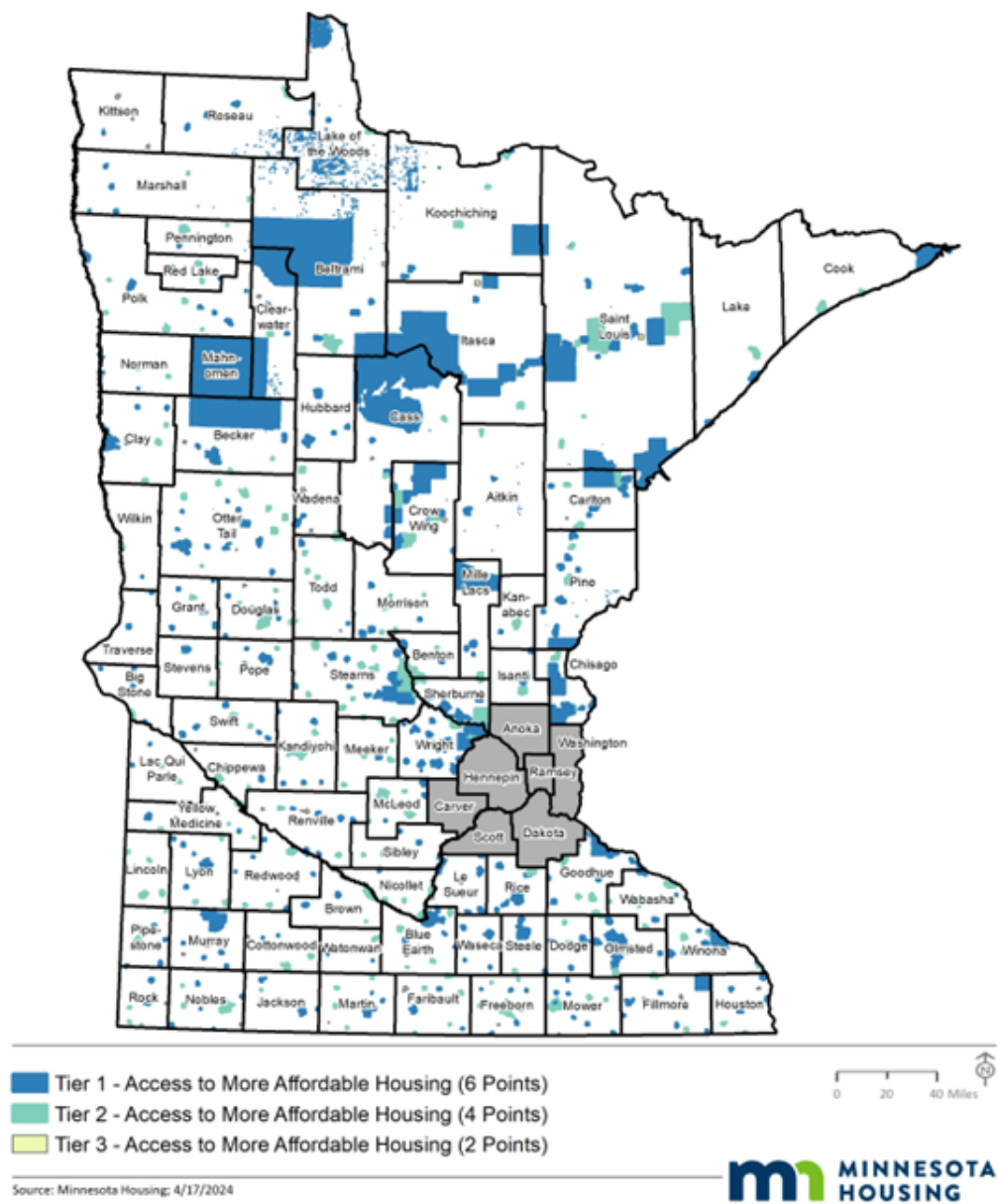


Reservations and Greater Minnesota Access to More Affordable Housing Communities

Identification of Access to More Affordable Housing Communities in Greater Minnesota is based on analysis of two criteria at the city scale: 1) share of all renter households that are cost burdened; and 2) share of all housing units that is rental housing affordable to households with incomes at or below 50% AMI.

- If a city is in the 66.67th-100th percentile for cost burden **OR** 0-33.33rd percentile for lacking affordable rental options, it is considered Tier 1. Tribal Reservations, Dakota Communities and Tribal Trust Lands are also considered Tier 1.
- Tier 2 includes cities in the 33.34th-66.66th percentile for cost burden **OR** 33.34th-66.66th for lacking affordable rental options.
- Tier 3 includes cities in the 0-33.33rd percentile for cost burden **OR** 66.67th-100th for lacking affordable rental options.

Figure 2: Access to More Affordable Housing Communities – Reservations and Greater Minnesota



Source: Minnesota Housing; 4/17/2024

Workforce Housing Communities Methodology

Workforce Housing Communities are identified using data on: 1) total jobs, 2) five-year job growth; or 3) long distance commuting. Data on jobs and growth are from DEED's Quarterly Census of Employment and Wages.⁶ Data on commuting are from the U.S. Census Bureau's Longitudinal Employer – Household Dynamics program.⁷ Workforce Housing Communities are defined separately for the Metropolitan Area² and Greater Minnesota. Selection criterion 3.B of the 2026-2027 Self Scoring Worksheet has two point levels, 6 and 3 points. The following sections describe the eligible communities and buffers around these communities for the two regions. Applicants will find interactive maps to identify whether a property falls within these areas on Minnesota Housing's [Community Profiles](#) webpage. Refer to Table 2: 2026-2027 QAP Data Methodology for more information on how data updates may impact point eligibility under this category.

Workforce Housing Communities include Top Job Centers, Net Five Year Job Growth Communities, Individual Employer Growth Communities, and Long Commute Communities, each as defined below.

1. Projects are eligible for **6 Points** if the project is located in a Workforce Housing Community that meets one or more of the following criteria:
 - **Top Job Center:** A community that is one of the top 5 job centers in the region.⁸ *Communities are buffered by 10 miles in Greater Minnesota and 5 miles in the Metropolitan Area² to account for a modest commuteshed. OR*
 - **Net Five Year Job Growth Community:** A community in Greater Minnesota that has at least 2,000 jobs in the current year and had positive job growth in the last five years; or a community in the Metropolitan Area that had at least 2,000 jobs at the start of the five year period and experienced at least net 500 job growth in the last five years *Communities are buffered by 10 miles in Greater Minnesota and 5 miles in the Metropolitan Area² to account for a modest commuteshed. OR*
 - **Individual Employer Growth Community:** A community in which an individual employer has added at least 100 net jobs (for permanent employees of the company) in that community during the last five years. The applicant must provide sufficient documentation signed by an authorized representative of the company to prove the growth.

⁶The five-year job growth communities presented in this methodology are for 2017-2022. Source: DEED's [Quarterly Census of Employment and Wages \(QCEW\)](#).

⁷ Data from LEHD are for 2021. Minnesota Housing will also add eligible communities with more current data if available by application release. Source: U.S. Census Bureau [LEHD data](#).

⁸ Regions are defined using Regional Housing Advisory Group (RHAG) definitions.

2. **OR** Projects are eligible for **3 Points** if the project is located in a Workforce Housing Community that meets the following criterion:

- **Long Commute Community:** A community that has at least 2,000 jobs in the current year, is not a Top Job Center, Net Five Year Job Growth Community, or an Individual Employer Growth Community, and where 15% or more of the community's workforce travels 30+ miles into the community for work. *Communities are buffered by 10 miles in Greater Minnesota and 5 miles in the Metropolitan Area² to account for a modest commuted.*

The maps and tables below and on following pages list and display Workforce Housing Communities for the Metropolitan Area² and Greater Minnesota. If additional communities become eligible prior to release of the Multifamily Consolidated RFP, Minnesota Housing will add them to the lists; no communities will be subtracted from the lists with the update.

Metropolitan Area Top Job Centers Communities

The Twin Cities 7-County Metropolitan Area Top Job Centers , according to the Minnesota Housing analysis of DEED's most recent [Quarterly Census of Employment and Wages](#) (2017-2022), are:

- Minneapolis, Hennepin County
- Saint Paul, Ramsey County
- Bloomington, Hennepin County
- Eden Prairie, Hennepin County
- Plymouth, Hennepin County

Metropolitan Area Net Five Year Job Growth Communities

The Twin Cities 7-County Metropolitan Area communities with at least 2,000 jobs and net job growth of 500 jobs or more in a five-year (2017-2022) period, according to the Minnesota Housing analysis of DEED's most recent [Quarterly Census of Employment and Wages](#) (2017-2022), are:

• Andover, Anoka County	• Lakeville, Dakota County
• Bayport, Washington County	• Maple Grove, Hennepin County
• Blaine, Anoka County	• Medina, Hennepin County
• Bloomington, Hennepin County	• Minneapolis, Hennepin County
• Brooklyn Park, Hennepin County	• North Saint Paul, Ramsey County
• Coon Rapids, Anoka County	• Osseo, Hennepin County
• Cottage Grove, Washington County	• Plymouth, Hennepin County
• Eden Prairie, Hennepin County	• Richfield, Hennepin County
• Fridley, Anoka County	• Rogers, Hennepin County
• Hopkins, Hennepin County	• Rosemount, Dakota County
• Inver Grove Heights, Dakota County	• Saint Paul, Ramsey County

- Savage, Scott County
- Shakopee, Scott County
- Vadnais Heights, Ramsey County
- Woodbury, Washington County

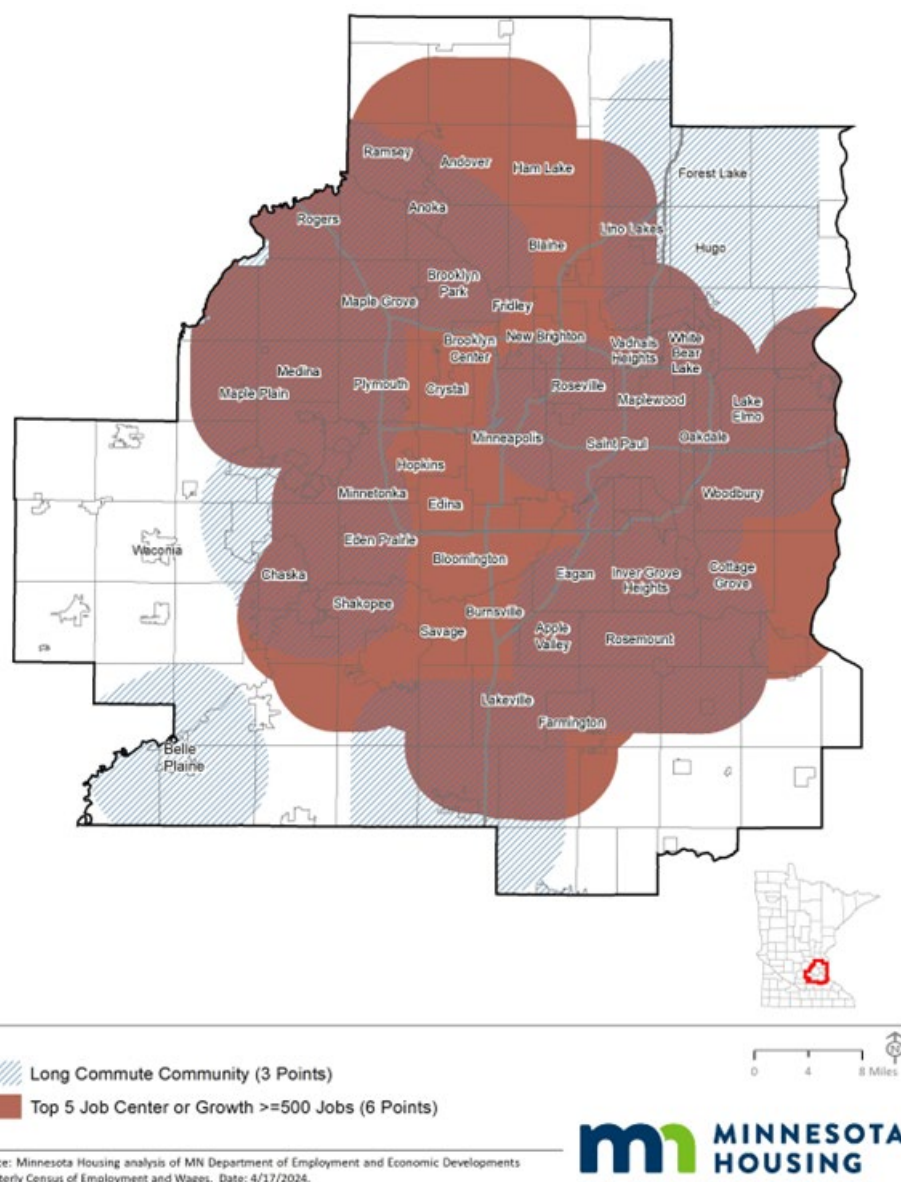
Metropolitan Area Long Commute Communities

The Twin Cities 7-County Metropolitan Area Long Commute Communities, according to the Minnesota Housing analysis of the most recent [U.S. Census Bureau Longitudinal Employer Household Dynamics data](#) (2021), are:

- Belle Plaine, Scott County
- Champlin, Hennepin County
- Chanhassen, Carver and Hennepin Counties
- Falcon Heights, Ramsey County
- Forest Lake, Washington County
- Hugo, Washington County
- Lake Elmo, Washington County
- Medina, Hennepin County
- New Market Township, Scott County
- North Saint Paul, Ramsey County
- Oakdale, Washington County
- Rogers, Hennepin County
- Rosemount, Dakota County
- South St. Paul, Dakota County

Metropolitan Area Workforce Housing Communities

Figure 3: Workforce Housing Communities – Metropolitan Area²



Greater Minnesota Top Job Centers Communities

The Greater Minnesota Top Job Centers, according to the Minnesota Housing analysis of DEED's most recent [Quarterly Census of Employment and Wages](#) (2017-2022), by region are:

- Northeast Region
 - Duluth, Saint Louis County
 - Grand Rapids, Itasca County
 - Hibbing, Saint Louis County
 - Cloquet, Carlton County
- Virginia, Saint Louis County
- Northwest Region
 - Bemidji, Beltrami County
 - Thief River Falls, Pennington County

- Crookston, Polk County
- Park Rapids, Hubbard County
- Roseau, Roseau County
- West Central Region
 - Alexandria, Douglas County
 - Moorhead, Clay County
 - Detroit Lakes, Becker County
 - Fergus Falls, Otter Tail County
 - Perham, Otter Tail County
- Central Region
 - Saint Cloud, Multi- County
 - Elk River, Sherburne County
 - Brainerd, Crow Wing County
 - Monticello, Wright County
- Buffalo, Wright County
- Southwest Region
 - Willmar, Kandiyohi County
 - Marshall, Lyon County
 - Hutchinson, McLeod County
 - Worthington, Nobles County
 - Litchfield, Meeker County
- Southeast Region
 - Rochester, Olmsted County
 - Mankato, Blue Earth County
 - Winona, Winona County
 - Owatonna, Steele County
 - Austin, Mower County

Greater Minnesota Net Five Year Job Growth Communities

The Greater Minnesota communities with at least 2,000 jobs and net positive job growth in a five-year (2017-2022) period, according to the Minnesota Housing analysis of DEED's most recent [Quarterly Census of Employment and Wages](#) (2017-2022), are:

- Alexandria, Douglas County
- Becker, Sherburne County
- Big Lake, Sherburne County
- Buffalo, Wright County
- Cannon Falls, Goodhue County
- Cold Spring, Stearns County
- Delano, Wright County
- Detroit Lakes, Becker County
- Elk River, Sherburne County
- Glenwood, Pope County
- Litchfield, Meeker County
- Minden Township, Benton County
- Monticello, Wright County
- Mountain Iron, Saint Louis County
- New Prague, Le Sueur County
- North Branch, Chisago County
- Otsego, Wright County
- Perham, Otter Tail County
- Pine City, Pine County
- Rochester, Olmsted County
- Saint Joseph, Stearns County
- Saint Michael, Wright County
- Saint Peter, Nicollet County
- Sauk Centre, Stearns County
- Thief River Falls, Pennington County
- Wadena, Wadena County
- Windom, Cottonwood County

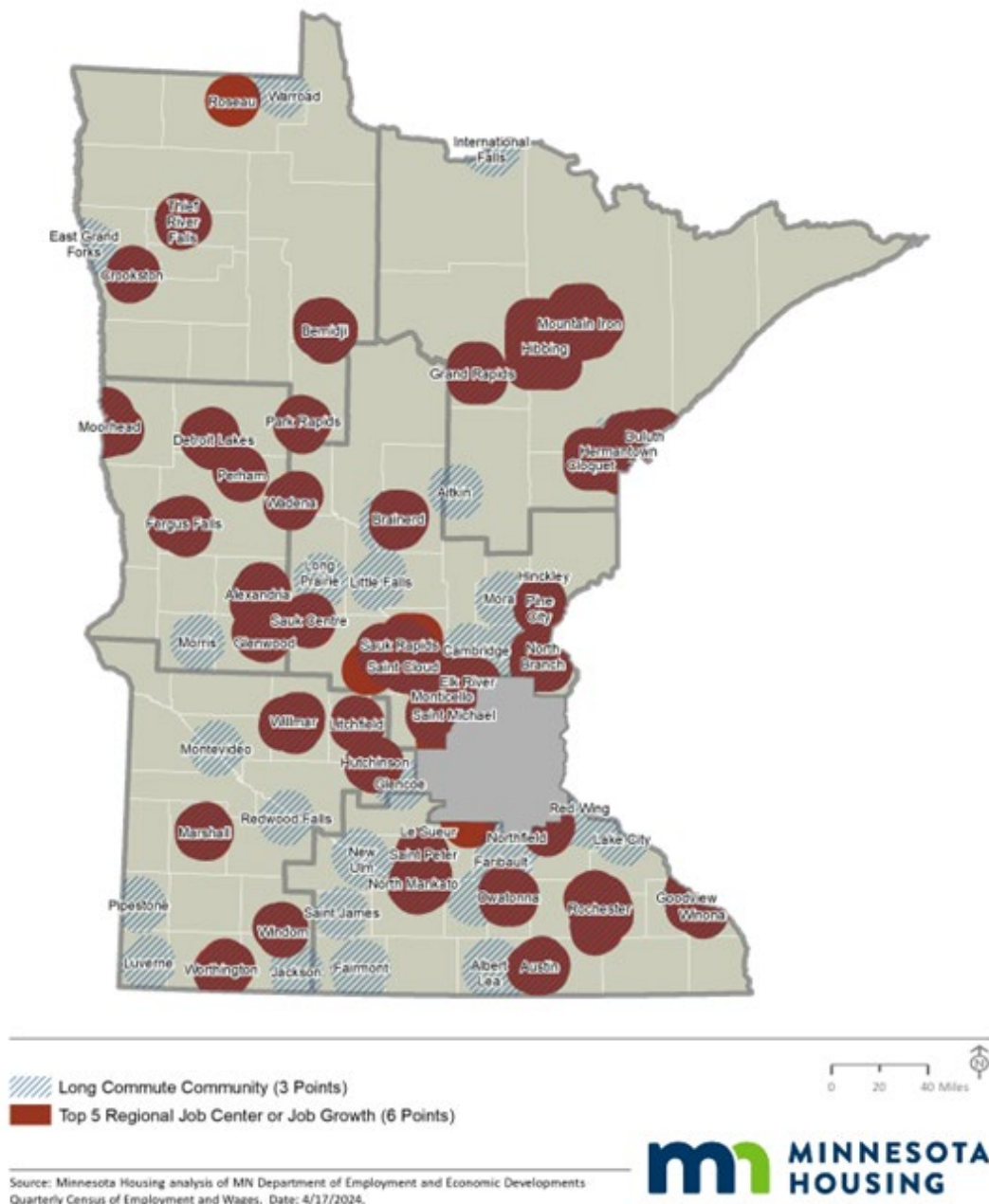
Greater Minnesota Long Commute Communities

The Greater Minnesota Long Commute Communities, according to the Minnesota Housing analysis of the most recent [U.S. Census Bureau Longitudinal Employer Household Dynamics data](#) (2021), are:

- Aitkin, Aitkin County
- Albert Lea, Freeborn County
- Alexandria, Douglas County
- Austin, Mower County
- Baxter, Crow Wing County
- Becker, Sherburne County
- Bemidji, Beltrami County
- Brainerd, Crow Wing County
- Buffalo, Wright County
- Cambridge, Isanti County
- Cannon Falls, Goodhue County
- Cloquet, Carlton County
- Crookston, Polk County
- Detroit Lakes, Becker County
- Duluth, Saint Louis County
- East Grand Forks, Polk County
- Elk River, Sherburne County
- Fairmont, Martin County
- Faribault, Rice County
- Fergus Falls, Otter Tail County
- Glencoe, Mcleod County
- Glenwood, Pope County
- Goodview, Winona County
- Grand Rapids, Itasca County
- Hermantown, Saint Louis County
- Hibbing, Saint Louis County
- Hutchinson, Mcleod County
- International Falls, Koochiching County
- Jackson, Jackson County
- Lake City, Wabasha County
- Litchfield, Meeker County
- Little Falls, Morrison County
- Long Prairie, Todd County
- Luverne, Rock County
- Mankato, Blue Earth County
- Marshall, Lyon County
- Montevideo, Chippewa County
- Monticello, Wright County
- Moorhead, Clay County
- Mora, Kanabec County
- Morris, Stevens County
- Mountain Iron, Saint Louis County
- New Ulm, Brown County
- North Branch, Chisago County
- North Mankato, Nicollet County
- Northfield, Rice County
- Otsego, Sherburne County
- Owatonna, Steele County
- Park Rapids, Hubbard County
- Perham, Otter Tail County
- Pine City, Pine County
- Pipestone, Pipestone County
- Princeton, Mille Lacs County
- Red Wing, Goodhue County
- Redwood Falls, Redwood County
- Rochester, Olmsted County
- Sauk Centre, Stearns County
- Sauk Rapids, Benton County
- St. Cloud, Stearns County
- St. James, Watonwan County
- St. Joseph, Stearns County
- St. Michael, Wright County
- St. Peter, Nicollet County
- Thief River Falls, Pennington County
- Virginia, Saint Louis County
- Wadena, Wadena County
- Waite Park, Stearns County
- Warroad, Roseau County
- Waseca, Waseca County
- Willmar, Kandiyohi County
- Windom, Cottonwood County
- Winona, Winona County
- Worthington, Nobles County

Greater Minnesota Workforce Housing Communities

Figure 4: Workforce Housing Communities – Greater Minnesota



Transit and Walkability Methodology

Metropolitan Area

In the Metropolitan Area, applicants can receive up to **9 points** under selection criterion 3.C of the 2026-2027 Self-Scoring Worksheet, Transit and Walkability. Applicants can claim points for access to transit and walkability together, or for either category separately. Applicants can map project locations and determine access to transit points through the [Community Profiles interactive map](#).

