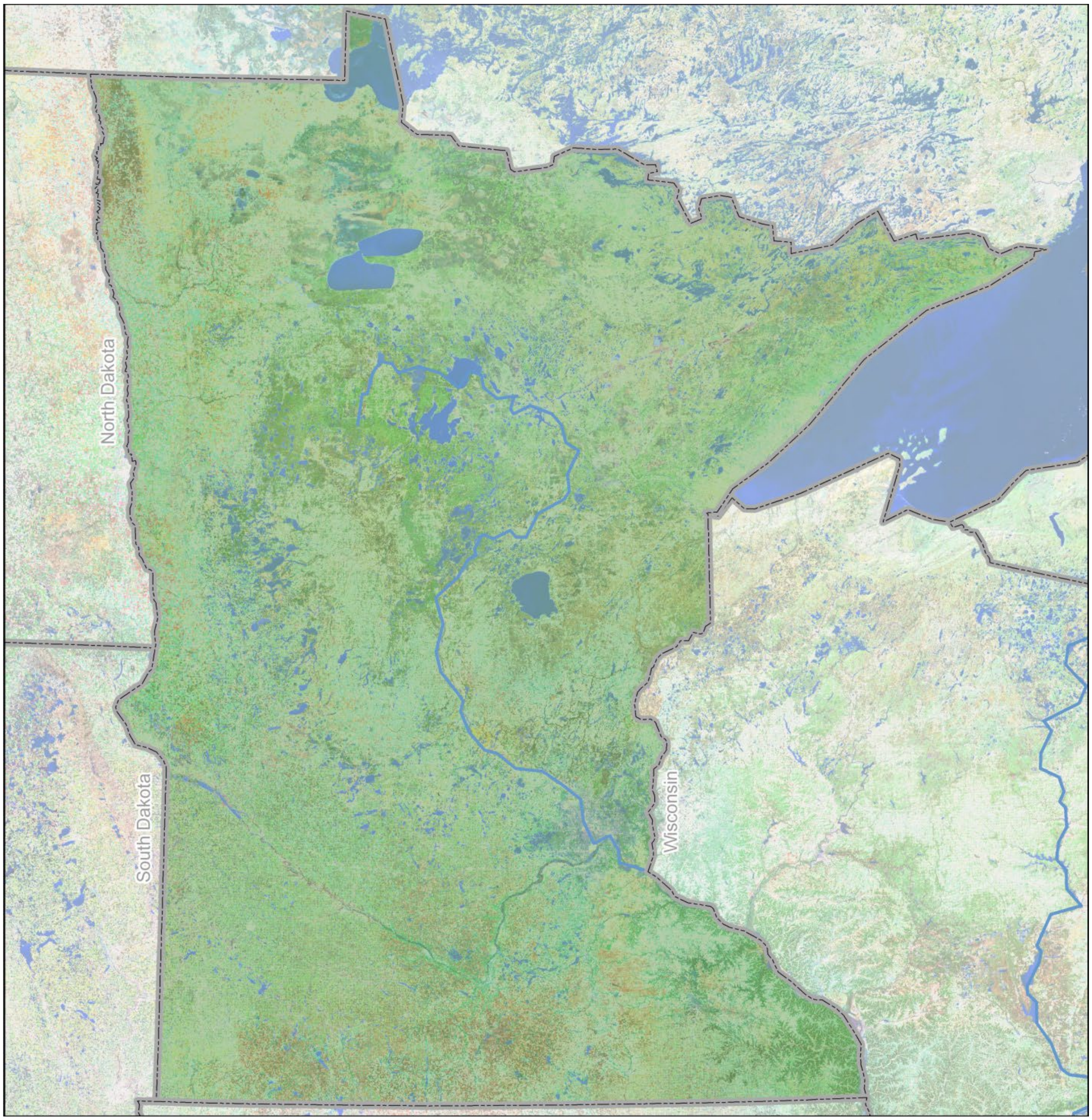
MINNESOTA ANNUAL ACTION PLAN FOR HOUSING AND COMMUNITY DEVELOPMENT

DRAFT – APRIL 2024



Executive Summary

AP-05 Executive Summary - 24 CFR 91.200(c), 91.220(b)

