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Date: February 13, 2026

To: Representative Igo, Co-Chair, Housing Finance and Policy
Representative Howard, Co-Chair, Housing Finance and Policy
Senator Port, Chair, Housing and Homelessness Prevention
Senator Lucero, Ranking Minority Member, Housing and Homelessness Prevention

From: Jennifer Lemaile Ho, Commissioner, Minnesota Housing

Subject: Community Stabilization Funding Progress and Implementation

The Community Stabilization Program was established pursuant to Minnesota Laws 2023, chapter 37, article 1, section 2, subdivision 29 and Minnesota Laws 2023, chapter 37, article 2, section 6 as a one-time program with $90 million of state appropriations. Of this amount, $80 million was designated to preserve naturally occurring affordable housing (NOAH), while $10 million provided a one-time grant to Aeon for Huntington Place apartments in Brooklyn Park.

During the 2024 legislative session, Minnesota Laws 2024, ch. 127, art. 14, sec. 11 amended the program by restructuring it into three distinct initiatives and increasing total appropriations from $90 million to $115 million. The legislation also introduced a second legislatively named grant. As a result, the original NOAH allocation was revised to $51.75 million, now split between multifamily rental preservation and single-family homeownership preservation. Section 43 of that legislation also required program updates on the new programmatic structure.

The three new programs and two legislatively named grantees include:

- NOAH Multifamily Rental Preservation ($41.75 million)
- NOAH Single Family Home Ownership Preservation ($10 million)
- Recapitalization of Distressed Buildings ($50 million), with $15 million set aside for supportive housing
- Legislatively Named Grant to Aeon for Huntington Place in Brooklyn Park ($10 million)
- Legislatively Named Grant to Wilder Park Association in St. Paul ($3.25 million)

Progress on Legislatively Named Grants

Both legislatively named grants are executed and work is complete or in progress. The Wilder Park Association grant has been fully disbursed, providing $3.25 million for capital repairs at the 17-story senior high-rise with 230 units in St. Paul. The funded repairs are complete, helping to provide long-term stability for the building and its residents.

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At Huntington Place in Brooklyn Park, Aeon continues its efforts to stabilize the 834-unit rental property, which was significantly impacted by the COVID-19 pandemic. Aeon executed the original grant contract agreement with Minnesota Housing for Huntington Place on July 18, 2024. To support the physical and operational stability of the property, the work plan allocated funding for rehabilitation, gap financing, and reserves. As of December 31, 2025, approximately $8.97 million had been disbursed to Aeon, including approximately $4.44 million in capitalized replacement, property tax and insurance, and operating deficit reserves.

On January 8, 2026, Aeon sold the property to MAS Capital Group. As part of that transaction, Minnesota Housing and Aeon amended the grant contract agreement to reallocate all remaining funds to rehabilitation work, including remaining reserves. The rehabilitation work includes unit interior improvements, common area improvements, and new windows. Aeon, in partnership with the new owner, will act as fiscal agent for the remaining grant proceeds and will oversee the rehabilitation work until all grant funds are expended. In total, there is approximately $4.17 million remaining of the $9.9 million grant. The remaining grant funds are held at the Agency and will be disbursed to Aeon on a reimbursement basis as the rehabilitation work is completed. The grant has an expiration date of October 31, 2027. The new owner is maintaining existing affordability requirements.

Implementation of New Structure Established in 2024

Following the 2024 legislative changes, the Community Stabilization Program now operates as three distinct initiatives, each with its own statutorily established eligibility criteria, permitted uses, affordability requirements, and funding priorities. As a result, Minnesota Housing is developing individual program guides and competitive selection processes for each.

To inform program design, Minnesota Housing conducted a stakeholder survey prior to the 2024 legislative changes, gathering insights from multifamily rental and single-family homeownership partners. This feedback helped shape early design elements and key priorities for the funding.

1. **NOAH Multifamily Rental Preservation Program**

   The NOAH Multifamily Rental Preservation program guide was approved by the Minnesota Housing board of directors in February 2025. On May 8, 2025, Minnesota Housing released the 2025 Community Stabilization: Naturally Occurring Affordable Housing Request for Proposal (NOAH RFP) and applications were due July 24, 2025. The NOAH RFP made available up to $41,750,000 of one time NOAH appropriations with many of the program parameters were defined in the Community Stabilization legislation. The legislation requires priority be given to applications with projects that serve lower-income households and maintain longer periods of affordability.