Table 3: Access to Transit – Metropolitan Area (Select One of the Following)

Criterion	Description	Points
Proximity to Light Rail Transit (LRT)/Bus Rapid Transit (BRT)/Commuter Rail Station, or Hi-Frequency Network.	Locations within one-half mile of a planned ⁹ or existing LRT, BRT, Commuter Rail Station or Metro Transit's Hi-Frequency Network.	7
Access to High Service Public Transportation	Locations within one-quarter mile of a high service ¹⁰ public transportation fixed route stop or within one-half mile of an express route bus stop or park and ride lot.	4
Access to Demand Response/Dial-A-Ride	Served by demand response/dial-a-ride transit service with prior day notice. Excludes Metro Transit's Transit Link Service. Transit service must be available daily Monday through Friday for a minimum of eight hours per day.	2

Table 4: Walkability – Metropolitan Area² (One of the Following)

Location	Walk Score ¹¹	Points
Minneapolis and St. Paul	80+	2
Minneapolis and St. Paul	60-79	1

⁹ Includes planned stations eligible for [Livable Communities Demonstration Account \(LCDA\) Transit Oriented Development \(TOD\) Grants](#). Does not include Express Bus Stations eligible for LCDA TOD Grants.

¹⁰ High service fixed route stop is defined as those serviced during the time period 6 a.m. through 7 p.m. and with service approximately every half hour during that time.

¹¹ Walk Score is based on results from the [Walk Score tool](#). If applicants would like to request revisions of a location's Walk Score, they should email Walk Score directly with details of the request to the following email address: mhfa-request@walkscore.com. Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If an address cannot be found in the Walk Score tool, use closest intersection within ¼ mile of the proposed location.

Greater Minnesota Urbanized Areas

In urbanized areas, defined by the U.S. Census Bureau as places with populations greater than 50,000, located in Greater Minnesota, applicants can receive up to **9 points** under selection criterion 3.C of the 2026-2027 Self-Scoring Worksheet, Transit and Walkability. Applicants can claim points for access to transit and walkability together, or for either category separately. These areas, identified by MnDOT,¹³ are in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato, and St. Cloud.

Table 5: Access to Transit – Greater Minnesota Urbanized Areas (Select One of the Following)

Criterion ¹⁴	Points
Within one-quarter mile of existing or planned fixed route transit stop	7
Between one-quarter mile and one-half mile of existing or planned fixed route transit stop	4
Within one-half mile of an express bus route stop or park and ride lot	4

Table 6: Walkability – Greater Minnesota Urbanized Areas (One of the Following)

Walk Score ¹⁵	Points
70+	2
50-69	1

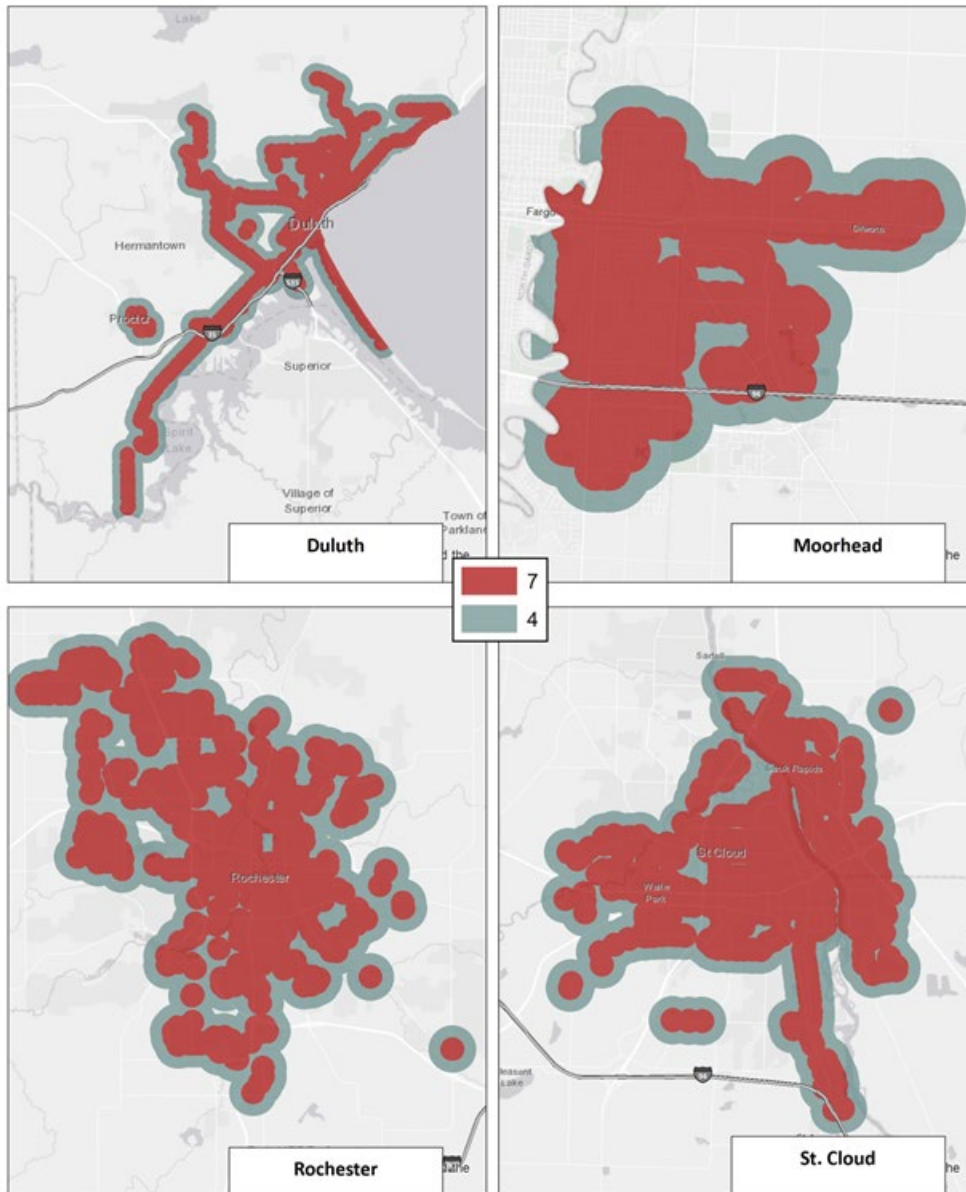
¹³ Greater Minnesota Transit Investment Plan: <https://www.dot.state.mn.us/transit/find-your-transit-provider.html>

¹⁴ For a Greater Minnesota planned stop to be eligible for points under the QAP, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The existing or planned stop or route must be available daily, Monday through Friday and provide service every 60 minutes for a minimum of 10 hours per day.

¹⁵ Walk Score is based on results from the [Walk Score tool](#). If applicants would like to request revisions of a location's Walk Score, they should email Walk Score directly with details of the request to the following email address: mhfa-request@walkscore.com. Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If an address cannot be found in the Walk Score tool, use closest intersection within ¼ mile of the proposed location.

The maps in Figures 6 and 7 display fixed route stops and $\frac{1}{4}$ and $\frac{1}{2}$ mile buffers in Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato and St. Cloud.

Figure 6¹⁶ Access to Transit Communities – Greater Minnesota Urbanized Communities (Duluth, Rochester, St. Cloud and Moorhead)



¹⁶ Source: Duluth Transit Authority, Rochester Public Works, Saint Cloud Metropolitan Transit Commission and MATBUS (Moorhead).

Figure 7¹⁷ Access to Transit Communities – Greater Minnesota Urbanized Communities (Mankato, East Grand Forks and La Crescent)



¹⁷ Source: city of Mankato, city of Grand Forks and city of La Crosse.

Rural and Small Urban Areas

In rural and small urban areas, which are places with populations less than 50,000, located in Greater Minnesota, applicants can receive up to **9 points** under selection criterion 3.C of the 2026-2027 Self-Scoring Worksheet, Transit and Walkability. Types of transit include having access to route deviation service or demand response/dial-a-ride. Route deviation service is different from fixed route transit in that the vehicle may leave its predetermined route upon request by passengers to be picked up or returned to destinations near the route, after which the vehicle returns to the predetermined route. Passengers may call in advance for route deviations similar to that of demand response/dial-a-ride or access the service at designated route stops without advanced notice. Demand response usually involves curb-to-curb or door-to-door service with trips scheduled in advance (also known as “Dial-A-Ride”).

Refer to [MnDOT’s website](#) to locate a project’s transit service provider.

Table 7: Access to Transit – Greater Minnesota Rural and Small Urban Areas (One of the Following)

Criterion	Points
Within 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 ¹⁸ and the applicable transit option is available daily Monday through Friday providing same day service	7
Served by demand response/dial-a-ride with prior day or greater notice needed, and service is available daily Monday through Friday.	4

Table 8: Walkability – Greater Minnesota Rural and Small Urban Areas (One of the Following)

Walk Score ¹⁹	Points
50+	2
30-49	1

¹⁸ Includes the Elk River and Big Lake Stations serviced by Metro Transit’s Northstar Commuter Rail.

¹⁹ Walk Score is based on results from the [Walk Score tool](#). Applicant must submit a dated print out of location’s Walk Score from the Walk Score tool. If applicants would like to request revisions of a location’s Walk Score, they should email Walk Score directly with details of the request to the following email address: mhfa-request@walkscore.com. Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If an address cannot be found in the Walk Score tool, use the closest intersection within ¼ mile of the proposed location.

For proposed housing in communities with deviated route service but beyond the ½ mile requirement, requests for route deviations must meet the advanced notice requirements for demand response in that pointing category to receive the points.

Rural/Tribal Designated Areas Methodology

Rural/Tribal Designated Areas are areas outside of the Metropolitan Area and urbanized areas in Greater Minnesota. Urbanized areas in Greater Minnesota are areas with populations over 50,000, which includes Duluth, East Grand Forks, La Crescent, Mankato, Moorhead, Rochester and St. Cloud. Refer to Table 2: 2026-2027 QAP Data Methodology for more information on how data updates may impact point eligibility under this criterion.

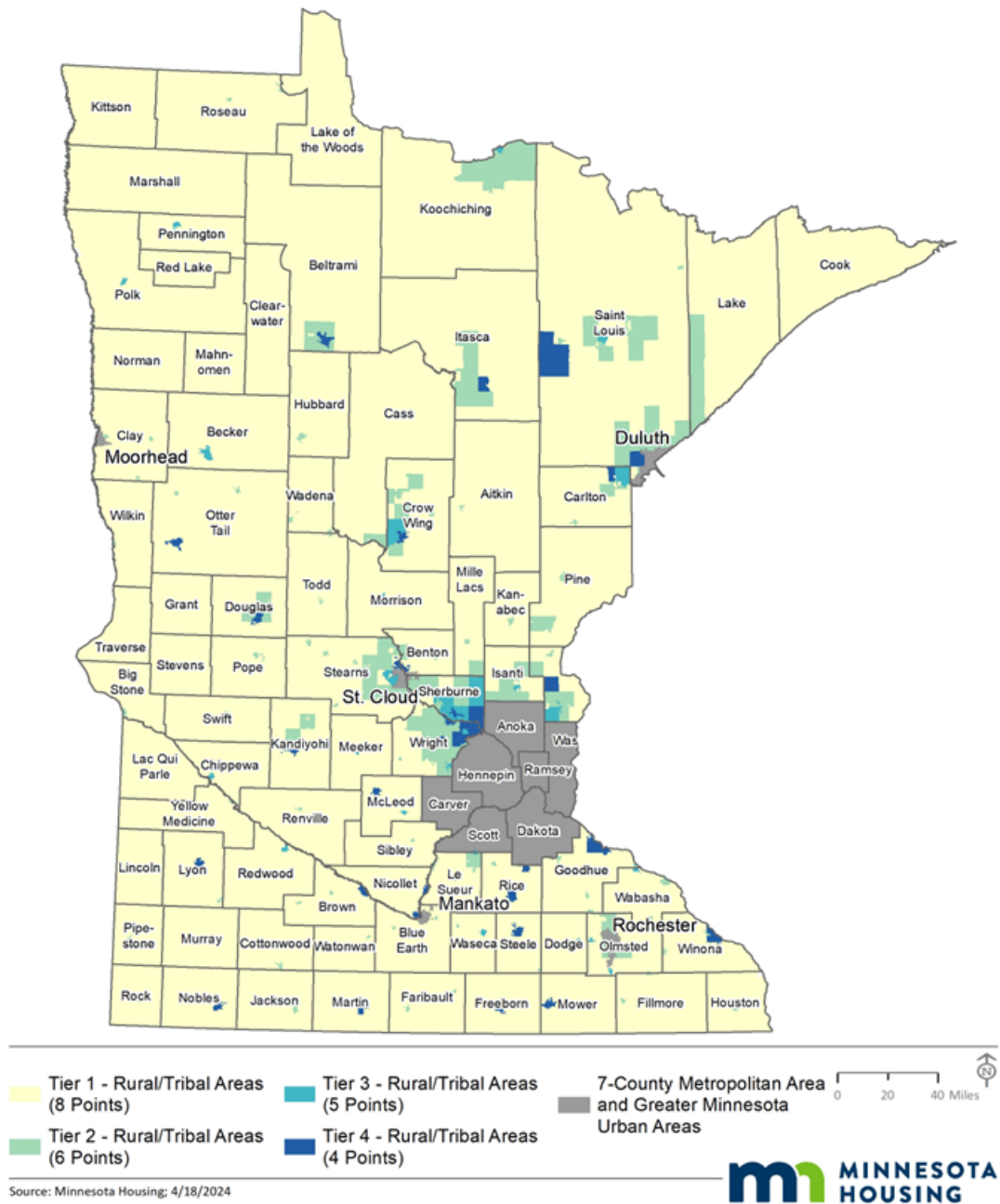
There are four tiers under selection criterion 4.C of the 2026-2027 Self-Scoring Worksheet, Rural/Tribal:

- **Tier 1 (8 points):** The project is in a Rural/Tribal Designated Area that is located outside of the Metropolitan Area and within a community that has a population fewer than or equal to 2,000. Tribal Reservations, Dakota Communities and Tribal trust lands are also considered Tier 1.
- **Tier 2 (6 points):** The project is in a Rural/Tribal Designated Area that is located outside of the Metropolitan Area and within a community that has a population between 2,001 and 5,000.
- **Tier 3 (5 points):** The project is in a Rural/Tribal Designated Area that is located outside of the Metropolitan Area and within a community that has a population between 5,001 and 10,000.
- **Tier 4 (4 points):** The project is in a Rural/Tribal Designated Area that is located outside of the Metropolitan Area and within a community that has a population greater than 10,000.

The data source for determining the population size of a community is the [Minnesota State Demographic Center's annual city and township estimates](#). Minnesota Housing will use the most recent estimates available at the time of release of the Guide.

The map below shows Rural/Tribal Designated Areas.

Figure 8: Rural/Tribal Designated Areas



Tribal Equivalent Areas Methodology

Qualified Census Tracts (QCTs) are based on census tract boundaries, but the boundaries of larger census tracts and Reservations in Greater Minnesota do not always align. Thus, large geographic areas of some low-income Reservations are not classified as QCTs. Tribal Reservations, Dakota Communities, and/or Tribal trust land that meet the HUD criteria for designation as a QCT are treated as a Tribal Equivalent Area for scoring purposes if either 1) the entire Reservation meets the definition of a QCT; or 2) if at least one census tract within the Tribal Reservation, Dakota Communities, or Tribal trust land area is eligible under current HUD QCT criteria.²⁰ Applicants will find interactive maps to identify whether a property falls within these areas on Minnesota Housing's [Community Profiles](#) webpage.

To be eligible under current HUD QCT criteria, these Tribal Reservation, Dakota Communities, or Tribal trust land areas must meet either income or poverty thresholds:

- **Income Thresholds.** Areas are eligible if 50% or more of households have incomes below the average household size adjusted income limit for at least two of three evaluation years (2019-2021).
- **Poverty Thresholds.** Areas are eligible if the poverty rate is 25% or higher for at least two of three evaluation years (2019-2021).

The Tribal Reservations, Dakota Communities and Tribal trust lands in the table below and identified on the map on the following page are Tribal Equivalent Areas.

Table 9: Tribal Reservations, Dakota Communities or Tribal Trust Land Based on Characteristics of Eligibility for Tribal Equivalent Areas ²¹

Tribal Reservations, Dakota Communities or Tribal Trust Land	Years Eligible Based on Income	Years Eligible based on Poverty
Bois Forte Reservation, MN	3	3
Lower Sioux Indian Community, MN	3	0
Mille Lacs Reservation and Off-Reservation Trust Land, MN	2	0
Prairie Island Indian Community and Off-Reservation Trust Land, MN	0	3

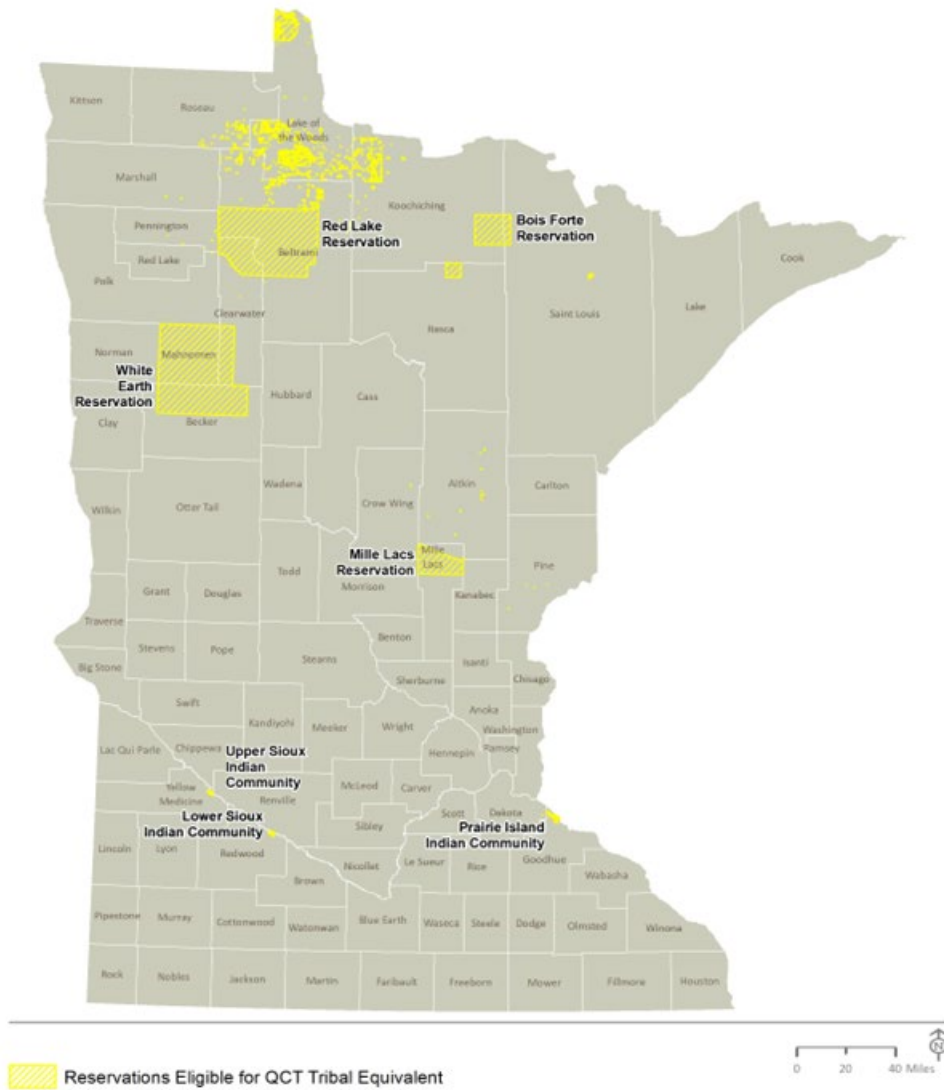
²⁰ HUD QCT Designation Algorithm found here:
https://www.huduser.gov/portal/qct/QCT_Algorithm.html

²¹ Sources: [Decennial Census, HUD Income Limits](#) (Statewide for Very Low Income, 50%) and [American Community Survey](#) 2015-2019, 2016-2020 and 2017-2021 samples.