1. Introduction

The U.S. Department of Housing and Urban Development (HUD) requires consolidated planning, application, reporting, and citizen participation processes, together called the Consolidated Plan, for the following formula grant programs: Community Development Block Grants (CDBG), Home Investment Partnerships Program (HOME), National Housing Trust Fund (NHTF), Emergency Solutions Grants (ESG), and Housing Opportunities for Persons with AIDS (HOPWA). The Consolidated Plan is designed to be a collaborative process whereby a community establishes a unified vision for housing and community development actions. It offers communities the opportunity to shape these housing and community development programs into effective, coordinated housing and community development strategies. It also allows for strategic planning and citizen participation to occur in a comprehensive context, thereby reducing duplication of effort. Guided by the Consolidated Plan, an Annual Action Plan is created to detail the proposed funded activities that will assist housing and community development initiatives throughout the State. As the lead agency for the Consolidated Plan for the State of Minnesota, the Minnesota Department of Employment and Economic Development (DEED), in coordination with the Minnesota Housing Finance Agency (Minnesota Housing), and the Department of Human Services/Department of Children, Youth, and Families (DHS/DCYF), hereby follows HUD's guidelines for citizen and community involvement. Furthermore, these agencies are responsible for overseeing these citizen participation requirements, those that accompany the Consolidated Plan and the CDBG, HOME, HOPWA, NHTF, and ESG programs, as well as those that complement the DEED planning processes already at work in the state. During the 2023 legislative session, the Minnesota State Legislature created a new department called the Department of Children, Youth, and Families (DCYF). The Office of Economic Opportunity, the division currently within DHS responsible for administering the ESG funds, will continue to administer the ESG funds, but will do so from within DCYF when it is established on July 1, 2024.

2. Summarize the objectives and outcomes identified in the Plan

This could be a restatement of items or a table listed elsewhere in the plan or a reference to another location. It may also contain any essential items from the housing and homeless needs assessment, the housing market analysis or the strategic plan.

The strategies of the programs administered by the DEED, Minnesota Housing, and DHS/DCYF are to provide decent housing, a suitable living environment, and expanded economic opportunities for the state's low-and moderate-income residents. The agencies strive to accomplish these strategies by maximizing and effectively utilizing all available funding resources to conduct housing and community development activities that will serve the economically disadvantaged residents of the state. By addressing needs and creating opportunities at the individual and local government levels, the agencies hope to improve the quality of life for all residents of the state. These strategies are further explained as follows:

• Providing decent housing requires helping homeless persons obtain appropriate housing and assisting those at risk of homelessness, preserving the affordable housing stock, increasing availability of permanent housing that is affordable to low- and moderate-income persons without discrimination, and increasing the supply of supportive housing.

• Providing a suitable living environment entails improving the safety and livability of neighborhoods, increasing access to quality facilities and services, and reducing the isolation of income groups within an area through integration of low-income housing opportunities.

• Expanding economic opportunities involves creating jobs that are accessible to low- and moderate-income persons, making mortgage financing available for low- and moderate-income persons at reasonable rates, providing access to credit for development activities that promote long-term economic and social viability of the community, and empowering low-income persons to achieve economic stability.

3. Evaluation of past performance

This is an evaluation of past performance that helped lead the grantee to choose its goals or projects.

The State's evaluation of its past performance has been completed in a thorough Consolidated Annual Performance and Evaluation Report (CAPER). This document states the objectives and outcomes identified in the first year of the State’s 2022-2026 Consolidated Plan and includes an evaluation of past performance through measurable goals and objectives compared to actual performance. The past year Consolidated Plan and CAPER can be found on the Small Cities Development Program (https://mn.gov/deed/government/financial-assistance/community-funding/small-cities.jsp) and Minnesota Housing (http://www.mnhousing.gov) websites.

4. Summary of Citizen Participation Process and consultation process

Summary from citizen participation section of plan.

As part of the consolidated planning process, the lead agency must consult with a wide variety of organizations in order to gain understanding of the housing and community development stage. This Annual Action Plan represents a collective effort from a broad array of entities in Minnesota including private, non-profit, and public organizations, non-entitled communities, county governments, Continuum of Care organizations, and various other state agencies. The public participation process included focus groups, outreach committees, and public input sessions.

The public was notified of the availability of the draft Annual Action Plan in the State Register and through our state social media outlets and eNews listservs, including to organizations that work directly with underserved populations, limited or non-English speaking persons and persons with disabilities. For example, per our Citizen Participation Plan, we reached out to a wide network of councils and coalitions focusing on specific populations, including the Council on Asian Pacific Minnesotans, Central Cultural Chicano, CLUES, Council for Minnesotans of African Heritage, Minnesota Council on Latino Affairs, and the Upper Midwest American Indian Center. In addition, our eNews distribution includes an extensive network of providers for persons with disabilities, through the Olmstead Implementation Office currently located at Minnesota Housing. Public comment narratives will be attached once received as attachments in Citizens Participation Comments.