Statutory requirements around eligible properties, eligible recipients and eligible expenses for the NOAH Multifamily Rental Preservation program are detailed below.

Eligible Properties

To be eligible, properties must be considered Naturally Occurring Affordable Housing (NOAH) and must be Multifamily Rental Housing. To meet the definition of NOAH Multifamily Rental Housing, a property must fulfill each of the following requirements:

- Have four or more rental units
- Be at least 20 years old
- Have rents in a majority of the units that are affordable to households at or below 60% of the greater of state or area median income (AMI) as determined by the United States Department of Housing and Urban Development (HUD)
- Not currently have federal or state financing or tax credits that require income or rent restrictions, except for public housing, as defined in section 9 of the Housing Act of 1937, that is part of a mixed-finance community

Eligible Recipients

An eligible recipient is one of the following:

- Local unit of government
- Federally recognized American Indian Tribe located in Minnesota or its Tribally Designated Housing Entity
- Private developer
- Limited equity cooperative
- Cooperative created under Minnesota Statutes Chapter 308A or Minn. Stat. Chapter 308B
- Nonprofit Organization

The eligible recipient must own or control the property.

Eligible Expenses

Program funds are for the following purposes to support the preservation of NOAH:

- Acquisition costs – Includes costs related to the purpose of acquisition, such as title, survey, legal fees and other fees related to acquisition financing;
- Rehabilitation – Includes costs related to the purpose of rehabilitation, such as:

  - Architecture and design costs, general contractor costs, and permits;
  - Environmental reviews and remediation, including lead-based paint, asbestos, and radon mitigation;
  - Closing costs, including legal, title, survey, loan fees;
  - Temporary relocation expenses incurred as a result of the rehabilitation;
  - Reasonable developer fees in accordance with the applicable underwriting standards; and
  - Capitalizing replacement reserves in accordance with the applicable underwriting standards;
- Interest rate reduction subject to Minnesota Housing review.

Rental properties that receive funds under the NOAH Multifamily Rental Preservation program, may not reject an applicant based solely on their status as a holder of a rental subsidy, including but not limited to vouchers under section 8 of the United States Housing Act of 1937, as amended. Besides these eligibility details there are other program considerations detailed in the program guide.

Recommendations and Post-Selection

The RFP received 29 applications representing over $92 million in requests. Selections included 11 projects for further processing. Eight projects are in the seven-county metropolitan area and three are in Greater Minnesota

Table 1: 2025 NOAH Application Summary

	Applications Received	Total Recommended for Funding
Number of Developments	29	11
Number of Units	1,838	1,013
Amount Requested	$ 92,470,775	$ 41,750,000
Metro	8 (73%)	$ 23,726,942
Greater Minnesota	3 (27%)	$ 18,023,059

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With Board approval in January 2026, the 11 recommended projects have received a notice informing them that they have been selected for additional processing. The recommended projects will work with Agency staff to finalize project details, including due diligence, so that they may close on funding.

2. NOAH Single Family Home Ownership Preservation Program

For the NOAH Single Family Home Ownership Preservation program, the 2024 legislation introduced a specific set-aside for owner-occupied housing and expanded eligibility to include single-family rental conversions to homeownership opportunities. Minnesota Housing staff have been engaging with community partners to shape the program guide and RFP process. The program guide is anticipated to be approved this spring with an RFP to follow.

For this program, single-family housing is one to four unit that is located in communities where market pressures or significant deferred rehabilitation needs, as defined by the agency, create opportunities for displacement or the loss of owner-occupied or single-family rental housing. The housing must be affordable to owner-occupied households at or below 115 percent or rental households at or below 80 percent of the greater of state or area median income as determined by the United States Department of Housing and Urban Development. Funding may be used to acquire single-family rental housing that is intended to be converted to affordable homeownership.

3. **Recapitalization of Distressed Buildings Program**

The legislation and set-aside of $50 million for this program occurred in the 2024 legislative session. In fall 2024, Minnesota Housing, with support from the Family Housing Fund, initiated an engagement process with nonprofit and for-profit affordable rental housing owners. Minnesota Housing also conducted five engagement sessions in 2024 on strengthening supportive housing. Both in-person and virtual engagement sessions were held between March and October 2024, and included representation from Greater Minnesota, Tribal and metropolitan developers, management agents, service providers, community partners and people with lived experience of homelessness. This engagement work included a Tribal supportive housing listening session to receive feedback specific to the experience of tribal supportive housing partners. In January 2025, a roundtable engagement session was held with rental housing owners to refine the program's structure to help ensure it effectively supports property stabilization efforts.