Tribal Reservations, Dakota Communities or Tribal Trust Land	Years Eligible Based on Income	Years Eligible based on Poverty
Red Lake Reservation, MN	3	3
Upper Sioux Community and Off-Reservation Trust Land, MN	2	0
White Earth Reservation and Off-Reservation Trust Land, MN	3	0

Minnesota Housing will update the list of eligible Tribal Reservations/Dakota Communities/Tribal trust lands with the most current data prior to releasing the Multifamily Consolidated RFP. Tribal Reservations, Dakota Communities and Tribal trust lands can only be added and will not be removed based on the update. Refer to Table 2: 2026-2027 QAP Data Methodology for more information on how data updates may impact point eligibility under this category.

Figure 9: Communities Eligible as Tribal Equivalent Areas



Source: Minnesota Housing Analysis of American Community Survey Data 2017-2021, 2016-2020, and 2015-2019. Tribal lands are 2018 boundaries from the US Census of American Indian, Alaska Native, and Native Hawaiian geographies.

Multifamily Award History Methodology

Projects located in communities in which no project has received an award or allocation of funding or HTC from Minnesota Housing in the last five years²² can claim **4 points** under selection criterion 4.E, Multifamily Award History of the 2026-2027 Self-Scoring Worksheet. The programs and selection years that will be used to determine whether a qualify award was made to a project located in the community in the last five years are listed in Table 10. Minnesota Housing will not consider selections made in the most recent Multifamily Consolidated RFP, but rather will set the cut off one complete year prior. For example, for the 2025 Multifamily Consolidated RFP/2026 HTC Round 1, Minnesota Housing will not consider selections from the 2024 Multifamily Consolidated RFP/2025 HTC Round 1. This allows applicants advance notice to determine what communities are/are not included in this selection criterion. In cases where Minnesota Housing apportions its HTC to a suballocator, that project will be included as a Minnesota Housing award for purposes of this methodology. Awards by a suballocator will otherwise be excluded.

Communities where projects were funded or financed in the past five years with Low and Moderate Income Rental (LMIR) first mortgage-only funding, a Rental Rehabilitation Deferred Loan (RRDL), Workforce Housing Development Program funds, a Publicly Owned Housing Program (POHP) loan or an asset management loan will be excluded.

Table 10: Programs Used When Determining Whether a Community has Received an Award in Last Five Years

Programs	Years	Other Data Notes
• Multifamily Consolidated RFP ○ HTC Round 1 ○ HTC Round 2 ○ Any Minnesota Housing deferred funding source • Excludes: Projects solely funded by a funding partner	Project selections or commitments from January 1, 2019, through December 31, 2023	Rescinded awards are subtracted out. Minnesota Housing apportioned suballocator HTC allocations are included.
Pipeline funding with any funding source available in the Multifamily Consolidated RFP	Project selections or commitments from January 1, 2019, through December 31, 2023	Rescinded awards are subtracted out.
4% HTC only projects (Projects with allocation of bonding from MMB and 4% HTC from Minnesota Housing)	Project selections or commitments from January 1, 2019, through December 31, 2023	Project must have been issued a preliminary determination (42M) letter.

²² For scattered site projects, the location of each building will be incorporated into this methodology.

The maps on the following pages highlight the communities that have not received a Multifamily Award in the last five years.

Figure 10: Multifamily Award History Communities – Metropolitan Area

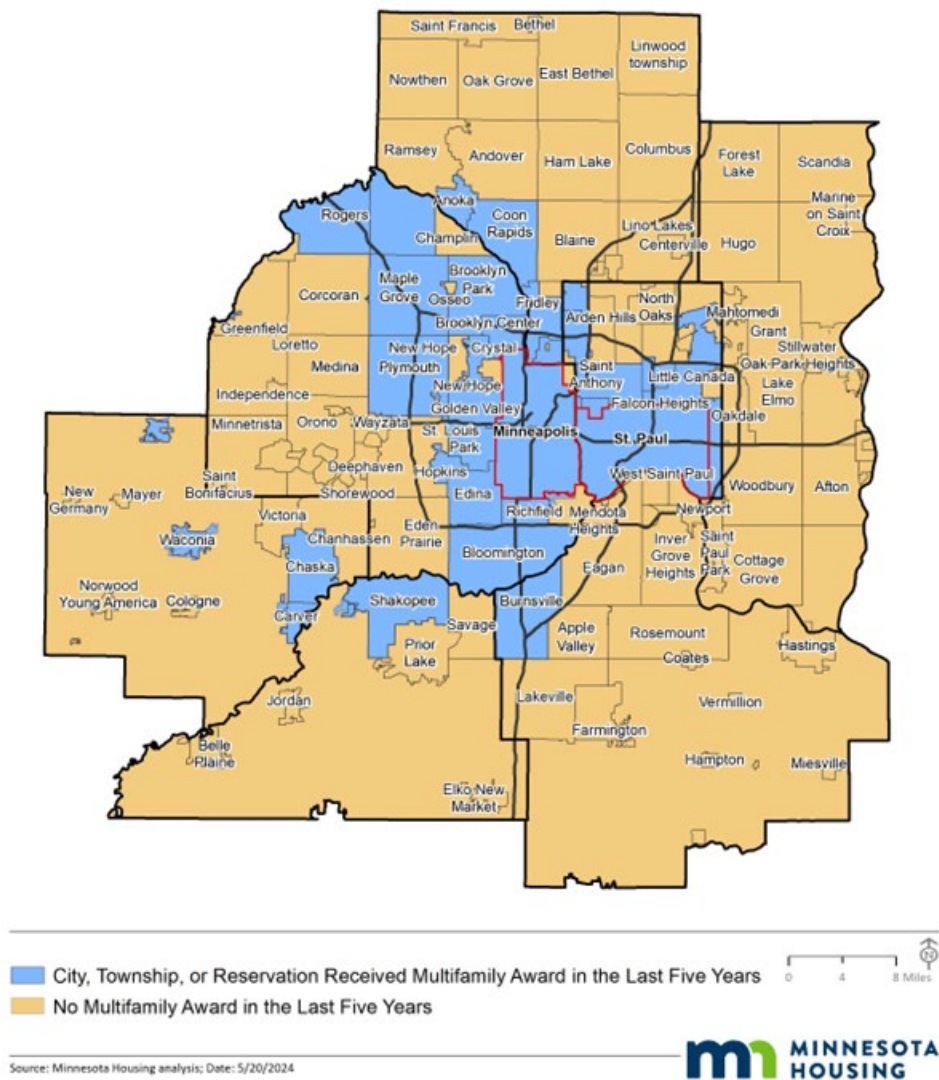
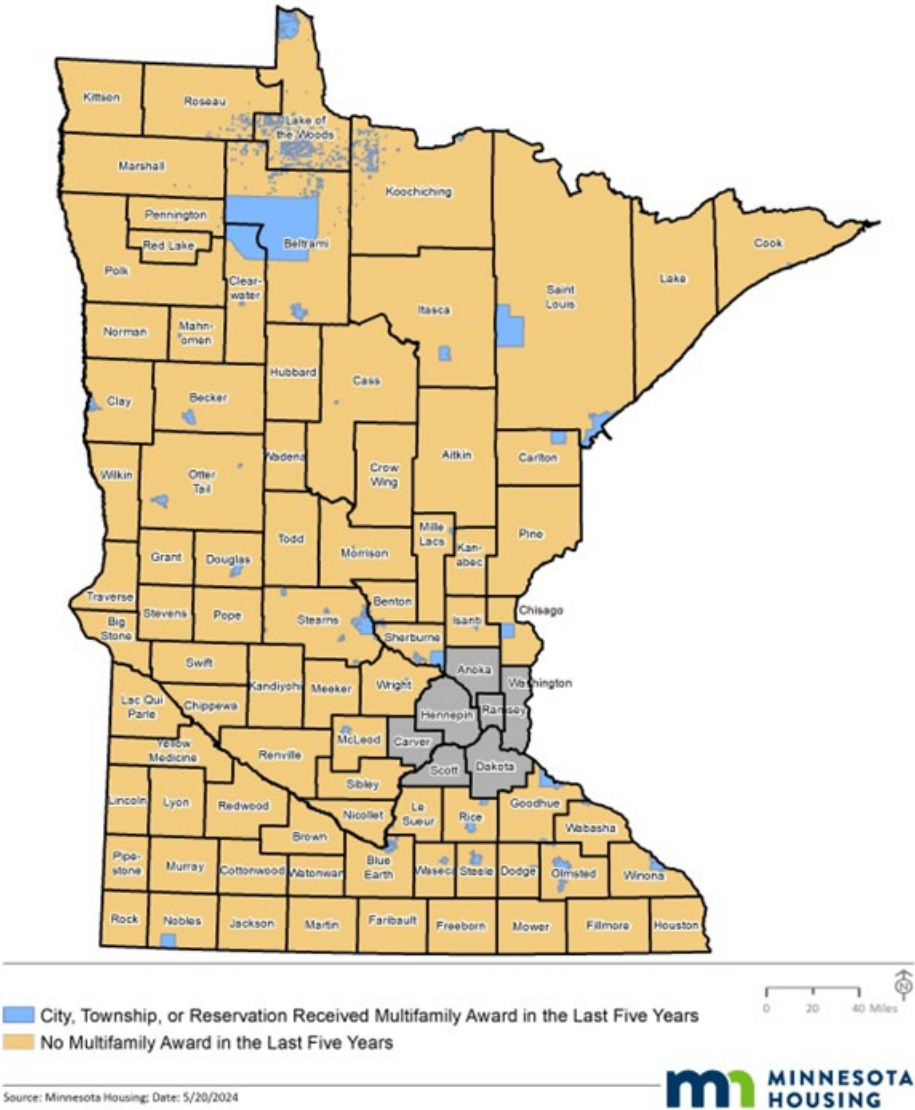


Figure 11: Multifamily Award History Communities – Greater Minnesota





Item: Approval, Tribal Indian Housing Program Manual

Action Item: 7.D
Date: 11/21/2024
Staff Contacts: Karen Johnson, 651.297.5146, karen.l.johnson@state.mn.us
Tal Anderson, 651.296.2198, tal.anderson@state.mn.us
Corey Strong, 651.296.5701, corey.strong@state.mn.us

Request Type: Approval, Motion

Request Summary

Staff requests board approval of the revised Tribal Indian Housing Program Manual.

After board approval, the Tribal Indian Housing Program Manual would go into effect when adopted by each of the respective administering Tribes.

Fiscal Impact

None

Agency Priorities

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

Attachments

- Background
- 2003 – MHFA – Tribal Indian Housing Program Procedural Manual
- Draft Tribal Indian Housing Program Manual, November 2024

Background

The Tribal Indian Housing Program (TIHP) was created in the 1970's. Four Minnesota Tribes are Administrators of the TIHP: Minnesota Chippewa Tribe, Red Lake Nation, Lower Sioux Community and Upper Sioux Community. The program was created for the purpose of establishing Tribal Administrator revolving loan funds for affordable housing activities. Over the past 50 years, the four Administrators have used the TIHP to fund homeownership and rental activity throughout Minnesota.

In its original design, designated state appropriated funds were made available to the Administrators through a loan agreement between Minnesota Housing and each Administrator. In 2005, the legislature stopped directly appropriating funds to the TIHP and instead included an Indian set-aside within the Challenge program to support Tribal lending more broadly. The Indian set-aside is available for all Challenge eligible activities. Administrators of TIHP can apply for the Indian set-aside funds through the annual consolidated RFP process and TIHP funding awards are made using the Community Homeownership Impact Fund contract template.

To set out the requirements for the TIHP, the Agency developed a TIHP Manual. The Manual sets the the borrower priority and eligibility requirements for the Tribe's first mortgage lending program including origination, servicing, and Minnesota Housing's role in overseeing the lending program. Tribes use the Manual to create a Housing Plan. The Program Manual was last updated in 2003.

In drafting the updated TIHP Manual, staff sought feedback and guidance from stakeholders including Tribal leaders and Tribal staff. Based on that feedback, the proposed revised and updated TIHP Manual clarifies statutory requirements and maximizes Tribal autonomy in developing a Housing Plan which best meets the needs of their borrowers.

The recommended revisions distinguish program requirements based on the date of loan origination. This change is intended to make the administration of the program more clear and efficient.

In 2005, when the funding source for the TIHP changed from the TIHP appropriation to the Indian set-aside within the Challenge program, this resulted in confusion on which Minnesota statute governed TIHP. The statutes and rules are:

1. **TIHP:** Minn. Stat. §462A.07, subd. 14, Minnesota Rules 4900.0900 to 4900.1080
2. **Challenge:** Minn. Stat. §462A.33, Minnesota Rules 4900.3600 to 4900.3652

The TIHP and Challenge statutes and rules differ in a number of areas. One key difference that has been particularly cumbersome for program implementation is the different income limit requirements. The TIHP statute sets the adjusted household income limit at 80% of area median income (AMI) as determined by the Department of Housing and Urban Development (HUD). Under the Challenge statute, the annual household income limit is 115% of the greater of state or AMI, as determined by HUD.

The proposed revisions correlate with the applicable statute and rule for TIHP loans in effect at time of loan origination. Therefore, any TIHP loans made in 2005 or before are subject to TIHP statute and rules and any TIHP loans made in 2006 or after are subject to the Challenge statutes and rules.

Other key proposed revisions include, but are not limited to:

- Increased income limits from 80% AMI to 115% AMI;
- Eliminates Minnesota Housing overlays so Tribes determine security requirements, if any;
- Removes appraisal requirements so Tribes determine appraisal requirements, if any;
- Allows Tribes to establish the conditions and requirements for borrowers wanting to refinance an existing loan; and
- Streamlines oversight, tracking and reporting requirements to Minnesota Housing.

The Agency conducts formal government-to-government consultation with elected Tribal leadership when any changes to programs or contracts are contemplated. While staff who administer TIHP at each Tribe have been involved in reviewing the draft manual and have provided feedback on potential clarifications and efficiencies, the Agency has not completed formal consultation with each Administrator on this draft manual. Therefore, the draft manual includes the provision that it is in effect for each individual Tribe upon adoption by that Tribe. As Minnesota Housing moves forward with consultation with each Tribe, we will offer further revisions and may return for board approval as needed.

Next Steps:

With Board approval, the Agency will:

- Consult with Tribal leaders on the proposed changes in the updated manual and on how the proposed changes, if approved, would be implemented;
- Continue to work with each Tribe on a process for approving and adopting the updated manual and implementing the changes; and
- Provide technical assistance as requested to Tribes to complete and implement their respective Housing Plans.

TRIBAL INDIAN HOUSING PROGRAM

PROCEDURAL MANUAL



Minnesota Homes Division

May 2003

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AMERICANS WITH DISABILITIES ACT NOTICE TO THE PUBLIC

It is the policy of the Minnesota Housing Finance Agency to comply with the provisions of the Americans with Disabilities Act, 42 U.S.C. A. Section 1201, et seq. ("ADA"). The ADA prohibits discrimination against qualified individuals with disabilities on the basis of their disability. The ADA provides, in part, that qualified individuals with disabilities shall not be excluded from participating in or be denied the benefits of any program, service, or activity offered by this Agency.

The ADA requires that all programs, services and activities, when viewed in their entirety, are readily accessible to, and usable by, qualified individuals with disabilities. This Agency must communicate effectively with individuals with speech, visual, and hearing impairments and provide auxiliary communication aids to qualified individuals with disabilities participating or benefiting from this Agency's programs, services or activities to afford equal opportunity.

Should you wish to review the ADA or its interpretive regulations, ask questions about your rights and remedies under the ADA, request a reasonable modification to this Agency's policies, practices or procedures, or file a written grievance with this Agency alleging noncompliance with the ADA, please contact the Agency's Designated Coordinator for the ADA listed below:

Name: Barb Collins
Address: 400 Sibley Street, Suite 300
St. Paul, MN 55101-1998

Telephone Numbers:

Voice: 651-297-3122
TTY: 651-297-2361



Equal Housing Opportunity

CHAPTER ONE - GENERAL PROGRAM INFORMATION

I. The Minnesota Housing Finance Agency Tribal Indian Housing Program

The Minnesota Chippewa Tribe, Red Lake Band of Chippewa Indians, and the Sioux communities administer the Minnesota Housing Finance Agency Tribal Indian Housing Program to American Indians living both on and off reservation in accordance with Minnesota State Law and Minnesota State Rules governing the program.

Each Tribal Entity entering into a program delivery partnership with the Agency develops a Housing Plan, which identifies the Tribal Entities individual housing needs and describes the program's operation.

II. Minnesota State Law 462.07 Subdivisions 14. American Indians

The Minnesota Housing Finance Agency may engage in housing programs for low- and moderate- income American Indians developed and administrated separately or in combination by the Tribal Entities.

In developing such Housing Programs, the Tribal Entity shall take into account the housing needs of all American Indians residing both on and off reservations within the state. A plan for each such program, which specifically describes the program content, utilization of funds, administration, operation, implementation and other matters, as determined by MHFA, must be submitted to MHFA for its review and approval prior to making of eligible loans pursuant to 462A.21 Subdivision 4c.

In furtherance of the policy of economic integration stated in section 462A.02, subdivision 6, Tribal Entities may engage in housing programs for American Indians who intend to reside on reservations and who are not persons of low and moderate income, provided that the aggregate dollar amount of the loans for persons who are not of Low and Moderate income closed in each Tribal Entity's fiscal year shall not exceed an amount equal to 25 percent of the total dollar amount of all loans closed by that Tribal Entity during the same fiscal year.

III. Minnesota State Rules 4900.0900 to 4900.1080. American Indian Housing

Minnesota State Law, Administrative Rule and Loan Agreements govern the Tribal Indian Housing Programs for American Indians of low and moderate

income, the disposition of the appropriated funds, and programs developed and administered separately or in combination by the Tribal Entities.

The Tribal Entity that develops Housing Programs must take into account the housing needs of all American Indians residing both on and off reservation within the state.

IV. Housing Plan

Each Housing Plan submitted to MHFA for review and approval must comply with the law, rules and Loan Agreements governing housing programs for American Indians. The plan should specifically describe the program content, utilization of funds, administration, operation, and implementation of each Tribal Entity's Tribal Indian Housing Program.

The Housing Plan must include the following:

- A. Ensure that each recipient of a loan under the program and each person or family initially occupying a dwelling unit financed with Tribal Indian Housing Program funds is an American Indian as defined by United States Code, title 25, section 450b or an American Indian family.
- B. Specify the income limits and credit requirements for loan recipients to ensure compliance with the law, rules and Loan Agreements governing Tribal Indian Housing Programs for American Indians.
- C. Specify the maximum purchase price limit of the units to be financed and contain a means of inspection to insure that any such construction conforms to the uniform building code of the state of Minnesota and all applicable federal regulations, rules, or codes.
- D. Specify the Loan term including the interest rate, loan security limits and fees and charges paid by a recipient in connection with the making of a eligible loan under the Tribal Indian Housing Program.
- E. Specify the distribution of funds for American Indians residing on and off reservation within the state, as shown by evidence contained in the plan concerning on and off reservation population, percentage of low and moderate income American Indians to deliver to both on and off reservation. The plan may provide that at the option of the Tribal Entity, the origination and servicing of loans to recipients residing off the reservation may, by separate agreement, be performed by a party or parties selected by the Tribal Entity for administering.
- F. Include a Tribal Indian Housing Program budget for the Tribal Entity Housing Program.

- G. Identify those Demonstration projects previously reviewed and approved by MHFA. The income limits, specified in Chapter Two, Section II do not apply to demonstration projects.