This year, two hybrid (in person and virtual attendance) public hearings were proposed to provide information on proposed activities and receive public comment.

5. Summary of public comments

This could be a brief narrative summary or reference an attached document from the Citizen Participation section of the Con Plan.

Citizen input received during the first public hearing is listed in the Unique Appendices. This will be updated after the 2nd public hearing comment period and listed in the 2024 Annual Action Plan Comments and Responses documents in the Unique Appendices.

6. Summary of comments or views not accepted and the reasons for not accepting them

This will be updated after the public comment period.

7. Summary

The 2024 Action Plan has the following goals. These goals will use HOME, ESG, HOPWA, NHTF and CDBG funds.

• Provide Decent Affordable Housing - DEED

Fund housing rehabilitation activities for low- to moderate-income homeowner and rental households through CDBG funds, DEED

• Enhance Affordable Housing Opportunities - Minnesota Housing Fund housing activities for low-to-moderate income households, including the rehabilitation and new construction of rental housing using HOME and NHTF funds. In addition to the income priority, Minnesota Housing also considers special needs populations as a priority in the state, and will allow, when appropriate, a limitation or preference to those populations. Two special needs populations allowed with regards to HOME and National Housing Trust Fund funding are permanent supportive housing for "High Priority Homeless" and people with disabilities. High Priority Homeless means (i) households experiencing long-term homeless; (ii) households at significant risk of experiencing long-term homelessness; or (iii) households prioritized for permanent supportive housing by the Coordinated Entry System adopted by the local continuums of care. For persons with disabilities, the limitation or preference will be limited to the population of families (including individuals) with a member whose disability significantly interferes with their ability to obtain and maintain housing. In accordance with the regulatory requirements of HOME and the NNHTF, any limitation or preference will not violate nondiscrimination requirements.

• Promote Economic Development - DEED

Encourage robust economic growth through the development and retention of businesses and jobs in non-entitlement (I.e., cities and counties that do not receive funding directly from HUD) areas of the State.

• Facilitate Housing and Service for the Homeless - Minnesota Housing and Department of Human Services/Department of Children, Youth, and Families

Provide funds for service providers to meet the various housing and service needs of the homeless population in Minnesota.

• Provide Funds for Special-Needs Housing and Services - Minnesota Housing

Continue to fund programs that provide housing and services to special needs populations, including those with HIV/AIDS.

• Address Public Facility Needs - DEED

Address community needs through improvements to public facilities and streetscape.

PR-05 Lead & Responsible Agencies - 91.300(b)

1. Agency/entity responsible for preparing/administering the Consolidated Plan

The following are the agencies/entities responsible for preparing the Consolidated Plan and those responsible for administration of each grant program and funding source.

Agency Role	Name	Department/Agency
Lead Agency	MINNESOTA	
CDBG Administrator	MINNESOTA	Department of Employment and Economic Development
HOPWA Administrator	MINNESOTA	Minnesota Housing Finance Agency
HOME Administrator	MINNESOTA	Minnesota Housing Finance Agency
ESG Administrator	MINNESOTA	Department of Human Services/Department of Children, Youth, and Families
HOPWA-C Administrator	MINNESOTA	Minnesota Housing Finance Agency
HTF Administrator	MINNESOTA	Minnesota Housing Finance Agency

Table 1 – Responsible Agencies

Narrative

Three state agencies administer HUD Community Planning and Development (CPD) programs, Minnesota Department of Employment and Economic Development, Minnesota Department of Human Services/Department of Children, Youth, and Families, and the Minnesota Housing Finance Agency.

Consolidated Plan Public Contact Information

Minnesota Department of Employment and Economic Development (DEED) is the lead agency and primary point of public contact on the consolidated plan.

OMB Control No: 2506-0117 (exp. 09/30/2021)

AP-10 Consultation - 91.110, 91.300(b); 91.315(l)

1. Introduction

As part of the consolidated planning process, the lead Agency, DEED, along with Minnesota Housing and DHS, consulted with a wide variety of organizations in order to gain understanding of housing and community development needs.

Provide a concise summary of the state's activities to enhance coordination between public and assisted housing providers and private and governmental health, mental health and service agencies

This plan, as part of the 2022-2026 Consolidated Plan, represents a collective effort from a broad array of entities in Minnesota, ranging from advocacy groups for people with disabilities to economic development organizations. Private, nonprofit, and public organizations, including mayors, county supervisors, county commissioners, county managers, planning and development district administrators, councils of government, persons interested in the CDBG program, persons interested in the HOME or NHTF programs, persons associated with Continuum of Care organizations, and the Minnesota Department of Health were contacted through email correspondence, telephone interviews, virtual meetings, and face-to-face interactions. These persons were solicited to discuss housing and community development needs in Minnesota, including the ranking of those needs and activities that DEED, Minnesota Housing, and DHS/DCYF might consider to better address needs throughout the state. Further, individuals were asked to provide additional insight into prospective barriers and constraints regarding housing and community development needs in Minnesota.