Based on this input, the program guide was approved by Minnesota Housing board of directors in April 2025. The RFP opened on Monday, August 25, 2025, and closed on

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Wednesday, November 19, 2025. Minnesota Housing received a total of 74 applications requesting $111 million. Agency staff are reviewing applications for completeness, eligibility and scoring, and it is anticipated that applications will be selected for further processing by second quarter 2026.

Eligible Properties

To be eligible for funding, the property must meet all the following threshold requirements:

- Be owned or controlled by an eligible recipient
- Have all units restricted to households with incomes at or below 60% of the area median income (AMI) as determined by the United States Department of Housing and Urban Development (HUD), adjusted for household size, and this household income limit requirement must be documented in a recorded declaration, covenant, land use restrictive agreement, or other similar recorded document deemed acceptable at Minnesota Housing's sole discretion
- Have eight or more units
- Have been placed in service on or before December 31, 2023

Additionally, the property must meet at least one of the following qualifying requirements:

- Be at imminent risk of foreclosure, closure, or sale that would result in permanent loss of affordability
- Have two or more years of negative net operating income (NOI), exclusive of financial or in-kind operating support from the owner of the property
- Have two or more years with a debt service coverage ratio less than one
- Have necessary costs of repair, replacement, or maintenance that exceed revenues and the project reserves available for those purposes

Eligible Recipients

An eligible recipient is one of the following:

- Local unit of government
- Federally recognized American Indian Tribe located in Minnesota or its Tribally Designated Housing Entity
- Private developer
- Nonprofit organization

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The eligible recipient must own or control the property, which is demonstrated by meeting one of the following criteria:

- Properties are directly owned by the eligible recipient
- Properties are owned by a Limited Liability Company (LLC), Limited Partnership (LP), or other similar ownership entity with approval from Minnesota Housing at its sole discretion, and the eligible recipient is the managing general partner or member of the LLC, LP, or other similar ownership entity
- If there is more than one general partner or member, the eligible recipient must control at least 50% of the combined ownership of all general partners or members in the ownership entity
- The eligible recipient has site control of the property as defined in the Community Stabilization: Distressed Multifamily Rental Building RFP Application Instructions
- Other properties where the eligible recipient can demonstrate ownership or control at Minnesota Housing's sole discretion

Eligible Uses

Program funds may be used for financing the physical and financial needs that are necessary to stabilize an eligible property, which includes:

- Debt restructure that stabilizes or improves property cash flow
- Deferred maintenance and rehabilitation, including costs related to the purpose of rehabilitation, such as:
    - Architecture and design costs, general contractor costs, and permits
    - Environmental reviews and remediation, including lead-based paint, asbestos, and radon mitigation
    - Closing costs, including legal, title, survey, and loan fees
    - Temporary relocation expenses incurred as a result of the rehabilitation
    - Project management fees that are the lesser of 5% of the total project costs or $100,000
- Property operating costs including, but not limited to, property insurance, front desk, security/safety, tenant service coordination, supportive services, case management, program staff, and one-time or short-term staff retention incentives
- Capitalized replacement, operating, and/or supportive service reserves
- Financing to sell or transfer ownership of a property to a qualified owner that will commit to long-term affordability, as determined by Minnesota Housing at its sole discretion

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- Costs associated with required reporting, compliance, and monitoring, including third-party auditors and accountants

Scoring

The law requires that preference be given to properties that meet the requirements of one or more of the below criteria. These criteria have been incorporated into the scoring for the program.

- Buildings where resident household incomes are at or below 30% AMI;
- Buildings at imminent risk of foreclosure, closure, or sale that would result in permanent loss of affordability;
- Applicants who have a path to achieve neutral or positive net operating income within five years;
- Applicants who commit to keeping subject properties affordable; or
- Buildings that are not eligible or not prioritized for other Agency programs.

Scoring will also take into account the property stabilization plan created by each applicant based upon the proposed use of program funds.

After recommendations are approved, the project sponsors will work with Agency staff to finalize project details, including due diligence, so that they may close on funding.

Looking Ahead

As anticipated based on survey responses, engagement efforts, and demonstrated interest from partners, the suite of Community Stabilization programs are highly competitive and oversubscribed. For the 2 funding processes that have opened and closed, the Agency received over $200 million in requests for the $91.750 million in funding. As implementation moves forward, Minnesota Housing remains committed to efficiently deploying these funds to stabilize, preserve, and expand affordable housing across the state.