V. Housing Plan Submission Process

Each Housing Plan must be submitted to MHFA by July 1st of each biennium to coincide with the State of Minnesota's appropriation schedule. MHFA will review each Housing Plan in accordance with the Minnesota State Law and Minnesota State Rules and Loan Agreements governing housing programs for American Indians. Each Tribal Entity will be notified of their accepted Housing Plan within 60 days of submission. Each Housing Plan will then be presented to MHFA's Board of Directors for approval. Each Tribal Entity will be formally notified in of the Board's decision.

VI. Government Data Practices Act

Minnesota Law 462A.065 provides that financial information, including but not limited to credit reports, financial statements and net worth calculations, received or prepared by the MHFA regarding any agency loan or agency grant constitute private data on individuals, pursuant to section 13.02, subdivision 12. These laws limit the use of such private data to that necessary for the administration and management of the Tribal Indian Housing Program by MHFA personnel or those under contract with the MHFA. However, in instances where state or federal law authorizes access to this data, it may be made available to other governmental entities, including, but not limited to, the United States Department of Housing and Urban Development.

VII. Financial Audit

An annual financial audit of the Tribal Indian Housing Program(s) is to be performed by an independent Certified Public Accountant in accordance with generally accepted accounting principles. This annual financial audit of each Tribal Entity's Tribal Indian Housing Program must be submitted to the MHFA for review within 120 days of the completion of the fiscal year.

VIII. MHFA Program Audit

MHFA shall have the right, upon reasonable notice and during normal business hours, to examine and audit any or all records and accounts pertaining to each Tribal Entity Tribal Indian Housing Program. Such records include all loan information, and documents pertaining to the law, rules, and Loan Agreements governing the origination of loans under the Tribal Indian Housing Program.

CHAPTER TWO - BORROWER ELIGIBILITY

I. General Borrower Eligibility

Eligible borrowers include American Indian individuals or families enrolled in a federally recognized American Indian Tribe, residing on or off reservations, who meet the selection criteria as identified in the Tribal Entity's approved Housing Plan.

II. Borrower Income Limits

The Tribal Indian Housing Program sets the adjusted household income limit at greater of 80% of the state or area median income as determined from time to time by the United States Department of Housing and Urban Development. However, a Tribal Entity's approved Housing Program may specify a lower income limit.

The Tribal Indian Housing Program defines adjusted household income limit as the gross annual income from all sources before taxes or withholding of all residents living in the household, minus:

- \$1,000 for each resident of the household; and
- Extraordinary medical or other expenses as the Commissioner of MHFA approves for exclusion.

These limits do not apply to MHFA approved Demonstration Projects submitted by the Tribal Entity or financing for rehabilitation.

Also, the Tribal Entity may provide up to 25% of the total dollar amount of all loans closed during the same fiscal year to eligible households on reservations without regard to income.

III. Interest Rates

The Tribal Entities and MHFA negotiate to set an interest rate for each Tribal Entity's Tribal Indian Housing Program. The consideration in establishing interest rates for eligible loans shall be to make the affordable Tribal Indian Housing Program self-supporting by generating sufficient interest income to offset the expenses incurred in the development and operation of each Tribal Entity's approved Housing Plan.

IV. Owner Occupancy

Borrowers who receive financing under the Tribal Indian Housing Program must occupy the residence within 60 days of closing the loan transaction or upon the completion of the construction of the residence.

V. Credit Worthiness

The approved Housing Plan submitted by the Tribal Entity identifies borrower credit requirements under the Tribal Indian Housing Program. The Tribal Entity specifies in the Housing Plan submitted to MHFA for review and approval, adequate means for determining that the eligible borrower is an acceptable credit risk.

These credit requirements specify processes for determining that the borrower is an acceptable credit risk.

CHAPTER THREE - HOUSING ELIGIBILITY

I. General Housing

Eligible activities include the financing of the construction, acquisition and or rehabilitation of housing units located both on or off the reservation within the state of Minnesota for the purpose of providing housing to American Indian families and individuals.

Eligible units include single-family residences, individual residential units in planned unit developments, twin homes, duplexes, triplexes, fourplexes, townhomes, condominiums and manufactured housing. For multi unit properties at least one unit must be owner occupied.

Ineligible activities include the financing of the purchase of land only, or farmsteads in excess of 40 acres.

The Tribal Entities specify in their individual approval housing plan, the type and scope of housing eligible for financing under the Tribal Indian Housing Program,

II. Loan Limits

The Tribal Entities specify in their individual approved Housing Plan the maximum limitation on the purchase price of the eligible property.

The purchase price of a residence is the cost of acquiring a completed residential unit. The purchase price includes all amounts paid either in cash or in kind by the Borrower, or the Borrower's representative, to the seller, or the seller's representative, as consideration for the residence, including any amounts required to complete or repair a residence.

No loan for rehabilitation of any property shall be made in an amount which, when added to all other existing indebtedness secured by the property, would exceed its market value as determined by a qualified appraiser.

The Tribal Entities further specify in their individual approved Housing Plan the maximum limitation on the loan amount for the rehabilitation of existing eligible property.

CHAPTER FOUR - LOAN ELIGIBILITY

I. General Loan Eligibility

Loans whether for purchase, construction or rehabilitation of eligible housing units, must be secured by liens on the property to the extent that such loans may validly be granted in accordance with standard lending procedures appropriate to the nature of the ownership of the land. Housing loans for dwellings on Tribal or Band land shall be made only if such land is leased (Tribe or Band approved) under terms insuring the availability of the land for a period equal to the term of the housing loan.

The Bureau of Indian Affairs must provide written approval for housing loans on allotted lands.

The Tribal Entities specify in their individual approved Housing Plan the method whereby the loans are secured.

II. Loan Term

The following maximum loan terms apply:

- 30 years for the purchase of eligible housing
- 15 years for rehabilitation
- 30 years for purchase/rehabilitation

The Tribal Entities specify in their individual approved Housing Plan the terms for the loans they originate.

III. Loan Security

A valid and enforceable lien against the property is required in the following circumstances:

- A. When the loan is being used for the purchase of a property;
- B. When the total of the new rehab loan and the outstanding balance of previous loans exceed \$5,000.00.

IV. Refinancing of Existing Loans

No loan shall be approved or disbursed for the purpose of refinancing an existing loan. However, loans may be made to replace or refinance temporary initial financing such as construction or interim loans, contracts for deed, bridge loans, or gap loans. In order to be eligible for such financing, the temporary initial financing may not have an original term, which exceeds 60 months.

V. Loan Modifications

The Tribal Entities specify in their individual approved housing plans the circumstances when loan modifications are allowed. Generally, loan modifications are used as a tool to cure delinquencies when borrowers do not have the financial ability to reinstate their mortgage by paying a sum in addition to the regular monthly mortgage payment sufficient to bring the mortgage current over a reasonable period of time as in a forbearance agreement.

VI. Land Title

In all cases, the title of land, which serves as security for an eligible housing loan, must be free and clear of all liens and encumbrances commonly unacceptable to prudent lending practices as evidenced by an attorney's opinion. The Tribal Entities specify in their individual approved housing plan the process for establishing appropriate lien position.

CHAPTER FIVE - DUTIES OF ORIGINATOR

I. General Duties

The Tribal Entity also referred to as, the originator, is responsible for providing information on their respective approved housing plans to eligible borrowers, receive and process loan applications, provide the MHFA with a summary of the applications to be funded on a form provided by the MHFA, and establish lending procedures which comply, to the extent applicable, with the Real Estate Settlement Procedures Act, truth-in-lending legislation, and applicable usury and other lending laws.

The Tribal Entities shall service or cause to be serviced all loans made to their eligible borrowers. The provisions regarding servicing shall be detailed by the Tribal Entity in their individual approved Housing Plan and shall outline all servicing responsibilities including, but not limited to, composition and retention of loan files, escrow accounts, reporting systems, handling of delinquencies and default and foreclosure policies and procedures. See appendix II for Servicing Performance Standards.

II. Revolving Fund Usage

The Tribal Entities shall maintain a revolving fund made up of principal and interest repayments and loan prepayments from previous loans. From this revolving fund, the Tribal Entity may advance funds for additional eligible housing loans in accordance with the law, rules, and Loan Agreements governing the Tribal Indian Housing Program. Interest income from the revolving account may also be used to offset the expenses incurred during the administration of Tribal Indian Housing Program by the Tribal Entity.

III. Administrative Budget

The Tribal Entities submit an annual administrative budget to MHFA for review and approval. The budget specifies the production activity for the past year and a projection of activity for the coming year. The budget also includes all revenues and expenses for administrating the Tribal Indian Housing Program.

IV. Reporting

The MHFA may require that the Tribal Entities submit reports pertaining to the operation of the individual approved housing plan. These include reports

information as to the overall production and servicing under the program, and information pertaining to specific loans and/or actions taken under the individual approved housing plan. Such reports shall be in the manner and format prescribed by the MHFA.

A monthly servicing report is submitted to MHFA, this report will include:

- Borrower delinquency and foreclosure status and information pertaining to real estate owned through foreclosure.

V. Approved Individual Housing Plan Monitoring

The Tribal Entities shall allow the MHFA or its representative to conduct monitoring visits. These visits will pertain to the individual approved housing plan, the Loan Agreements, the rules and the law governing the Tribal Indian Housing Program.

The monitoring visit will include a review of the loan files originated by the Tribal Entity in accordance with their individual approved Housing Plan, Loan Agreements, Rules and the Law.

A report of the monitoring visit will be forwarded to the Tribal Entity for review, actions and/or comments.

CHAPTER SIX - LOAN PROCESSING AND DELIVERY REQUIREMENTS

I. Allocation of Funds

The State Legislature appropriates funds provided under the Tribal Indian Housing Program. In accordance with Minnesota State Law 462.07 Subdivision 14. American Indians, funds are allocated to the Tribal Entities based on their enrollees who live both on and off reservations. Formal notification will be sent to each Tribal Entity.

II. Self Approval Loan Process

The Tribal Entities originate, process, underwrites, and closes loans in accordance with their individual approved housing plan. They prepare and submit to the Agency the completed MHFA Notification of Disbursement form for both funds requested from the revolving account and for funds requested as a drawdown. Upon receipt of this form the Agency disburses funds to an account designated by the Tribal Entity.

It is the responsibility of the Tribal Entity to maintain in their files the following documents: The loan application, the appraisal, the credit report, the information disclosure notification form, proof of enrollment, verification of employment, verification of deposits, verification of rent, title insurance policy or attorney's opinion or authorization signed by the Bureau of Indian Affairs and other documentation pertaining to the borrower or property.

III. Delivery Requirements

It is the responsibility of the Tribal Entity to submit to the Agency within 60 days of loan closing, the following documents: A copy of the application, a copy of the mortgage, a copy of the HUD 1 settlement statement and a copy of the mortgage certification (for insured loans).

APPENDIX I: DEFINITIONS

Adjusted Household Income

Refers to gross annual income from all sources and before taxes for all residents living in a housing household, minus \$1,000 per resident and extraordinary medical or other expenses as the Commissioner of MHFA approves for exclusion.

American Indian

Refers to United States code, title 25, section 450b.

Borrower

Refers to individuals or households receiving funds in the form of a secured or unsecured loan with the obligation of repaying the loan in full with interest, or a tenant who is renting a home under a formal lease agreement.

Demonstration Projects

Refers to housing programs under the Tribal Indian Housing Program, which encourages the participation of financial institutions or other leveraging sources of funds.

Housing Plan

Refers to the plan submitted to the MHFA by the Tribal Entities, which specifies, program content, utilization of funds, administration, operation, implementation and other matters relating to their housing program under the Tribal Indian Housing Program.

Loan

Refers to the funds made available for the purchase, construction or rehabilitation of a residential home, which may be secured by a lien.

Loan Agreements

Refers to the contractual documents between the Tribal Entities and the MHFA for the purpose of transferring the allocated portion of loan funds and to ensure compliance with the law and rules governing the Tribal Indian Housing Program.

Low And Moderate Income

Refers to the income used for the Tribal Indian Housing Program recipients. Based on State Median Income.

Moderate	81% to 115%
Low	61% to 80%
Very Low	Less than 60%

Minnesota Housing Finance Agency

Also referred to as the MHFA or Agency

Purchase Price

Refers to the amount a borrower is willing to pay for the purchase of a residential unit.

Tribal Entity

Refers to the Minnesota Chippewa Tribe, Red Lake Band of Chippewa Indians and the Sioux communities.

Tribal Indian Housing Program

The housing program provided to American Indian individuals and families living both on and off reservations in the state of Minnesota.

APPENDIX II: SERVICING PERFORMANCE STANDARDS

<u>0 to 10%</u>	Great. Far below two year average.
10% to 12%	Good. Below two year average.
13% to 15%	Fair to Poor. Internal staff assistance required. Intensify methods and procedures.
16% to 18%	Poor to unacceptable. External Program/Staff Assistance. Legal methods, MHFA, Other. Documented Plan of Action (Local).
19% to 20%	Unacceptable. Program Evaluation. Plan of Action including and approval of MHFA.
20%	Plus Loan Suspension.

APPENDIX III: STATE LAW AND STATE RULES



Tribal Indian Housing Program Manual

November, 2024

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The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, gender identity, or sexual orientation in the provision of services.

An equal opportunity employer.

This information will be made available in alternative format upon request.

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Chapter 1 – Introduction

1.01 Mission Statement

Housing is foundation 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.

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 Tribal Indian Housing Program

In 1976, the Minnesota State Legislature recognized the need for a housing program specifically designed for American Indians living in Minnesota, by enacting [Minn. Stat. § 462A.07, subds. 13 and 14](#) which authorizes and directs Minnesota Housing to create the Tribal Indian Housing Program (“TIHP”).

Developed in partnership with and administered by the Minnesota Chippewa Tribe Finance Corporation, the Red Lake Band of Chippewa Indians, the Upper Sioux Community and the Lower Sioux Community (collectively the “Tribes”) the TIHP provides loans to American Indians and their families residing on and off reservations throughout the state.

1.04 Program Purpose

The TIHP is intended to advance the agency's public purpose under [Minn. Stat. § 462A.02, subd. 6](#) and provide adequate housing for low- and moderate-income American Indian families residing on and off reservations in Minnesota.

1.05 Program Goals

Minnesota Housing promotes accountability, effectiveness, and efficiency and is committed to cooperatively working with Tribes in achieving the following program goals:

- To improve and strengthen the economic conditions of American Indian communities by promoting the production of safe, decent housing and by increasing access to long-term affordable housing opportunities both on and off reservations in Minnesota.
- To support and assist Tribes in the development, administration, and management of their housing programs.
- To promote local market-driven policies and solutions in the development and preservation of high-quality affordable housing to help close disparity gaps and increase the homeownership rates of American Indians and their families.

Chapter 2 – General Program Information

2.01 General Duties

The Tribal Entity must receive and process loan applications and establish lending procedures which comply, to the extent applicable, with the Real Estate Settlement Procedures Act, Truth-in-Lending Act (“TRID”) and applicable usury and other lending laws that protect from harm, the consumers interest in the loan application, closing and servicing processes.

2.02 Governing Statutes and Administrative Rules

For appropriations occurring on or before 2005, [Minn. Stat. § 462A.07, subds. 13 and 14, Administrative Rules 4900.0900 to 4900.1080](#) govern the Tribal Indian Housing Program.

For awards occurring after 2005, [Minnesota State Law 462A.33, Administrative Rules 4900.3600 to 4900.3652](#) govern the Tribal Indian Housing Program.

2.03 Revolving Fund Usage

The Tribal Entities shall maintain a revolving fund made up of principal and interest repayments and loan prepayments from previous loans. From this revolving fund, the Tribal Entity may advance funds for additional eligible housing loans. Interest income from the revolving account may also be used to offset any administrative costs.

2.04 Program Reporting

Minnesota Housing may require the Tribe’s to submit reports pertaining to the operation and implementation of its Housing Plan. These include reports as to the overall production and servicing under the program, and information pertaining to specific loans and/or actions taken under the Housing Plan. Such reports shall be in the manner and format prescribed by Minnesota Housing.

2.05 Program Monitoring

Tribes shall allow Minnesota Housing or its representative to conduct program monitoring. Program monitoring reviews will pertain to the individual approved Housing Plan, the Loan Agreements, the statutes and rules governing the Tribal Indian Housing Program and any Challenge Fund award contracts and procedure manuals.

Program monitoring will be conducted in compliance with the Office of Grants Management [Policy 08-10: Policy on Grant Monitoring](#). Minnesota Housing will provide a monitoring report to the Tribe for review, actions and/or comments.

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Chapter 3 – Housing Plan

Each Tribe must develop a Housing Plan every two (2) years to Minnesota Housing that specifically describes the program content, utilization of funds, administration, operation, and implementation of the Tribe's Tribal Indian Housing Program. The Housing plan must comply with the applicable state laws, administrative rules, the loan agreement, and this TIHP manual.

Tribes shall originate, process, underwrite, close, and service loans in accordance with their individual approved Housing Plan.

3.01 Housing Plan Content Requirements

The Housing Plan must identify the existing and projected housing needs of American Indians residing both on and off reservations in Minnesota and must establish specific strategies in conjunction with the short- and long-term goals and objectives, as established by the Tribe, to meet the described housing needs.

The Housing Plan must include, but is not limited to, the following information:

- The geographic location to which the Tribe will target loans ("lending area");
- Borrower eligibility criteria, determined by the Tribe, as it relates to borrower status as a member and/or descendant of a member of the Tribe;
- Borrower credit requirements and the specific process for determining the borrower is an acceptable credit risk;
- The maximum limitation on the purchase price of the home to be financed;
- The maximum loan amount based on the purchase price of the eligible property, or other loan limits the Tribes determines appropriate;
- Specific loan terms, including interest rate, loan security, and any fees and charges paid by a borrower in connection with the origination of a loan;
- Loan portfolio management procedures including loan servicing provisions and responsibilities, composition and retention of loan files, collections of loan payments, escrow accounts, loan monitoring and reporting systems, and the procedures for handling delinquencies, defaults and foreclosure proceedings; and
- The operating framework and organizational governance structure for decision-making authorities, roles and responsibilities, and management oversight systems.

3.02 Housing Plan Submission Process

The Housing Plan must be submitted to Minnesota Housing at least 90 days prior to the end of the Tribe's second fiscal year. Upon receipt, Minnesota Housing will review each Housing Plan and may contact the Tribe for discussion and/or clarification of items in the Housing Plan.

Within 60 days of receipt, Minnesota Housing will provide written approval or comments to the Tribe on its Housing Plan. .

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Chapter 4 – Other Requirements

4.01 Borrower Income Limits

For loans originated during or prior to 2005, borrower adjusted household income limit is at greater of 80% of the state or area median income as determined from time to time by the United States Department of Housing and Urban Development.

Adjusted household income refers to the annual income, from all sources and before taxes or withholdings, of all residents aged 18 and over living in a housing household, minus \$1,000 per resident and extraordinary medical or other expenses as the Commissioner of Minnesota Housing approves for exclusion.

For loans originated after 2006, pursuant to [Minn. Stat. 462A.33, subd. 5](#), borrower income limits shall be 115% of the greater of state or area median income, as determined by the United States Department of Housing and Urban Development.

Tribe's may, however, specify a lower income limit in its approved Housing Plan.

4.02 Owner Occupancy

Borrowers who receive loan through the Tribe's TIHP must occupy the property financed as their principal place of residence. For multi-unit properties at least one unit must be owner occupied.

4.03 Loan Types

Tribes may originate the following types of loans:

- Residential Housing Mortgage Loans (for construction financing, long-term financing, or both);
- Home Improvement and Rehabilitation Loans; and
- Construction Loans.

For loans originated during or prior to 2005, whether for purchase, construction or rehabilitation of an eligible property type, must be secured by liens on the property to the extent that such loans may validly be granted in accordance with standard lending procedures appropriate to the nature of the ownership of the land.

4.04 Eligible Properties

For loans originated during or prior to 2005, eligible property types include single-family residences, individual residential units in planned unit developments, townhomes and condominiums, and manufactured homes, and multifamily housing developments.

For loans originated after 2006, eligible housing units must be attached or detached, residential in nature, and able to be used profitably for a minimum of ten years after the end of the loan term.

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Chapter 5 – Legal Addendum

5.01 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.

5.02 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 5.07.

5.03 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 5.07.

5.04 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 5.07.

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

5.05 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 5.04;
- 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 5.04.

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 5.07.

5.06 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).

5.07 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](#)).

5.08 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.

5.09 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.

5.10 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.

5.11 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.

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Item: Approval, Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program Guide

Action Item: 7.E
Date: 11/21/2024
Staff Contacts: Nick Boettcher, 651.282.2575, nick.boettcher@state.mn.us
Annie Reiersen, 651.296.3495, annie.reiersen@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff requests board approval of the Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program Guide (Program Guide). This Program Guide will assist and enable Grantees and Minnesota Housing staff to implement this new program.

Fiscal Impact

None.