The State facilitates meetings with agencies and interested parties to discuss existing community needs and to brainstorm funding options to assist communities, creating a roadmap for future projects, specific actions and timelines to achieve these goals.

DEED holds application and implementation training sessions for CDBG grantees including representative from regional development commissions, economic development authority, housing and development authority, consultants, for-profit organizations, community action agencies and units of general local government (UGLG). During these trainings, staff discusses allowable activities based upon the Consolidated and Annual Action Plan. Participants are encouraged to provide their ideas as DEED begins the planning process for the 2024 Annual Action Plan.

Describe coordination with the Continuum of Care and efforts to address the needs of homeless persons (particularly chronically homeless individuals and families, families with children, veterans, and unaccompanied youth) and persons at risk of homelessness.

Representatives from the Minnesota Interagency Council on Homelessness (MICH) subcommittee on Continuum of Care Planning send representatives to all Continuum of Care regional meetings. As part of the DHS/DCYF and Minnesota Housing's participation in the MICH, staff are working with CoCs around the state to implement the State's new Crossroads to Justice Strategic Plan – *Crossroads to Justice: Minnesota's New Pathways to Housing, Racial and Health Justice for People Facing Homelessness*, which includes five goals or "results". These goals focus on Collaboration with impacted communities, homelessness prevention, robust crisis response, housing options, and health and public health. Each of the goals has strategies and action items to ensure the plan is action oriented.

Describe consultation with the Continuum(s) of Care that serves the State in determining how to allocate ESG funds, develop performance standards for and evaluate outcomes of projects and activities assisted by ESG funds, and develop funding, policies and procedures for the operation and administration of HMIS.

Each biennium DHS/DCYF conducts a statewide Request for Proposals which includes ESG funding, and provides an opportunity for each CoC to evaluate, score and provide feedback to DHS/DCYF staff on the projects requesting funding within their region. Representatives from the Minnesota Interagency Council on Homelessness (MICH) subcommittee on Continuum of Care Planning also send representatives to all Continuum of Care regional meetings. Since April 2020, regular-state provider webinars (focused on funding and COVID-response) have included over a hundred participants, including CoC coordinators, homeless providers and persons with lived experience. A bi-monthly statewide Coordinating Call with a broader focus has also been occurring, with broader participation than in similar, pre-pandemic efforts. Development of HMIS policies and procedures, as well as oversight of HMIS operations and administration, is the shared responsibility of Minnesota state agencies, Continuum of Care regions, local governments, tribal governments, and community-based organizations. This shared responsibility is facilitated through the HMIS Governing Board, consisting of representatives of state government, CoC regions, HMIS end users, Minnesota Tribal Collaborative, and other interested parties, as well as numerous sub-committees which report to the Governing Board.

2. Agencies, groups, organizations and others who participated in the process and consultations

Table 2 – Agencies, groups, organizations who participated.

1	**Agency/Group/Organization**	Minnesota Housing
	Agency/Group/Organization Type	Housing Other government - State
	What section of the Plan was addressed by Consultation?	Housing Need Assessment Non-Homeless Special Needs HOPWA Strategy
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	The state recipient of HOME, NHTF, and HOPWA allocates other housing resources for a range of affordable housing activities, supportive housing through homeownership. The agency coordinates the HUD CPD resources with state funding programs and Low-Income Housing Tax Credits.
2	**Agency/Group/Organization**	USDA-Rural Development
	Agency/Group/Organization Type	Housing Other government - Federal
	What section of the Plan was addressed by Consultation?	Housing Need Assessment Non-Homeless Special Needs
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	Minnesota Housing routinely consults with the USDA Rural Development local office to evaluate rental rehabilitation deferred loan projects, as well as homeownership lending activities to identify and address lending gaps in rural areas. Additionally, DEED communicates with USDA Rural Development on public facility projects to potentially assist in addressing funding gaps for critical infrastructure activities. Minnesota Housing, in partnership with USDA RD, continues a special program set aside for the preservation of Section 515 properties in rural Minnesota, utilizing the Rental Rehabilitation Deferred loan program (a state funded program).