Agency Priorities

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

Attachments

- Background
- Program Guide

Background

The 2023 legislative session resulted in several new sources of funding for housing programs, including [Statewide Affordable Housing Aid](#) and [Local Affordable Housing Aid](#) (together referred to as Affordable Housing Aid). All Tribal Nations, counties and cities with populations over 10,000 received direct Affordable Housing Aid payments from the Department of Revenue. A portion of Statewide Affordable Housing Aid is appropriated to [Minnesota Housing](#) for a competitive grant program for non-metro cities with populations below 10,000 (Tier II Cities).

To make these funds available to Tier II Cities, Minnesota Housing will operate the Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program. It is funded with up to \$4.5 million of state appropriations for 2024 and 2025 under [Minnesota Statutes Section 477A.36](#). After this biennium, the funding steps down to \$1.25 million per year.

Funds for the Tier II Cities program can be used for a variety of qualifying projects outlined in [Minn. Stat. 477A.36, subd. 4](#). Prioritization must be given to low-income households who have incomes that do not exceed 80 percent of the greater of state or areas median incomes for homeownership and 50 percent of the greater of state or area median income for rental housing projects.

Grant funding to Greater Minnesota Small Cities will be distributed through a competitive request for proposal (RFP) process in accordance with policies established by the Minnesota Department of Administration's [Office of Grants Management](#).

Staff has been in consultation with the League of Minnesota Cities, as required by [Minn. Stat. 477A.36](#). In addition, staff has determined that a regional distribution of funds will encourage the most fair delivery of awards geographically and result in meaningful award amounts. Over the next weeks or months, staff will design and implement a Request for Proposals (RFP) process that will award funds to the highest scoring proposals in each region of the state, prioritizing areas with higher proportions of cost-burdened households.



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

Program Guide

November 21, 2024



The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, gender identity, or sexual orientation in the provision of services.

An equal opportunity employer.

This information will be made available in alternative format upon request

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Chapter 1 – Introduction

1.01 Values Statement

Vision

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

Mission

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

Principles and Values

We will:

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

Strategic Objectives

We strive to:

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

1.02 Program Purpose and Authorizing Statute

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

1.03 Program Overview

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

1.04 Program Guide

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

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

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

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

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

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

1.05 Definition of Terms

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

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

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

Chapter 2 – Eligibility and Program Requirements

2.01 Eligible Grantees

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

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

2.02 Qualifying Projects

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

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

Prioritization

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

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

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

2.03 Income Limits for Certain Qualifying Projects

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

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

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

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

2.04 Conditions for Development of Market Rate Residential Rental Property

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

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

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

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

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

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

Qualifying Projects with some units rented at market value without income restrictions and some units that are both income-restricted and Affordable Housing to households with incomes at or below 80% AMI (for rental units) or 115% AMI (for homeownership units) may be classified as Affordable Housing Development and Financing Projects, Market Rate Residential

Rental Property development projects, or both, depending on the amount of Aid Funds used for each type of unit in the Grantee's reasonable discretion.

2.05 Eligible Expenses

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

2.06 Ineligible Expenses

The following expenses are ineligible:

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

2.07 No Limits on Amounts per Unit or per Qualifying Project

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

2.08 Conditions for Demolition or Removal of Existing Structures

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

2.09 Accessibility of Multifamily Buildings

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

- No fluorescent lighting in common areas;
- Only low-chemical or no-chemical carpet glue in common areas, if carpet glue is used;
- At least one unit if the building contains five to 20 units, and at least five percent of units if the building contains 21 units or more, that are accessible units as defined in the Minnesota State Building Code.

- o Each accessible unit must include at least one roll-in shower, water closet, and kitchen work surface meeting the requirements of section 1002 of the current State Building Code Accessibility Provisions for Dwelling Units in Minnesota;

and,

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

2.10 Visitability

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

2.11 Prevailing Wage

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

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

2.12 Privacy Act Notice and Tennessen Warning

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

Chapter 3 – Funding Information

3.01 Funding Source and Type

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

3.02 Funding Amount

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

3.03 No Funding Match Required

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

3.04 Funds Must Not Supplant Locally Funded Housing Expenditures

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

3.05 Disbursement Schedule

The disbursement schedule is determined by the Grant Contract Agreement.

3.06 Program Income

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

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

Chapter 4 – Application Process, Review Criteria and Selections

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

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

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

Regional Funding Allocations

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

Consideration of Past Program Funding

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

Chapter 5 – Contracting, Reimbursements and Budget Modifications

5.01 Work Plan and Budget

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

5.02 Grantee Requirements

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

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

5.03 Subgrantees and Loans

Grantees may subgrant Program funds.

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

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

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

5.04 Reimbursement Requests

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

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

5.05 Advance Payment Requests

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

5.06 Budget Modifications

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

Chapter 6 – Reporting, Monitoring and Record Keeping

6.01 Reporting

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

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

6.02 Monitoring and Financial Reconciliation

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

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

6.03 Corrections and Funding Repayment

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

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

6.04 Record Keeping

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

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

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

Appendix A – Definitions

Term	Definition
Affordable Housing	Housing where the household occupying the funded unit, or a household with characteristics typical of a household reasonably expected to occupy the funded unit, as of the date of initial occupancy, start of rehabilitation, the household's application for assistance or most recent recertification, pays no more than either: (1) 30 percent of its gross monthly income for monthly rent (including any tenant-paid utility allowance) or monthly mortgage principal, interest, property taxes, property insurance, homeowners association dues, manufactured home park lot rent and community land trust ground lease fee combined; or, (2) For households occupying a funded unit that is both income-restricted and rent-restricted under another state or federal program, such as the federal Section 42 Low Income Housing Tax Credit Program, HUD Section 8 and public housing, the amounts allowed under that program.
Affordable Housing Development and Financing Project	A Qualifying Project that is an Affordable Housing Development and Financing Project as defined in Section 2.02 of this Program Guide. Minnesota Housing presumes Affordable Housing Development and Financing Projects are affordable to the local work force.
Eligible Market Rate Project Area	An area of Greater Minnesota that is also within: a home rule charter or statutory city located outside of a metropolitan county as defined in section 473.121, subdivision 4; federally recognized Tribal reservations; or an area served by a joint county-city economic development authority.
Gap Financing	Either: (1) the difference between the costs of the property, including acquisition, demolition, rehabilitation, and construction, and the market value of the property upon sale; or (2) the difference between the cost of the property and the amount the targeted household can

Term	Definition
	afford for housing, based on industry standards and practices.
Grant Contract Agreement	The agreement executed between the Minnesota Housing Finance Agency and the Grantee for the Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program.
Grantee	A city awarded funding under the Greater Minnesota Small Cities (Tier II Cities) Housing Aid Grant Program
Grantee Partners	Greater Minnesota Small cities partnering on an application for Program funds
Greater Minnesota	All areas of Minnesota except for those within the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.
Greater Minnesota Small City	A Tier II City as defined in Minn. Stat. 477A.36, meaning a city of the fourth class according to Minn. Stat. 410.01 (i.e., with fewer than 10,000 residents) and located in Greater Minnesota.
Locally Funded Housing Expenditures	Expenditures of the Grantees or Grantee Partners, including expenditures by a public corporation or legal entity created by the Grantee/Grantee Partners, that are: (1) funded from the Grantee/Grantee Partners general fund, a property tax levy of the Grantee/ Grantee Partners or its housing and redevelopment authority, or unrestricted money available to the Grantee/ Grantee Partners, but not including tax increments; and (2) expended on one of the following qualifying activities: (i) financial assistance to residents in arrears on rent, mortgage, utilities, or property tax payments; (ii) support services, case management services, and legal services for residents in arrears on rent, mortgage, utilities, or property tax payments; (iii) down payment assistance or homeownership education, counseling, and training; (iv) acquisition, construction, rehabilitation, adaptive reuse, improvement, financing, and infrastructure of residential dwellings; (v) costs of operating emergency shelter, transitional housing, supportive housing, or publicly owned housing, including costs of providing case management services and support services; and (vi) rental assistance.

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

Appendix B – Forms

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

Appendix C – Legal Addendum

1.01 Conflict and Control

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

1.02 Fraud

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

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

1.03 Misuse of Funds

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

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

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

1.04 Conflict of Interest

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

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

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

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

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

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

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

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

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

1.05 Assistance to Employees and Affiliated Parties

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

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

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

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

1.06 Suspension

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

1.07 Disclosure and Reporting

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

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

1.08 Electronic Signatures

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

1.09 Fair Housing Policy

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

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

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

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

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

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

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

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

1.10 Minnesota Government Data Practices

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

1.11 Prevailing Wage

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

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

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

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

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

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.



Item: Approval 2024 Capacity Building Request for Proposals (RFP) Selections

Action Item: 7.F
Date: November 21, 2024
Staff Contacts: Alyssa Wetzel-Moore, 651.263.1453, Alyssa.Wetzel-Moore@state.mn.us
 Abigail Behl, 651.296.8276, Abigail.Behl@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests board approval to fund 29 proposals recommended for selection through the 2024 Capacity Building Requests for Proposals. The Capacity Building Program funds activities that create inclusive and thriving communities by building capacity to address root causes of housing challenges and disparities and building power in communities most impacted by housing challenges and disparities.

This RFP will result in a two-year or three-year grant term for one of the following uses:

- **Organizational Capacity Building:** Grantee will use funds to build its own capacity to achieve the goals of the Capacity Building Grant.
- **Intermediary Capacity Building:** Grantee will use the funds to build the capacity of others through pass-through grants and/or technical assistance.

Fiscal Impact

The program will use \$4,875,000 from Capacity Building Appropriations and \$125,000 from Pool III under the Technical Assistance and Operating Support program. Individual awards are structured as grants, which do not earn interest for the Agency.

Agency Priorities

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

Attachments

- Background
- Resolution

Background

On February 22, 2024, the board approved up to \$5 million in funding from a combination of Capacity Building appropriations and Pool III with individual maximum awards of up to \$200,000.

The Capacity Building Program will fund activities that build the capacity of organizations and communities to address root causes of housing challenges and create thriving and inclusive communities. Communities most impacted by housing challenges and disparities are experts and key partners in developing solutions to these challenges. Minnesota Housing trusts organizations and communities to use their knowledge and creativity to develop strategies that work for them.

Selected applicants will utilize Capacity Building Program grant funds for one of the following two uses:

1. **Organizational Capacity Building:** The selected applicant will use grant funds to build its own capacity to address root causes of housing challenges and housing disparities, build power in communities and support inclusive and equitable communities.
2. **Intermediary Capacity Building:** The selected applicant will use grant funds to build the capacity of others by providing pass-through grants and/or technical assistance in the selected applicant's area of experience and expertise.

The 2024 Capacity Building Request for Proposals (RFP) is intentionally aligned with the following 2024-2027 Strategic Plan Priorities:

1. **Create a More Inclusive, Equitable and Just Housing System**
 - a. Address systemic barriers which cause housing instability, challenges, and disparities.
 - b. Co-create solutions to systemic barriers with Communities Most Impacted.
2. **Focus on the People and Places Most Impacted by Housing Instability**
 - a. Engage Communities Most Impacted.
 - b. Prioritize work by and for Communities Most Impacted.
3. **Strengthen Communities**
 - a. Build thriving communities and equitable community development.
 - b. Expand community partnerships to share power in community development.
4. **Support Tribal Nations and Indigenous Communities**
 - a. Support Tribal Nations in building their program capacity.
 - b. Increase Tribal access and access of Indigenous Communities to program resources.
5. **Green, Energy-Efficient, Climate-Resilient, Sustainable Housing**
 - a. Support equitable access to upcoming climate resiliency resources.
 - b. Build capacity of owners and developers to implement these resources.

The Capacity Building RFP launched on May 15, 2024 and closed on July 15, 2024. One hundred and ten (110) applicants requested \$19,578,351 in funds. Of these, 83 passed threshold review. Twenty-six (26) reviewers scored these applications. Fifty-one (51) finalists advanced to participate in a scored interview process.

Twenty-seven (27) applicants did not pass threshold due to a late submission, being an ineligible applicant, an ineligible use or because they did not submit the Pre-Award Risk Assessment Form (PARA). Consistent with the PARA policy, applicants that submitted the PARA form but were missing any required documents were given five business days to submit those documents.

The final score consisted of three components:

1. The application score worth 100 possible points.
2. During the finalist selection meetings, the selection committee could award up to six Strategic Priority Points for two strategic priorities. If awarded, these points were added to the application score.
3. The interview score worth 100 possible points.

The application and interview scores were combined to arrive at the final score. The final score was considered along with the RFP's goal to arrive at funding a range of project types, and communities, populations and geographies served. When selecting applications, staff considered whether applicants had other funding sources to cover the proposed grant expenses and the extent to which grant funds are critical to the organization's ability to build capacity.

Staff recommends funding 29 proposals for \$4,999,999 in total funding. Consistent with the Agency's Pre-Award Risk Assessment policy, both a financial risk assessment and organizational risk assessment were conducted on these recommended proposals. All of the applicants passed the financial risk assessment. Ten applicants passed the organizational risk assessment. Nineteen (19) applicants passed with the condition of having their Secretary of State renewal date active at start of the contract in 2025. December 31, 2024 was a common expiration date on the documents provided, which is not concerning given that the majority of applicants provided these documents in July.

There are nine proposals recommended for the Intermediary Capacity Building use with \$1,533,349 in recommended funding. Four of these intermediary applications have a fiscal sponsor. Twenty (20) applicants are recommended for the Organizational Capacity Building use with \$3,466,650 in recommended funding. Recommended individual award amounts are reduced from the applicants' requested amounts 1) to maximize the number of proposals funded, 2) for ineligible expenses, 3) because other Agency funds contribute to, but do not duplicate funding for the proposal activities and 4) because the applicant has other available funding to cover a portion expenses.

This group of recommended proposals has broad geographic coverage, demographic coverage, community and population coverage, project types and coverage of the housing continuum.

Geographies Served*:

Tribal Nations	6
Greater Minnesota	14
South Central	4
Southeast Region	3
Southwest	2

West Central	2
Central	1
Northeast	1
Northwest	2
7-County Metropolitan Area	16
Suburban Metro	6
Minneapolis	6
Saint Paul	4
Statewide	4

*Note: Some applicants will cover multiple geographies.

There are many notable attributes of this group of recommended proposals. Here are a few highlights:

- Work directly led by people with lived expertise of homelessness and housing instability to shape housing stability and housing development. (3 applications)
- Fiscal sponsors to fund the work of groups or coalitions that do not have their own nonprofit status. The role of fiscal sponsors itself helps build capacity. (4 applications)
- The Minnesota Tribal Collaborative, through a fiscal sponsor, will build their capacity to apply for federal funds to become the first Tribal-led Continuum of Care in the nation. The Capacity Building Grant along with a separate Agency Tribal Planning Grant has steadily invested in their capacity since 2019.
- Activities to lead to greater representation and inclusion of Indigenous, Black, and people of color as developers, housing professionals and contractors. (3 applications)
- The creation of the first regional community land trust in the Northwest Region.
- Rebuilding statewide capacity to improve coordination among organizations that serve manufactured home park residents, engage the residents and connect them to resources.
- The creation of two post-purchase counseling programs (Rondo Community Land Trust and Three Rivers Community Action Partnership). A driving impetus for these proposals was the advocacy of Indigenous, Black and households of color who identified the importance of preserving homeownership as part of closing the homeownership gap.
- Climate resiliency capacity building:
 - Development: Develop and deliver training and technical assistance to advance the design and construction of equitable, energy efficient and climate-resilient housing in underserved communities.
 - People: Provide culturally relevant, community-rooted outreach and support to households to navigate and access the energy efficiency programs that best fit their needs and improve the quality and comfort of their housing.

Applicant Name: Recommend Award (Requested Award) Proposal Title and Description	Geography
INTERMEDIARY CAPACITY BUILDING	
Alliance for Metropolitan Stability: \$190,000 (\$200,000) Capacity Building to Ensure Housing Stability Along the Blue Line LRT Extension: Support to the Blue Line Coalition, a coalition of 12 organizations building community-based power to advance anti-displacement policies and investments in order to ensure immigrant/refugee, low-wealth, and Black, Indigenous, people of color communities along the Blue Line Extension Corridor can stay in their homes, to secure policies that prioritize the repair and preservation of existing affordable housing, and to enhance their well-being and access to opportunity throughout the region.	Geography: 7-Country Metropolitan Area: North Minneapolis, Robbinsdale, Crystal, and Brooklyn Park Community: Cost-burdened immigrant, refugee, low-wealth, and BIPOC renters and homeowners
Center for Energy and Environment (CEE): \$180,000 (\$200,000) Training and Technical Assistance to Advance Equitable Decarbonized Housing Design and Construction: Develop and deliver training and technical assistance to advance the design and construction of equitable, energy efficient and climate-resilient housing in underserved communities. CEE will give affordable housing developers, architects and builders the technical tools and building science knowledge they need to meet the requirements of key energy efficiency certification programs. By supporting affordable housing development partners, we can support the completion of energy efficient buildings that strengthen vulnerable communities.	Geography: 7-Country Metropolitan Area, Greater Minnesota, Statewide, Tribal Nation(s) (emphasis on Greater MN and Tribal Nations) Community: Affordable housing developers, architects, and builders; Tribal Nations and Indigenous Communities
Churches United in Ministry: Fiscal Sponsor for "Stepping On Up" \$190,000 (\$200,000) Stepping On Up: A grass-roots collaborative of 14 Duluth agencies organized to address the extreme shortage of affordable housing and growing unsheltered homelessness in their community. They will build their internal capacity, expand efforts to build leadership of people with lived expertise to advance a collective housing stability strategy, engage the broader community for support of these efforts and have strong cross-sector collaboration to improve the housing stability system.	Geography: Greater Minnesota: Duluth Community: People with low-incomes and/or those who are experiencing homelessness

Housing Justice Center: Fiscal Sponsor for the "SHiP Collaborative": \$175,000 (\$200,000) Lived Experience Hopes to Make Big Impacts on the Homeless Response System: The SHiP Collaborative hopes to shift the Twin Cities Metro area towards a prevention-oriented framework at the Regional Kitchen Table with a diverse set of stakeholders and use organizing to help community members use their voices to assist in moving towards a prevention framework. SHiP collaborative is the creator of this proposal, and HJC is the “applicant” or fiscal agent.	Geography: 7-Country Metropolitan Area Community: BIPOC communities
Lakes & Prairies Community Action Partnership, Inc.: West Central Lived Experience Enhanced Engagement Program: \$190,000 (\$200,000) Centering persons with lived experience (PLE) in all aspects of CoC planning including: (1) increase opportunities for PLE to serve on the board and committees; (2) develop a PLE Academy to equip PLE to succeed in leadership, advocacy, and staff roles; and (3) have dedicated staff to recruit, mentor, support, and retain PLE in staff and leadership roles.	Geography: Greater Minnesota: 10-County West Central Continuum of Care Region Community: 10-county geography of the West Central Continuum of Care region
Minnesota Engagement on Shelter and Housing (MESH): Fiscal Sponsor for the Minnesota Tribal Collaborative \$175,000 (\$199,400) Minnesota Tribal Collaborative - fully accessing HUD homeless grant funding: MESH is applying as the fiscal agent for the Minnesota Tribal Collaborative’s project. This project will provide consultation and additional funding for staff to ensure that the Minnesota Tribal Collaborative submits a successful collaborative application as well as project applications through the HUD Continuum of Care competition. This project will also provide additional staffing for the Minnesota Tribal Collaborative to successfully implement the HUD Youth Homeless System Improvement grant awarded to the Northwest CoC, Northeast CoC and the Minnesota Tribal Collaborative.	Geography: Greater Minnesota, Tribal Nation(s): 9 Tribal Nations that are the Minnesota Tribal Collaborative. Community: American Indians, who are 30 times more likely to be homeless than non-Hispanic white persons
Minnesota Engagement on Shelter and Housing (MESH) \$170,000 (\$190,923) Trainer Academy: Changing Who Plans, Designs, and Leads Trainings for Shelter/Housing Staff: MESH is requesting capacity funding to initiate a three-year “Trainer Academy” to change the face of who plans, designs and facilitates trainings for shelter/housing staff in Minnesota and take aggressive steps to reach their two goals: (1) that at least 50% of all trainers across the state identify as Black, Indigenous, and/or persons of color; and (2) that at least 50% of all trainers have lived experience of homelessness.	Geography: 7-Country Metropolitan Area, Greater Minnesota, Statewide, Tribal Nation(s): Focus on rural and Tribal Communities Community: Tribal Nations, rural areas, and people with lived experience of homelessness

Minnesota Engagement on Shelter and Housing (MESH): Fiscal Sponsor for the Suburban Metro Area Continuum of Care \$113,349 (\$113,349) Coordinated Entry Lived Experience "Secret Shopper" Program: The Suburban Metro Area Continuum of Care (SMAC)'s Directors Council is a group of people with lived experience of homelessness who lead the work of SMAC. The Directors Council proposes to build a Coordinated Entry (CE) "Secret Shopper" program, where their members pose as current clients seeking assistance at our various CE Access Points, note their experiences, and provide individual feedback to the providers. In addition to increased capacity to add this programming, they asked for increased capacity for Directors Council training and to share their knowledge locally and at state and national conferences.	Geography: 7-Country Metropolitan Area, Suburban Metro Area Continuum of Care - Anoka, Washington, Dakota, Scott and Carver counties Community: People experiencing homelessness and Coordinated Entry Access Points
Minnesota Housing Partnership (MHP): \$150,000 (\$200,000) MHP Emerging Developer Initiative Expansion: MHP requests grant funds to expand and continue its Emerging Developer Initiative (EDI). The EDI builds long-term capacity of new and emerging housing developers to address housing development barriers including a lack of developers in rural Greater Minnesota, and inequitable opportunities in housing development for individuals from Native Nations and Black, Indigenous, and people of color and Immigrant communities. MHP will build capacity of two new cohorts of EDI participants (20-24 total) beginning in the Southwest region, to expand the EDI model across Greater Minnesota.	Geography: Greater Minnesota, Tribal Nation(s): Greater Minnesota and rural Tribal Nations. Focus on the Southwest region. Community: Potential and emerging housing developers looking to serve rural Minnesota and Tribal Nations
ORGANIZATIONAL CAPACITY BUILDING	
#2ndChanceProject: \$190,000 (\$198,200) Knowledge Empowers Positive Change: 2ndChanceProject is an established Black-led non-profit organization offering culturally specific support, particularly for justice-involved individuals who identify as people who use drugs. They aim to equip individuals to overcome housing challenges and thrive within their communities. Their holistic approach fosters resilience, promotes recovery and ensures their participants receive culturally competent support needed to succeed.	Geography: 7-Country Metropolitan Area: Saint Paul: Hamline-Midway, neighborhoods along University Avenue in Ramsey County Community: BIPOC individuals affected by justice involvement, addiction, with housing and employment barriers

African Career, Education, & Resource, Inc. (ACER): \$175,000 (\$200,000) Building Capacity for Housing Justice: Empowering Low Wealth Tenants of Color: Through organizing, leadership development and strategic stakeholder convenings, ACER strives to increase the agency of these tenants and influence housing policies for enhanced stability. This project will build tenant cohorts, support a coalition of tenant leaders and convene a multi-stakeholder group to implement key priorities for housing stability.	Geography: 7-Country Metropolitan Area: Northwest suburbs of the Twin Cities, specifically Brooklyn Park and Brooklyn Center Community: The proposal focuses on low-wealth tenants of color
Center for Multicultural Mediation (CMM): \$180,500 (\$194,800) CMM Housing Stability and Community Education and Outreach Program: CMM's Housing Mediation Services Program will work to increase the number of housing mediators in the Twin Cities and rural Minnesota and provide training to community members to navigate housing instability. Projects will include training imams, community leaders, youth and women as housing stability mediators and workshops to educate these communities to navigate housing court, evictions, housing assistance applications, rental records, renters' rights/responsibilities and housing resources.	Geography: 7-Country Metropolitan Area, Greater Minnesota: St Cloud, Willmar, Rochester, Faribault, Dakota County, Ramsey County, Hennepin County, Anoka County Community: Somali/East African individuals and households
Clare Housing: \$175,000 (\$197,778) Bridge to Stability for People living with HIV: Clare Housing has operated a Scattered Site supportive housing program in the Twin Cities since 2008, currently housing 61 households. Funds will be used to build their capacity to serve people living with HIV and experiencing housing instability outside of the metro area. Adding a staff member to develop productive working relationships with advocates, agencies and providers across the southern half of Minnesota will lay the groundwork for expanding their Scattered Site program, which is now limited to the 7-county Twin Cities metro area, into southern Minnesota.	Geography: Greater Minnesota: The southern half of Minnesota outside of the 7-county Twin Cities metro area Community: Low income people living with HIV/AIDS

Community Power: \$138,000 (\$138,000) Twin Cities Energy Efficiency Navigator Project: Address a bottleneck in access to the cost-savings, health and stable-housing benefits of energy efficiency programs: lack of culturally relevant, community-rooted outreach and support to navigate the highly complex network of Minnesota efficiency programs. Their Navigators will provide community-specific guidance to support residents to become aware of, understand, apply to and follow through on energy efficiency programs that best fit their needs and improve the quality and comfort of their housing.	Geography: 7-Country Metropolitan Area: Justice 40¹ neighborhoods in Minneapolis and St. Paul Community: Low/moderate income households, BIPOC, immigrant, renter, and high energy burden households
East Side Freedom Library \$190,000 (\$200,000) East Side Housing Justice: Empowering Communities through Leadership, Education, and Advocacy: The Housing Justice program engages the community in addressing housing issues through storytelling, the arts, coalition building and education. Central to the program is a community-led exhibit that highlights narratives, developed in collaboration with local artists and community members. The program also includes arts engagements, workshops and educational initiatives like the CommUnity Cohort and East Side Housing Justice Coalition to build community capacity. Additionally, housing summits and free educational events foster dialogue, sustainable solutions and advocacy.	Geography: 7-Country Metropolitan Area: The East Side of St. Paul, Ramsey County, and the surrounding metropolitan area Community: Local residents, marginalized communities, housing advocates, artists, and community partners

¹ The Federal government has a goal that 40 percent of the overall benefits of certain Federal climate, clean energy, affordable and sustainable housing, and other investments flow to “disadvantaged communities” that are marginalized by underinvestment and overburdened by pollution.

Envision Communities, Inc.: \$168,130 (\$168,132.83) Advancing Community Support System Designed by People with Lived Experience of Homelessness: Envision Communities has established people with lived experience of homelessness - Envision Leaders - as the center of their organization to address housing instability in a new way. The value this model provides is significant; the intentionality this model requires is extensive. Envision will build the capacity required to launch a community support system for Envision Leaders and residents that facilitates their ongoing engagement and meets their unique challenges. This will help sustain people with lived experience as the designers and decision-makers of our planned self-governing, intentional community.	Geography: 7-Country Metropolitan Area Community: Individuals with lived experience of homelessness, often BIPOC, leading community design & operation
Housing Justice Center: \$190,000 (\$200,000) Fostering Community Power - Building Futures with Minnesota's Manufactured Home Communities: This proposal aims to build a sustainable ecosystem in Minnesota for manufactured home community members to build community power and access rights.	Geography: Statewide Community: Latinx, seniors, people with disabilities, very low-income, rural
InquilinXs UnidXs Por Justicia (United Renters for Justice): \$190,000 (\$200,000) Building Tenant Capacity and Power for Systems Change through Tenant Organizing: Inquilinxs Unidxs por Justicia (IX) will build capacity to help tenants organizing in a corporate landlord portfolio self-advocate and secure housing improvements through door knocking, community engagement, trainings and partnerships with legal organizations. In addition, IX will build infrastructure for renters to engage in ongoing negotiations with their landlord over lease terms, property management and other issues. They will also develop leaders from past landlord campaigns to engage in issue identification and community engagement to increase tenant participation in housing policy and decision making.	Geography: 7-Country Metropolitan Area: Minneapolis (the neighborhoods of Whittier, Lowry Hill East, Near North, Victory, Camden), Richfield, Crystal Community: Low-income tenants who are Black, Latine, East African (Somali, Oromo, and Ethiopian)

Isuroon: \$180,000 (\$200,000) Multicultural Homeownership Education and Capacity Building Grant: A grant to increase Isuroon's capacity to educate refugee and other immigrant communities in Minnesota including but not limited to the Somali, Afghan, Oromo and Sudanese communities on the homeownership process and the risks associated with predatory lending such as contract for deed programs. This program will support the capacity for direct services within the Seven County Metropolitan area as well as allow Isuroon to increase its outreach to immigrants and refugees in Greater Minnesota.	Geography: 7-County Metropolitan Area, Greater Minnesota, Statewide Community: Somali, Afghan, Kenyan, Ethiopian, Sudanese, Ukranian, and other immigrant populations in Minnesota
Leech Lake Financial Services, Inc.: \$180,000 (\$200,000) Developing a Residential Construction Industry: Training the builders to build community and housing: The project develops an integrated housing construction workforce (1) enhancing workforce readiness for construction careers, (2) increasing housing development and availability, and (3) increasing homeownership and housing stability. The regional and tribal housing crisis represents community and economic opportunities that this project will use to build an economic sector that increases affordable housing and homeownership and decreases homelessness and overcrowding while decreasing unemployment. It involves long-term systems-level changes that will address housing needs, provide economic opportunities, and improve community social problems.	Geography: Greater Minnesota, Tribal Nation(s): Leech Lake Reservation, North Central Minnesota, including 4 counties Cass, Beltrami, Hubbard, Itasca Community: Native American, Non-Native unemployed, untrained working age adults interested in construction trades
Lutheran Social Service of Minnesota: \$160,000 (\$195,098) LSS Housing Services Training Development to strengthen capacity for community engagement & beyond: Lutheran Social Service of Minnesota (LSS) requests funding for their LSS Housing Services to create a training curriculum for faith-based communities. They will partner with congregations via training designed to decrease stigma around homelessness and build greater community engagement around housing solutions across the state. Their training will address homelessness across many levels, including building awareness of the homeless response system, education around direct services and volunteer opportunities, networking with other communities interested in this work, and options for advocacy and policy responses.	Geography: Statewide Community: Faith-based communities and congregations across the state

Metropolitan Consortium of Community Developers (MCCD): \$150,000 (\$200,000) Enhancing the impact and effectiveness of BIPOC leadership development in the housing sector: Using its unique position as a Consortium, the Metropolitan Consortium of Community Developers (MCCD) created the Emerging Leaders in Community Development (ELCD) program that targets early-to-mid career staff of MCCD consortium members, offering professional development in housing/community development. Their project supports MCCD's capacity to enhance the impact and long-term effectiveness of BIPOC leadership development in the housing sector by working a 3-phase process: assess program impact and alignment, refine and align offerings, and develop and test and evaluate new leadership approaches.	Geography: 7-Country Metropolitan Area, Greater Minnesota, Statewide: core geography is the Metro area, however in 2023 expanded Statewide Community: BIPOC individuals engaged in the nonprofit housing sector via employment or community involvement
Minnesota Indian Women's Resource Center (MIWRC): \$175,000 (\$200,000) Ozhigaage: She Builds Dwellings--an American Indian Women-Led Housing Strategy for an Inclusive Community: MIWRC will build a grassroots coalition of American Indian women to lend their voice, life experiences, wisdom, compassion and cultural strengths to share in the creation of community-led strategies to address disparities. Ozhigaage (She Builds Dwellings) will leverage interactions during member intakes, from within MIWRC's programs/services and broad community of agencies and community partners to gather/evaluate data, compile resources and develop a greater understanding in hopes of identifying deterrents, trends, gaps and opportunities for innovative housing strategies and opportunities for impactful change.	Geography: 7-Country Metropolitan Area: Minneapolis Community: MIWRC serves American Indian women and their families within Minneapolis, and Greater MN
Mni Sota Fund: \$149,800 (\$149,800) Indigenized Research to understand and develop strategies for off-reservation Native American Homeownership The goal of this proposal is to develop a clear understanding of the localized and often disaggregated challenges affecting homeownership for Native borrowers. To achieve this, they plan to undertake a series of strategic actions that will transform their approach to supporting Native homeownership and contribute to long-term sustainability and capacity building in the state's tribal and urban Indian communities. Includes: comprehensive research initiative, detailed report, implementation plan. Implementation also involves launching pilot programs based on research findings, allowing them to test and refine our strategies in real-world settings.	Geography: 7-Country Metropolitan Area, Statewide, Tribal Nation(s) Community: Indigenous People living primarily off reservation

Mountain-Plains Youth Services Coalition (d/b/a Youthworks): \$185,000 (\$191,003) Piloting A Direct Cash Transfer Program for Housing Stability Alongside Youth with Lived Experience: Youth who are doubled-up, couch-surfing, and unstably housed face similar outcomes to their peers who are experiencing literal homelessness. Most federal funds focus on intervention, not prevention, of youth homelessness. Youthworks will implement an emerging practice, Direct Cash Transfers (DCT), for youth experiencing housing instability in west central Minnesota (WCMN), emphasizing youth empowerment, equity and trust. The goal is to prevent youth homelessness while developing processes, procedures and the infrastructure necessary for sustainability, scalability and equity.	Geography: Greater Minnesota: West Central MN Continuum of Care service area, with a base of operation in Moorhead, MN Community: Youth ages 18-24, recognizing the disproportionate impact on LGBTQIA2S+ and BIPOC youth
North Star Neighbors: \$160,000 (\$200,000) Operationalizing North Star Neighbors: Northwest Minnesota's Regionwide CLT Established in 2023, North Star Neighbors is a new community land trust (CLT) covering the expansive northwest Minnesota region of approximately 12,000 square miles. With populations of all but one city in the region under 10,000, local capacity is limited, and communities' needs are deeply unique. North Star Neighbors seeks Capacity Building support as they take an innovative, region-wide approach to the long-standing and successful CLT model.	Geography: Greater Minnesota: Northwest region of Minnesota including Indigenous Nation partners (Red Lake and White Earth) Community: Primary focus will be on under 80% AMI, with emphasis on meeting workforce and senior housing needs
South Central Human Relations Center: \$150,220 (\$150,225) Housing Crisis Triage & Diversion Project: This project proposal is to identify barriers and gaps in service delivery and response to the housing needs of Steele County. The long-term goal of the project is to develop the infrastructure of a pilot program to provide a housing triage crisis line.	Geography: Greater Minnesota: Steele County Community: Assisting underserved populations in housing crises: BIPOC, seniors, chronic homeless, etc.

The Rondo Community Land Trust: \$190,000 (\$200,000) Capacity Building for Post-purchase Stewardship: To strengthen and expand Rondo CLT’s organizational capacity to deliver sustainable, comprehensive and innovative post-purchase stewardship programming that will: (1) grow the long-term stability, wealth, and overall prosperity of their core constituency (households earning 80% AMI & below), (2) establish systems that produce precise capital improvement cost projections for their aging housing portfolio thereby strengthening Rondo CLT’s organizational and financial health, and (3) ensure they have the tools, networks and resources to proactively maintain permanently affordable housing stock in their portfolio, including higher energy efficiency.	Geography: 7-Country Metropolitan Area: the historic Rondo neighborhood, the city of St. Paul, and all of Ramsey County Community: Individuals and families earning low to moderate incomes (80% AMI and below)
Three Rivers Community Action, Inc.: \$190,000 (\$200,000) Engaging Communities for Retaining Homeownership, Gaining Wealth, Energy Efficiency and Prosperity: Three Rivers will hire a homeownership advisor, partnering with community members to inform, plan and implement a post-purchase homeowner project in Rice and Olmsted counties. The project will help new homeowners learn the intricacies of owning a home, including maintenance, repair, contractors, scams, utilities, energy efficiency and weatherization, insurance, neighborhood groups and etiquette (HOAs), extent of land title (easements, etc.), and general tips and education, while leveraging other resources. The goal is to close the racial gap in homeownership, keep it closed, and build BIPOC generational wealth.	Geography: Greater Minnesota: Rice, Olmsted counties, with a focus on Justice 40* areas within those counties Community: Foundational Black Households, Latine/Hispanic communities, Somali communities in Rice and Olmsted counties

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

RESOLUTION NO. MHFA 24-XXXX

**RESOLUTION APPROVING SELECTION OF
2024 CAPACITY BUILDING PROGRAM GRANTEES**

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) has received proposals for the Capacity Building Program to create inclusive and thriving communities by building capacity to address root causes of housing challenges and disparities and building power in communities most impacted by housing challenges and disparities; and

WHEREAS, Agency staff has reviewed the proposals and is recommending the selection of the potential grantees based on advertised scoring criteria as well as considering coverage of project types, communities, populations and geographies; and

WHEREAS, Agency staff has determined that the proposals are in compliance under the Agency’s rules, regulations and policies; and that the proposed grantees will assist in fulfilling its obligation under Minnesota Statute 462A.21, subd.3b, to expand their capacity to meet housing needs.

NOW THEREFORE, BE IT RESOLVED:

THAT, the board hereby authorizes Agency staff to enter into grant agreements with the following entities, using resources available pursuant to the grant, subject to the terms and conditions herein and in the respective grant agreements, subject to changes allowable under Agency and board policies:

1. Agency staff shall review and approve the following grantees for up to the total recommended amount for the two- or three-year grant period to run from the date of contract execution; and

Potential Grantee	Award
#2ndChanceProject	\$190,000.00
African Career, Education, & Resource, Inc.	\$175,000.00
Alliance for Metropolitan Stability	\$190,000.00
Center for Energy and Environment	\$180,000.00
Center for Multicultural Mediation	\$180,500.00
Churches United in Ministry: Fiscal Sponsor for Stepping On Up	\$190,000.00
Clare Housing	\$175,000.00

Potential Grantee	Award
Community Power	\$138,000.00
East Side Freedom Library	\$190,000.00
Envision Communities, Inc.	\$168,130.00
Housing Justice Center	\$190,000.00
Housing Justice Center: Fiscal Sponsor for the SHiP Collaborative	\$175,000.00
InquilinXs UnidXs Por Justicia (United Renters for Justice)	\$190,000.00
Isuroon	\$180,000.00
Lakes & Prairies Community Action Partnership, Inc.	\$190,000.00
Leech Lake Financial Services, Inc.	\$180,000.00
Lutheran Social Service of Minnesota	\$160,000.00
Metropolitan Consortium of Community Developers	\$150,000.00
Minnesota Engagement on Shelter and Housing (MESH)	\$170,000.00
Minnesota Engagement on Shelter and Housing (MESH): Fiscal Sponsor for the Minnesota Tribal Collaborative	\$175,000.00
Minnesota Engagement on Shelter and Housing (MESH): Fiscal Sponsor for the Suburban Metro Area Continuum of Care Directors Council	\$113,349.00
Minnesota Housing Partnership	\$150,000.00
Minnesota Indian Women's Resource Center	\$175,000.00
Mni Sota Fund	\$149,800.00
Mountain-Plains Youth Services Coalition (d/b/a Youthworks)	\$185,000.00
North Star Neighbors	\$160,000.00
South Central Human Relations Center	\$150,220.00
The Rondo Community Land Trust	\$190,000.00
Three Rivers Community Action, Inc.	\$190,000.00
TOTAL	\$4,999,999

2. The issuance of grant contracts in form and substance acceptable to Agency staff, and the execution of the individual grant contracts shall occur no later than eight months from the adoption date of this Resolution; and

3. Agency staff may amend grant contracts to extend the grant period in six-month to one-year increments up to a maximum of two years; and

4. The sponsors and such other parties shall execute all such documents relating to said grant contracts as the Agency, in its sole discretion, deems necessary.

Adopted this 21st day of November 2024

CHAIR



Item: Fourth Quarter 2024 Progress Report: 2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan

Discussion Item: 8.A
Date: 11/21/2024
Staff Contacts: John Patterson, 651.296.0763, john.patterson@state.mn.us
Request Type: No Action, Discussion

Request Summary

Staff are providing for the board's review and discussion the Fourth Quarter 2024 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

- Fourth Quarter 2024 Progress Report: 2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan

Fourth Quarter 2024 Progress Report:

2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan (Program Year October 1, 2023 through September 30, 2024)

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 2024. 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.

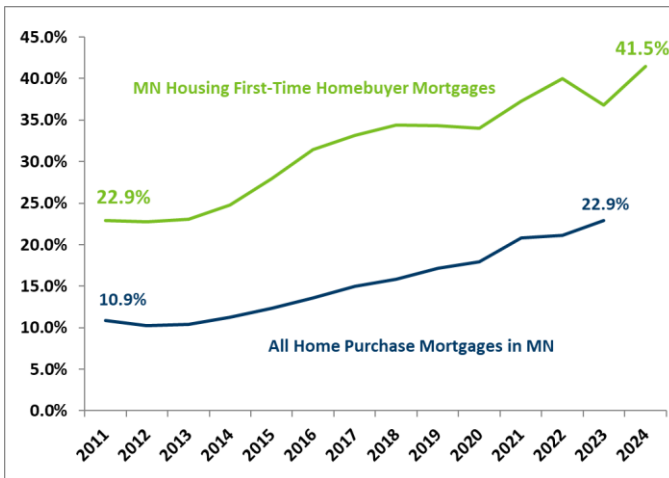
In 2024, we succeeded in going big. Across all our core programs, we awarded funds to assist 73,665 households or housing units, compared with 57,413 last year, which is a 28% increase. In 10 of our 11 ongoing, core program areas, we finished the year ahead of where we were last year; and in some areas, substantially ahead. For example, we awarded funds to assist 1,920 manufactured home lots this year, compared to 734 last year.

Even while going big, we maintained our strategic focus.

- In program year, 41.5% of our first-time homebuyer mortgages went to Black, Indigenous and homebuyers of color, which is a record level and surpassed our goal of 40%. We were at 38.2% through the third quarter; however, since the launch of our First-Generation Homebuyer Assistance Program, nearly 50% of our first-time homebuyers have been Black, Indigenous and people of color.
- With the Multifamily Consolidated RFP selections that occurred in December 2023, we surpassed our goal of 50% of the new rental housing being deeply affordable, reaching 53%.

Strategic Goals

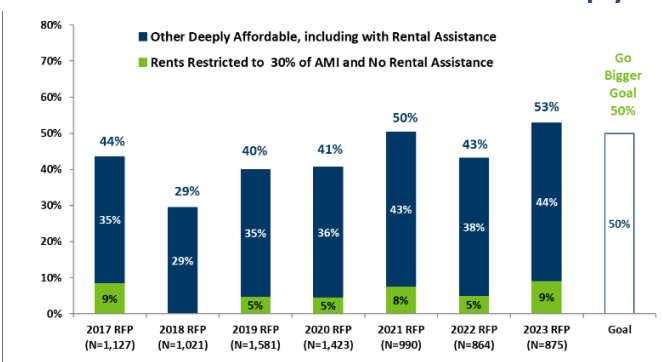
1. Share of First-Time Homebuyer Mortgages Going to Black, Indigenous and Households of Color



2024 Go Bigger Goal 40.0%
2024 Actual 41.5%

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 launch of our First-Generation Homebuyer program in May, which is supporting many Black, Indigenous and homebuyers of color with downpayment assistance, we are reaching nearly 50% with our most recent lending. The First-Generation Homebuyer funds will likely be fully expended by early spring, when we will likely start seeing a decline in our lending to Black, Indigenous and households of color; however, we are looking at strategies to exceed the 40% goal without the benefit of the First-Generation Homebuyer funding.

2. Share of New Rental Units that will be Deeply Affordable*



2024 (2023 RFP) Go Bigger Goal 50%
2024 (2023 RFP) Actual 53%

* 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 selections approved last December, 53% of the new construction and adaptive-reuse units are expected to be deeply affordable, and we surpassed our goal of 50%. Our ability to continue meeting this goal depends on the availability of Housing Infrastructure resources and rental assistance, including the Department of Human Services' Housing Support.

Forecast of Households and Housing Units to Be Assisted

The following table tracks our progress in reaching our 2024 activity forecasts by program area. For context and a comparison, it also provides the level we reached in 2023 after the fourth quarter.

Progress in Reaching Our Forecast of Households and Housing Units to be Assisted in 2024

		2024 Year-End Forecast	2024 Actual After Four Quarters	Share of 2024 Forecast Reached After Four Quarters	2023 Actual After Four Quarters	Historical Share After Four Quarters
1	Homebuying	7,242	7,572	105%	4,774	100%
2	Homebuyer Education and Coaching	8,282	7,671	93%	6,982	100%
3	Home Improvement Lending	1,259	1,551	123%	1,342	100%
4	Single Family Housing Development and Supports	1,754	1,311	75%	426	100%
5	Manufactured Housing and Communities	1,677	1,920	114%	734	100%
6	Other Single-Family Programs	393	0	0%	0	N/A
7	Rental New Construction	1,596	1,921	120%	1,095	100%
8	Rental Rehabilitation	5,270	3,137	60%	300	100%
9	Rental Refinance Only	65	37	57%	28	100%
10	State Rental Assistance and Operating Subsidies	3,853	2,918	76%	3,219	100%
11	Section 8 Contract Administration	29,500	34,333	116%	29,916	100%
12	Homeless Prevention and Other Supports	16,301	10,460	64%	8,597	100%
13	Other Multifamily Housing Programs	709	834	118%	N/A	N/A
14	Total for Core Programs	77,900	73,665	95%	57,413	100%
15	COVID-19 Housing Recovery	5,279	5,800	110%	8,804	100%
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: For the year, we reached 105% of the forecast for our homebuyer programs. While our First-Generation Homebuyer downpayment assistance program assisted many borrowers, we were ahead of our forecast for our home mortgage program even before the First-Generation program launched, which is a very strong outcome in a challenging market with high interest rates and a very limited supply of affordable homes. This year's homebuying activity and forecast included not only our regular mortgage lending (supported by our First-Generation Homebuyer program) but also the homebuying supported by a separate Community-Based First-Generation Homebuyers Assistance program, which

the Midwest Minnesota Community Development Corporation (MMCDC) operates. This program is the primary reason we supported substantially more homebuyers this year (7,572) than last year (4,774). Both first-generation homebuyer programs launched this spring.

Lines 2: Homebuyer/owner education and counseling reached 93% of the forecast.

Line 3: With respect to home improvement activity, we reached 123% of the forecast. Both the Fix Up Loan and Rehabilitation Loan programs exceeded expectations

Line 4: We fell short of our forecast for single-family housing development and supports. Our longstanding Impact Fund program, which received a large funding boost, matched our production expectations for the year, but we also received a very large increase in funding for the Workforce Affordable Homeownership program, for which we originally expected more funds to be awarded in program year 2024. These additional funds will be awarded during program year 2025. In addition, Homeownership Investment Grants is a new program that will provide funding to nonprofit Community Development Financial Institutions (CDFIs) for affordable housing lending or financing, including new construction and rehabilitation. We will award these funds in program year 2025.

Line 5: We exceeded our forecast for manufactured housing and communities. Under the Manufactured Home Community Redevelopment Program, we supported more homes/lots than expected because the funding per home/lot was less than expected, which stretched the funds further. In addition, we recently awarded funds to NorthCountry Cooperative Foundation (a legislatively named grantee) for community acquisition activities.

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). These funds will be awarded in program year 2025.

Line 7: With respect to the construction of new rental units, we exceeded production expectations largely because we allocated more funding to the activity for the year than expected.

Line 8: We fell short of our production expectations for rental rehabilitation largely because the funding per unit that was awarded through the Publicly-Owned Housing Program (POHP) was nearly twice as high as expected, which limited the number of projects and units that could be funded with the available resources. The rehabilitation programs operated under our Multifamily Consolidated RFP performed more in line with expectations.

Line 9: Activity under rental refinancing was less than expected, reaching 57% of the forecast. 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 lower levels of refinancing activity.

Line 10: Activity in our state-funded rental assistance and operating subsidy programs fell short of the forecast, which is partly explained by the timing of the launch of our new Bring It Home rental assistance program. When we developed our 2024 forecasts before the program year started, we hoped a small amount of the Bring It Home funds would be disbursed before September 30, but we will launch the program in 2025.

Line 11: The number of rental units receiving Project-Based Section 8 assistance through HUD's contract with Minnesota Housing increased after years of being very stable. On September 1, 2024, HUD transferred 4,463 units to our portfolio, most of them are in properties that converted from public housing to project-based rental assistance through HUD's Rental Assistance Demonstration (RAD) program.

Line 12: Activity under homeless prevention and other supports is below what we expected. The amount of assistance needed per household was higher than expected, which is limited the number of households that could be served 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. With only a portion of these funds going out, we exceeded our forecast of housing units be assisted.

Line 14: Reaching 95% of our overall forecast of households and housing units assisted by our core programs is a success, particularly given the challenge and uncertainties related to deploying large funding increases and standing up numerous new programs. Not surprisingly, we were well above the forecast in some areas and well below in others, but overall, we met expectations. In addition, we increased the number of households and housing units to receive assistance through our core programs by 28% from 57,514 to 73,665.

Line 15: In 2024, we carried out the last phases of the Emergency Rental Assistance (ERA, which we called RentHelpMN in Minnesota) program to address housing hardships created by COVID-19. There are two components to this work. First, some of the funds were awarded in December for the rehabilitation of rental housing and are reflected in line 8. We are using the rest of the remaining ERA funds to provide targeted rental assistance, which is captured in line 15. The targeted assistance program has now wound down.



Item: 2024 Cost Containment Report

Information Item: 9.A
Date: 11/21/2024
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 2024 Cost Containment Report. Each year, we provide this report a month before staff present its Consolidated RFPs recommendations. The cost containment report helps put costs of the recommended projects into context.

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

- 2024 Cost Containment Report



2024 Cost Containment Report

11/14/2024

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As requested by Minnesota Statute 3.197: This report cost approximately \$1,000 to prepare, including staff time, printing and mailing expenses.



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Overview and Context

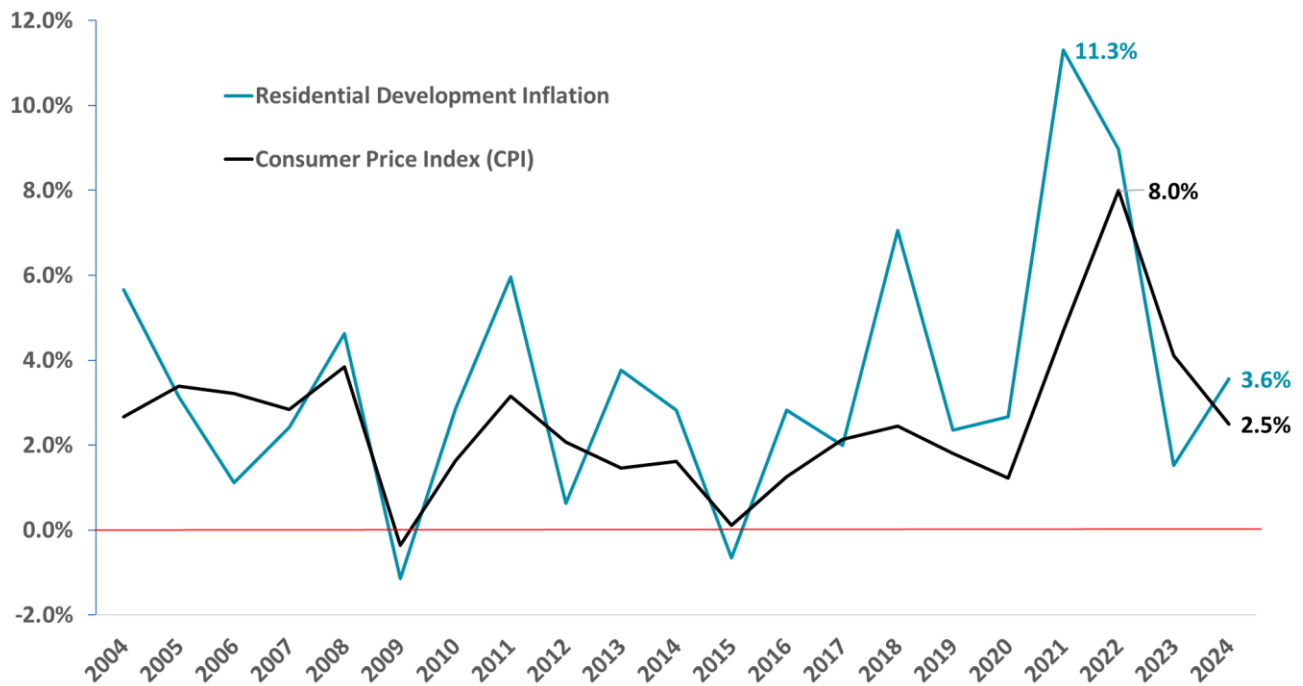
Containing the cost of housing development is a critical issue in Minnesota. In 2023, about 640,000 Minnesota households were cost burdened by spending more than 30 percent of their income on housing.¹ To address the shortage of housing that is affordable, we need to build and preserve more affordable homes across the state, especially for households with lower incomes, which is challenging.

- Current development resources for affordable housing are not scaled to meet the need. In recent years, about 6% of new rental construction was underwritten to be affordable to households with incomes at or below 50% of the area median income, falling substantially short of the 49% needed to match the incomes of renters.²
- Housing development costs rose very rapidly in 2021 and 2022, 11.3% and 9.0% respectively.³ See Figure 1. While the rate of construction inflation is back to more normal levels, the higher costs have made developing affordable housing even more challenging. Higher interest rates are also creating challenges for developing affordable housing.

¹ Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2023, 1-year sample).

² Minnesota Housing analysis based on data from the Metropolitan Council (2016-2021 construction) and of HUD's 2015-19 CHAS (Comprehensive Housing Affordability Strategy) data.

³ Minnesota Housing analysis based on data from the Bureau of Labor Statistics' Producer Price Index for residential construction goods, the Minnesota Department of Employment and Economic Development's weekly wage data for the multifamily housing construction sector, and CoStar data about acquisition costs in Minnesota.

Figure 1: Inflation 2004 to 2024

In addition, effective cost containment is nuanced and involves policy tradeoffs. For example:

- Using lower-quality materials and less efficient systems will reduce upfront costs but can also increase ongoing maintenance, repair and utility costs, which may not be cost-effective in the long run.
- Using lower-quality materials and more basic designs for a building's exterior will also reduce costs but will make it more challenging to fit affordable housing in the surrounding neighborhood, particularly higher-income communities. Housing that does not fit in a community can lead to community opposition and increase costs related to delays, re-design and projects not moving forward.
- Building developments in less expensive locations can save money, but it can also reduce residents' access to jobs, services, amenities, safe neighborhoods, public transportation, good schools and other benefits.

We based our 2024-2027 Strategic Plan on the principle that housing is foundational to a full life and a thriving state, providing individuals, families and communities the opportunity to flourish. To achieve this outcome for as many lower-income households as possible, our goal is to finance high-quality, durable, green, accessible, location-efficient housing that provides access to jobs, transit and other amenities and is built at reasonable costs. We are balancing the goal of cost containment with other policy objectives.

Overall, total development costs (TDC) for projects financed by the Agency have been relatively consistent over time after controlling for residential development inflation. This has occurred even when we have added policy objectives that can increase development costs, including supportive housing for people experiencing homelessness and people with disabilities, energy-efficient and healthy homes, and locations that provide access to jobs, transit and other amenities. As cost pressures continue, we will continue to identify and pursue additional strategies to contain and reduce costs, including encouraging different types of construction methods.

This report is broken into two sections – the first addresses multifamily costs, and the second addresses single-family costs.

Multifamily Costs

In a typical year, we distribute \$150 million to \$200 million for multifamily development.⁴ We work to allocate these funds efficiently and effectively to address the significant shortage of rental housing that is affordable, particularly for those with the lowest incomes. The first part of this multifamily section provides an overview of our results, and the second part outlines our strategies for achieving those results and pursuing additional cost containment.

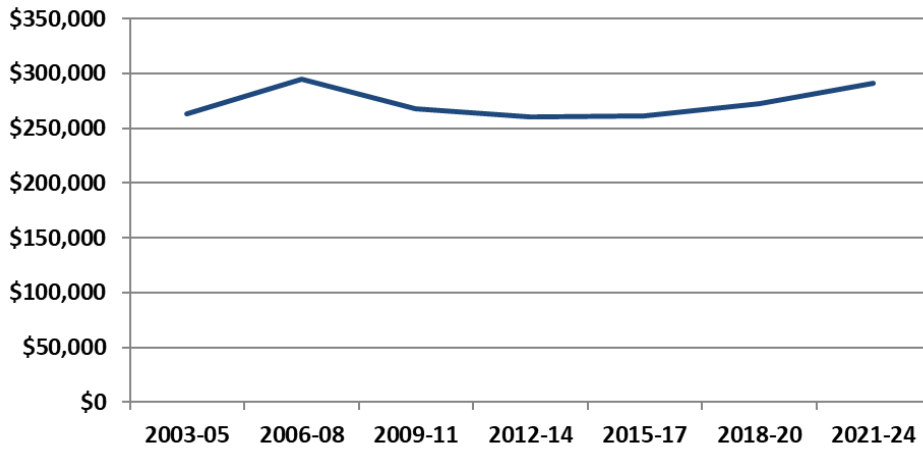
Overview of Multifamily Costs

Overall, the average TDC per unit for the housing we have financed has been around \$273,000 (in 2024 dollars) for the last two decades, after adjusting for inflation in residential development. The data in Figure 2 applies to all types of developments, including new construction, rehabilitation, metro area, Greater Minnesota, Low-Income Housing Tax Credit (LIHTC), non-LIHTC, workforce housing and supportive housing. The trend line is influenced by both the underlying cost trends and the mix of projects each year.⁵ For example, a larger share of resources going to new construction with tax credits in the metro area will increase average costs, while a larger share going to rehabilitation without tax credits in Greater Minnesota will decrease average costs.

⁴ This includes syndication proceeds from 9% tax credits.

⁵ To increase the comparability of the data, we excluded developments with a TDC per unit that was less than \$60,000, which took out rehabilitation projects with a more limited scope of work and added consistency to the level of rehabilitation being assessed. We also excluded developments with an overall acquisition cost of less than \$10,000, which excludes projects with no acquisition or heavily subsidized acquisition.

**Figure 2: Average TDC per Unit 2003 to 2024 – All Types of Developments
(Adjusted for Residential Development Inflation, 2024 Dollars)**



To control for the mix of projects in the trend line, Figure 3 shows the average TDC per unit just for new construction projects with tax credits in the metro area. Again, average costs are relatively constant with a slight downward trend but at a higher cost (around \$345,000) than all developments combined.

**Figure 3: TDC per Unit 2003 to 2024 – New Construction with Tax Credits in the Metro Area
(Adjusted for Residential Development Inflation, 2024 Dollars)**

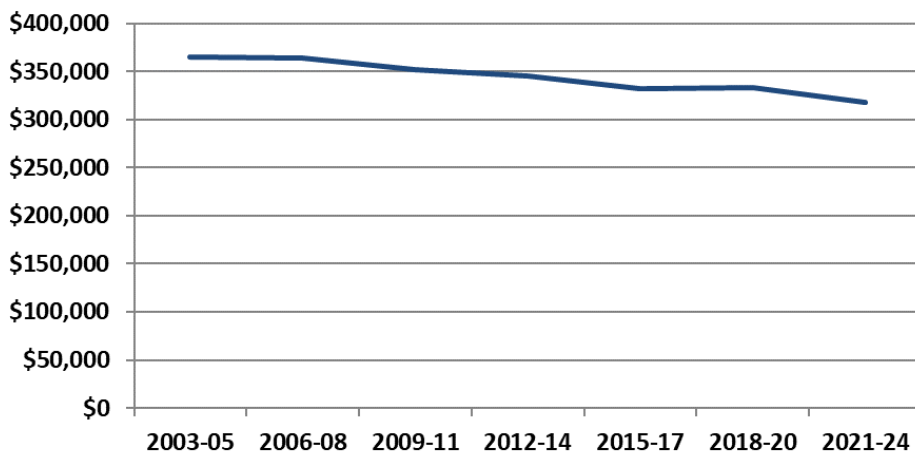
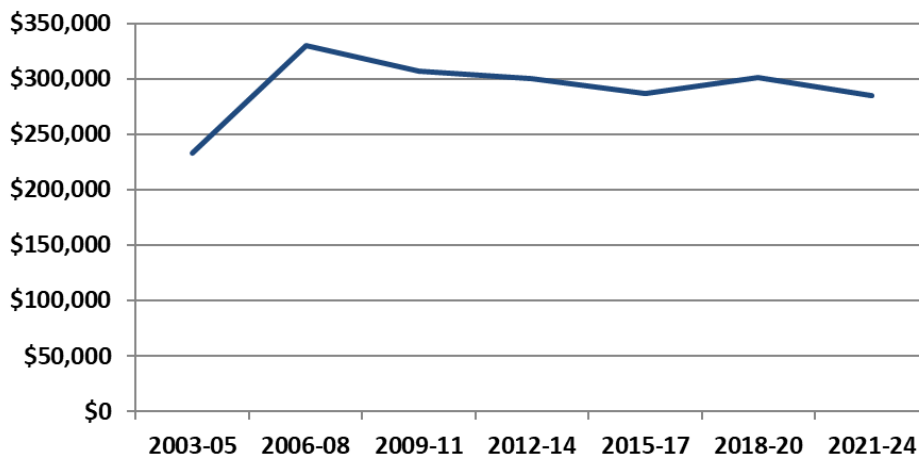


Figure 4 shows the equivalent graph for Greater Minnesota, with lower costs (around \$282,000) but similar cost containment.

**Figure 4: TDC per Unit 2003 to 2024 – New Construction with Tax Credits in Greater MN
(Adjusted for Residential Development Inflation, 2024 Dollars)**



Most importantly, we have contained costs while new policy objectives and changes have put upward pressure on costs.

- In 2003, we added a selection and funding priority for supportive housing for people experiencing homelessness, which is generally a more costly type of development.
- In 2007, we added our Green Communities Overlay, which requires that developments have energy-efficient and healthy-home features, and most recently, we have been incentivizing even more sustainable housing, such as Passive House.
- In the last several years, we strengthened our location efficiency priority by making it more geographically precise and increasing the points it receives in the selection process. Housing that is in a walkable neighborhood and near transit, jobs and other amenities can be more expensive.
- Projects are now requiring prevailing wages. The projects with prevailing wages are being completed and just showing up in our cost data. It may take a few more years to see the impact of these higher wages on total development costs.

While these policy changes have occurred, we also added cost containment provisions.

- In 2006, we first developed and started using our predictive cost model, which compares a development's proposed costs with the costs that we would expect for that development based on the Agency's experience with similar projects and industry-wide standards. This process flags high-cost developments and helps maintain costs at a reasonable level.

- In 2014, we also launched the Minnesota Challenge to Lower the Cost of Affordable Housing, which was initiated as an idea competition to identify and address system-level factors (such as land use policies or design standards) that increase costs for all developments. Since this initial competition, we have carried out several activities to address these systemic-cost drivers.
- In 2019 through 2021, we participated in and co-sponsored the Construction Revolution, which is an initiative to increase innovation in residential construction techniques with a focus on modular and offsite construction.

More information on these initiatives is provided in the report's next section.

To contain costs, it is important to understand the factors that drive costs. Table 1 provides a breakout of costs by project type, location and cost component.

- New construction with Low-Income Housing Tax Credits in the Twin Cities metro area is the most expensive type of project, while rehabilitation without tax credits in Greater Minnesota is the least expensive.
- Not surprisingly, construction accounts for the clear majority of costs in new construction projects, while construction and acquisition costs are both key cost drivers for rehabilitation projects. Addressing these costs will have the largest impact on reducing or containing TDCs.
- While soft costs (non-construction/non-acquisition costs) account for a smaller share of TDC (15 percent to 24 percent), they should be a focus of cost containment strategies. Reducing construction costs can affect the quality, durability, accessibility and energy efficiency of the housing, and reducing acquisition costs can affect location efficiency. While soft costs are a necessary component of a housing development, eliminating inefficiencies in these costs will not affect the quality of the housing. The complexity of financing affordable housing adds to the soft costs.
- Low-Income Housing Tax Credits (LIHTC) appear to add about seven percentage points to the share of TDC attributable to soft costs, likely due to the added complexity and cost of putting together and financing a tax credit deal. For developments without tax credits, soft costs account for 15 to 17 percent of TDC. That percentage jumps to 21 to 24 percent for developments with tax credits.

Table 1: Share of TDC by Project and Credit Type and Location for Developments Completed between 2003 and 2024 (Adjusted for Residential Development Inflation, 2024 Dollars)

Activity Type	Tax Credit Financing	Region	Average TDC per Unit	Share of TDC			N
				Construct-ion Cost	Acquisition Costs	Soft Cost	
New Const.	LIHTC	Metro	\$345,262	69%	7%	24%	107
New Const.	No-LIHTC	Metro	\$292,143	73%	10%	17%	23
New Const.	LITHC	Greater MN	\$282,900	74%	5%	21%	72
New Const.	No-LIHTC	Greater MN	\$270,158	78%	7%	15%	17
Rehab	LIHTC	Metro	\$280,431	37%	40%	23%	47
Rehab	No-LIHTC	Metro	\$190,162	37%	48%	15%	32
Rehab	LITHC	Greater MN	\$172,204	42%	37%	21%	44
Rehab	No-LIHTC	Greater MN	\$145,593	42%	42%	16%	24

Strategies for Containing and Reducing Multifamily Costs

As mentioned earlier, we have taken a two-pronged approach to containing costs up to this point.

1. Assess Cost Reasonableness.
2. Address Systemic Cost Drivers.

Strategy 1: Assess Cost Reasonableness

Minnesota Housing assesses each development for cost reasonableness. An important tool for identifying high-cost developments is our predictive cost model. The model predicts a development's TDC per unit based on its characteristics. To develop the parameters for the model, we run a multivariate regression analysis on the inflation-adjusted costs and characteristics of the developments that the Agency financed between 2003 and 2024. The analysis uses the historical data to assess the effect that each of the following factors simultaneously has on TDC per unit:

- Activity Type:
 - New Construction
 - Extensive Rehabilitation⁶
 - More Limited Rehabilitation
 - Combination of New Construction and Rehabilitation

⁶ This involves more extensive work on the interior, exterior, electrical and mechanical systems of a property. "Extensive" versus "more limited" is determined by staff using internal definitions.

- Conversion/Adaptive-Reuse
- Building Type:
 - Walkup
 - Elevator
 - Townhome
 - Single Family Home/Duplex
- Number of Stories
- Unit Size – based on average number of bedrooms per unit in the development
- Gross Square Footage
- Location:
 - Minneapolis or Saint Paul
 - Suburbs in Twin Cities Seven-County Metro Area
 - Greater Minnesota – Large City⁷
 - Greater Minnesota – Regional Job Center⁸
 - Greater Minnesota – Rural
- Year Built
- Underground Garage
- Acquisition:
 - Land
 - Structure
 - None
- Financing:
 - Low-Income Housing Tax Credits
 - Number of Funding Sources
- Special Costs:

⁷ The large cities are Duluth, Rochester, St. Cloud, Moorhead and Mankato, and include a five-mile commute area around the cities.

⁸ There are 51 regional job centers, which are the top 15 percent of cities and townships in number of jobs. They include: Albert Lea, Albertville, Alexandria, Austin, Baxter, Bemidji, Brainerd, Buffalo, Cambridge, Cloquet, Cold Spring, Crookston, Detroit Lakes, Elk River, Fairmont, Faribault, Fergus Falls, Goodview, Grand Rapids, Hibbing, Hutchinson, International Falls, La Prairie, Little Falls, Marshall, Montevideo, Monticello, Morris, North Mankato, Northfield, Onamia, Owatonna, Park Rapids, Perham, Pipestone, Red Wing, Roseau, Saint Michael, Saint Peter, Sartell, Sauk Rapids, Thief Rivers Falls, Virginia, Waite Park, Waseca, Willmar, Windom, Worthington and Wyoming. These areas also include a five-mile commute area around the cities.

- Historic Preservation
- Environmental Abatement
- Supportive Housing
- Prevailing Wages

We apply the model's cost parameters for these factors to a proposed development to predict its costs. The model is also benchmarked against industry-wide cost data to ensure that our costs are in line with the industry. With different development characteristics, the predicted total development costs for new construction can vary from \$281,000 to \$623,000 per unit (in 2026 dollars, when 2024 selections will most likely draw funds).

Overall, the model explains a sizable portion (50% to 73%) of the variation in the costs for developments that we financed between 2003 and 2024, which is a robust result.⁹ For comparison, Abt Associates (a national consulting firm) released in August 2018 a cost analysis of housing tax credit developments from across the county, and their regression models explained 52 to 54 percent of the variation in the national data.¹⁰ Similarly, the U.S. Government Accountability Office (GAO) released in September 2018 another cost analysis of tax credit developments, and their regression models explained 63 to 65 percent of the variation in their national data.¹¹ Besides the statistical rigor, the model has proven very effective over the last decade and a half in objectively and systematically flagging developments with high costs. Each year, we revise and enhance the model based on the previous year's results and staff feedback.

Over time, we have tested models that predict costs on a per-unit and a per-square-foot basis. Based on our testing, the per-unit models have explained a larger share of the variation. We believe this has occurred for two reasons. First, some costs are clearly tied to the unit and do not increase with the size of the units. For example, apartments regardless of unit size have one kitchen (unless single-room-occupancy). Second, and most importantly, the per-unit model that we use includes a cost factor that

⁹ The model explains about 73% of the variation in construction costs and about 50% of the variation in soft costs.

¹⁰ Abt Associates, *Variation in Development Costs for LIHTC Projects* (prepared for the National Council of State Housing Agencies, August 30, 2018). The adjusted R-Squared values shown in the appendix varied from 0.5222 to 0.5433.

¹¹ U.S. Government Accountability Office (GAO), *Low-Income Housing Tax Credit: Improved Data and Oversight Would Strengthen Cost Assessments and Fraud Risk* (September 2018, GAO-18-637). The adjusted R-Squared values shown in Appendix II varied from 0.626 to 0.648.

accounts for unit size. Developments with larger units and more bedrooms have higher predicted costs.

Under current practice, when staff recommend to the board developments for funding, they identify the developments with a proposed cost that is more than 25 percent higher than the model's predicted cost for new construction and 35 percent higher for rehabilitation, and the board can decide to grant a waiver allowing the higher cost. For the higher-cost projects that staff recommends for funding, staff needs to explain why the proposed costs are reasonable even though they are above the 25 and 35 percent thresholds. There are a wide range of valid reasons why the costs could be reasonable. For example, a housing development and site may be critical to meet a local housing need, but the site requires an unusually large amount of environmental remediation.

While the predictive cost model is a useful tool to identify high-cost developments, it is not the only way that Agency staff review cost reasonableness. The professional judgment and expertise of our underwriting and architectural staff also play a critical role in the assessment of cost reasonableness. Even if a project has costs that are within the 25 and 35 percent predictive cost model thresholds, staff can still question costs if they seem high given the context of the development. Our staff has extensive experience reviewing funding applications and development costs. Each year, they typically evaluate 75 or more applications.

Strategy 2: Address Systemic Cost Drivers

The first strategy addresses costs that are specific to individual developments. Systemic cost drivers outside the control of developers are critical issues that also need to be addressed. These cost drivers range from local policies and regulations that increase the cost of housing (such as maximum densities), to the cash reserves that funders and investors may require for affordable housing developments, to the complexity of assembling the multiple sources of funding that make an affordable housing deal work.

In January 2014, Enterprise Community Partners and the Urban Land Institute's (ULI's) Terwilliger Center for Housing released a report on best practices from across the country to address these systemic cost drivers.¹² Overall, the report finds that containing and reducing costs in a prudent and

¹² Enterprise Community Partners and Urban Land Institute's Terwilliger Center for Housing, *Bending the Cost Curve on Affordable Rental Development: Understanding the Drivers of Costs* (January 2014).

effective way does not involve a single magic bullet. Rather, housing costs are driven by dozens of small inefficiencies. As one of the lead authors described it, “death by a thousand cuts.”¹³

To take on these cost drivers, we partnered with the McKnight Foundation, Enterprise, and ULI/Regional Conference of Mayors to create an initiative for Minnesota to implement these types of practices, which became the MN Challenge to Lower the Cost of Affordable Housing. It began in the winter of 2014 as an idea competition. We asked the development community to create cross-discipline teams (developers, funders, attorneys, local officials, housing advocates, etc.) and develop and submit ideas to address these systemic cost drivers. From the 12 submissions, we selected one to receive \$70,000 for implementation.¹⁴

The winning idea was submitted by the Center for Urban and Region Affairs at the University of Minnesota, the Housing Justice Center, and Becker Consulting. Their proposal addressed the issue of local practices and policies that add to the cost of affordable housing, including fees, land-use and zoning policies, approval processes and others. These cost drivers have been identified and known for years. The value of this idea was identifying and implementing best practices to address them, which included providing technical assistance to communities to pursue the practices and encouraging regional organizations to incorporate the implementation strategies into their policies and guidelines, including the Metropolitan Council’s Planning Handbook and Housing Performance Scores and ULI’s Toolbox for local communities.

As part of our overall cost containment strategy, we have carried out several initiatives that address systemic cost drivers.

- **2014 – Minnesota Housing’s Multifamily Remodel Project.** We carried out a project for our Multifamily Division to redesign and streamline its application and funding processes – everything from proposal inception through application, selection, underwriting, closing, construction management and lease up. The purpose of the remodel was to reduce the time it takes a development to move from concept to occupancy. A key finding from the Enterprise/ULI report identified complexity, uncertainty and delays in the funding process as cost drivers. The project has achieved positive outcomes. For example, we created a customized online portal to receive funding applications for the multifamily consolidated RFP, eliminating paper applications.

¹³ Michael Spotts, Enterprise Community Partner, presentation to the Affordable Housing Investors Council (AHIC), Portland Oregon, October 9, 2014.

¹⁴ The initiative was jointly funded by the McKnight Foundation and Minnesota Housing.

- **2015 – MinnDocs – Consolidated Legal Documents.** Most affordable housing projects have multiple deferred loan funding sources, each with their own set of legal documents and attorneys, which add unnecessary costs. The Enterprise/ULI report highlighted Massachusetts' practice that consolidates legal documents for all subordinate debt into a single set. The development community in Minnesota was intrigued, and we took initial steps to pursue the concept. The complexity of making this work turned out not to be worth the limited cost savings that would result.
- **2016 - Minnesota Housing's Design and Construction Standards.** As part of our annual preparation for the consolidated RFP, we review these standards. During 2016, we specifically reviewed the standards with an emphasis on cost containment. We focused on reducing life-cycle costs (which includes ongoing maintenance, repair and utility costs), not just upfront development costs. Specifically, we surveyed architects, general contractors and developers who work on the developments that we finance about the standards and costs. We received 66 responses. Based on the feedback, we made several design changes that should reduce costs. For example, we clarified that a separate dining room is not required in units with two or more bedrooms but that a dining area (or eat-in kitchen) is sufficient. Each of the changes alone will unlikely result in significant savings, but they are examples of small savings that, when combined, can lead to larger savings over time.
- **2017 – Developer Fees.** These fees compensate developers for the time, compliance requirements and risks associated with developing affordable housing and can account for a substantial portion of a development's soft costs. Minnesota Housing allows a maximum developer fee of 15 percent of TDC for the first 50 units and 8 percent for additional units. In 2017, we assessed our fees and found that they are consistent with other states and that the average fee taken by our developers is 7 percent of TDC, well below our maximum. Given our overall cost containment incentives, it appears that developers are typically taking the minimum fee that still allows the deal to work for them. If developers take a higher fee, their applications will be less competitive in a highly competitive process. Based on this analysis, we decided not to adjust our developer fee structure at that time, but it is an area that we will continue to assess given the size of these costs.
- **2018 – Housing Task Force.** Minnesota Housing was a lead sponsor of Governor Dayton's Task Force, providing much of the staff support. The cost of developing housing was a primary issue addressed by the Task Force, which made several cost-related recommendations, including:
 - Position Minnesota as a national leader in the advancement of housing innovation and technology, which should increase the efficiency and productivity of developing housing and reduce the costs.

- Grow the pool of talent in Minnesota’s building trades to enable the sector to meet current and future demand, which should address the current shortage of skilled labor.
- Create a statewide review panel to evaluate regulations related to building standards, land use and environmental stewardship for their impact on housing affordability.

While these actions are largely outside the scope of our work, they would directly impact the cost of the housing that we finance.

- **2019 to present – Off-site Construction and Other Innovative Techniques.** In 2019, we helped organize and co-sponsor the Construction Revolution Summit, which pursued the innovation and technology recommendation from the Housing Task Force. The summit brought together construction industry leaders to discuss barriers and opportunities to advancing off-site construction (including modular and panelized).

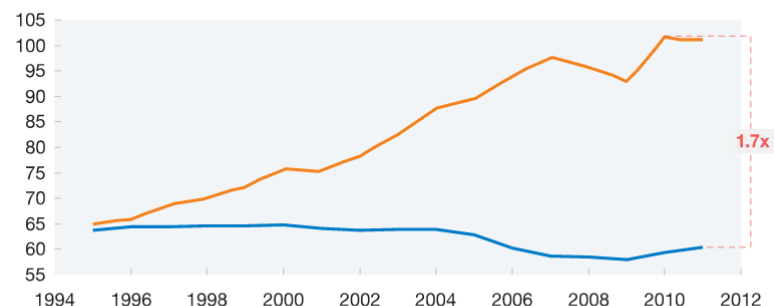
Housing construction is ripe for a major systemic change but has struggled to takeoff in the United States. Unlike other industries, construction has not experienced meaningful productivity increases over the last few decades. We are largely building homes the same way we did 50 years ago.

Productivity in manufacturing has nearly doubled, whereas in construction it has remained flat.

Overview of productivity improvement over time

Productivity (value added per worker), real, \$ 2005

\$ thousand per worker



Source: Expert interviews; IHS Global Insight (Belgium, France, Germany, Italy, Spain, United Kingdom, United States); World Input-Output Database

McKinsey&Company

Without productivity gains, reducing the cost of housing construction will remain elusive. Some estimates suggest that off-site construction could reduce costs by as much as 20%.

The action plan that came out of the Construction Revolution Summit called for, among other things: (1) establishing learning opportunities on how to develop housing using modular

construction, and (2) having public funders finance some developments using off-site construction as a pilot.

- In the winter of 2021, the Construction Revolution team provided a course on using modular construction, bringing together developers, architects, general contractors and others from the industry. One of Minnesota Housing’s architects participated.
- In our scoring for the 2021 to 2024 consolidated RFPs, we added a selection preference for developments that use innovative construction techniques (including off-site construction) and have the potential to reduce construction costs by at least 10% and construction time by at least 20%.
- For the 2025 RFP, the Agency is considering the option of making the selection criterion for innovative construction techniques a pointing category, not just a selection preference. This should give developers an even stronger incentive to pursue innovative techniques. As a pointing category, the use of an innovative construction technique will directly impact a housing project’s ranking in the selection process.

Single-Family Costs

We typically distribute around \$10 million to \$15 million for single-family development through our Community Homeownership Impact Fund. Although the level of cost data that we collect is currently less than what we collect and analyze for multifamily developments, evaluating costs and cost containment is a part of our selection process.

Overview of Single-Family Costs

The total development costs for the single-family projects that we have financed are reasonable and consistent with industry benchmarks for moderately-sized, average-class homes. Table 2 shows the median cost per home by location and activity for developments that we have financed over the last ten years, adjusted for residential development inflation.

Table 2: Impact Fund – Median TDC by Location and Project Type, Loans Closed from October 1, 2012 through April 9, 2024 (2026 dollars, when we expect 2024 selections to start construction)

Location	New Construction	Acquisition/Rehab/Resale
Greater Minnesota	\$298,000	\$271,000
Metro	\$478,000	\$379,000

Excludes projects by Habitat for Humanity and Community Land Trusts

In the last few years, some of the projects that we finance are now statutorily required to pay prevailing wages to construction workers. We generally assume that prevailing wages add 5% to 20% to the development costs. Consequently, we have recently seen costs higher than these figures.

The median new construction costs in Table 2 are generally consistent with industry standards. Table 3 shows the predicted industry-wide costs for building new, average-class homes of varying sizes in the Twin Cities metro area (derived from RSMeans data).¹⁵ These costs do not include prevailing wages. The median cost of the homes that we finance for new construction in the metro area (\$478,000 as shown in Table 2) is in line with industry cost benchmarks for a 1,600 to 2,100 square-foot home (\$458,000 to \$539,000 as shown in Table 3). When prevailing wages apply, we are likely to see costs higher than these.

Table 3: Estimated Total Development Costs in Twin Cities Metro, Two Story Home, Unfinished Basement, Average Class, Wood Siding, 2-Bathrooms, Garage and No Prevailing Wages (2026 dollars, when we expect 2024 selections to start construction)

Location	1,100 Sqft	1,600 Sqft	2,100 Sqft	2,600 Sqft
Total Development Costs	\$379,000	\$458,000	\$539,000	\$617,000

Source: Minnesota Housing analysis based on construction cost data from RSMeans, *Residential Cost Data, 2024*. Besides the RSMeans data on construction costs, we added cost factors for land and soft costs.

The historical median cost for new construction in Table 2 for our work in Greater Minnesota (\$298,000) is quite a bit less than the predicted costs based on the RSMeans data. Table 4 is the same as Table 3 but applies to projects in Greater Minnesota outside of the counties that make up the metropolitan statistical areas of the Twin Cities, Duluth, Moorhead, St. Cloud, Rochester and Mankato. Regardless of the size of the home, these predicted costs for rural Minnesota are substantially higher than \$298,000.

¹⁵ RSMeans is a national firm that provides a wide range of data on construction costs.

Table 4: Estimated Total Development Costs in Rural Minnesota, Two Story Home, Unfinished Basement, Average Class, Wood Siding, 2-Bathrooms, Garage and No Prevailing Wages (2026 dollars, when we expect 2024 selections to start construction)

Location	1,100 Sqft	1,600 Sqft	2,100 Sqft	2,600 Sqft
Total Development Costs	\$324,000	\$392,00	\$460,000	\$528,000

Source: Minnesota Housing analysis based on construction cost data from RSMeans, *Residential Cost Data, 2024*. Besides the RSMeans data on construction costs, we added cost factors for land and soft costs.

The reason for the lower than predicted costs in Table 2 for Greater Minnesota is not entirely clear. The costs in Table 2 exclude projects sponsored by Habitat for Humanity, which often has lower costs with donated labor and materials.

Strategies for Containing and Reducing Single-Family Costs

Since 2015, we have focused on becoming more systematic and objective in our assessment of single-family development costs. We initially compared a project's proposed costs with the median and the 80th percentile cost home that we have financed in the past. While this approach was valuable as an initial assessment, it has deficiencies. It does not account for cost differences resulting from home sizes, garages, number of bathrooms, varying land costs and other factors. Starting with the 2022 RFP selections, we developed a predictive model for new construction projects, which is largely based on the RSMeans data and allows for a more nuanced assessment of the proposed costs. As shown in Tables 2 through 4, the costs are inflated to expected 2026 dollars so that they can serve as cost benchmarks for the 2024 funding selections, which will likely start construction in 2026.

Conclusion

For nearly two decades, we have worked to contain upfront development costs while adding new priorities that can increase costs. Given the shortage of affordable housing, limited resources, and the need to do more, cost containment will remain a critical issue. While many of the cost drivers are outside the direct control of the Agency or driven by the market, we will continue to pursue multiple strategies to contain costs.

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