3	**Agency/Group/Organization**	Greater MN Housing Fund (GMHF)
	Agency/Group/Organization Type	Housing Regional organization Community Development Financial Institution
	What section of the Plan was addressed by Consultation?	Housing Need Assessment Non-Homeless Special Needs
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	Through regional forums, Minnesota Housing and DEED participate with USDA Rural Development and the Greater Minnesota Housing Fund in gathering community inputs on housing needs across the state, particularly in rural communities. Minnesota Housing partners with GMHF in particular to preserve naturally occurring affordable housing by coordinating with and participating in the NOAH fund.
4	**Agency/Group/Organization**	MN Community Action Association
	Agency/Group/Organization Type	Housing Services - Housing Services-Education Services-Employment Regional organization
	What section of the Plan was addressed by Consultation?	Non-Homeless Special Needs Anti-poverty Strategy
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	Throughout the year, the umbrella community action group as well as individual community action agencies to coordinate with CAP programs such as housing construction, rehabilitation and assistance, energy assistance, and financial literacy education. Regular consultations with CAP agencies help state agencies direct resources in ways that are consistent with other CAP programming.

5	**Agency/Group/Organization**	Minnesota Department of Corrections
	Agency/Group/Organization Type	Other government - State
	What section of the Plan was addressed by Consultation?	Homeless Needs - Chronically homeless Homelessness Strategy
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	Staff focused on managing the balance of state ESG funds (DHS/DCYF) have been meeting with representatives from the Department of Corrections since fall of 2018 to discuss incidents of discharge from correctional facilities that result in homelessness. The initial goal is to develop a shared understanding of the roles and responsibilities of state corrections staff and homeless service providers in regard to Individual's re-entry. The overall goal is to facilitate access to shelter for those who were homeless before entering a correctional facility, and those who have exhausted all other housing and support options.
6	**Agency/Group/Organization**	Minnesota Coalition for the Homeless
	Agency/Group/Organization Type	Housing Planning organization
	What section of the Plan was addressed by Consultation?	Homeless Needs - Chronically homeless Homeless Needs - Families with children Homelessness Needs - Veterans Homelessness Needs - Unaccompanied youth Homelessness Strategy

OMB Control No: 2506-0117 (exp. 09/30/2021)

	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	The Regional Expert Network (REN) is a group sponsored by the Coalition for the Homeless to amplify the voices of persons with lived experience in homelessness policy making. The REN group met with DHS staff in April 2021 to discuss key issues around housing, shelter and economic opportunity facing the communities in which they live (across Minnesota). Specifically, DHS sought suggestions for how to target and prioritize ESG and other state homeless resources (distributed through our April 2021 RFP process) to best meet these emerging needs.
7	**Agency/Group/Organization**	State of Minnesota Department of Employment and Economic Development Office of Broadband Development
	Agency/Group/Organization Type	Other government - State
	What section of the Plan was addressed by Consultation?	Broadband
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	The Minnesota Office of Broadband Development (OBD) is the state agency dedicated to expanding broadband infrastructure throughout the state. DEED staff meets with OBD staff to discuss actions and programs to provide broadband infrastructure. Programs include the Border-to-Border Broadband Development Program and Low-density Pilot Broadband Development Program which are designed to extend broadband infrastructure to unserved or underserved areas of the State; and the Line Extension Connection Program which is to fund the extension of existing broadband infrastructure to unserved areas such as rural properties. OBD is facilitating the development of a statewide digital opportunity plan to reduce gaps in access, device ownership, and digital skills.
8	**Agency/Group/Organization**	Minnesota Department of Public Safety
	Agency/Group/Organization Type	Other government - State
	What section of the Plan was addressed by Consultation?	Emergency management

OMB Control No: 2506-0117 (exp. 09/30/2021)

	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	The Minnesota Homeland Security and Emergency Management (HSEM) Division of the Department of Public Safety (DPS) comprises of team of experts to help communities recover from disaster. DEED staff meets with HSEM staff on an as needed basis to discuss historic and potential impacts natural hazards have had on communities. Flooding is a common hazard with high wind events becoming more common. Impacts from natural hazards and disasters appear to be more frequent; however, mitigation efforts have assisted in limiting impacts from flooding. HSEM chairs a committee which meets with other State agencies to coordinate funding and programs to assist communities impacted by disaster events.
9	**Agency/Group/Organization**	Housing Justice Center
	Agency/Group/Organization Type	Housing Services - Housing Service-Fair Housing
	What section of the Plan was addressed by Consultation?	Housing Need Assessment Fair Housing
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	Housing Justice Center (HJC) is an organization that addresses fair housing and civil rights and provides legal assistance to ensure housing stability and prevent homelessness. Minnesota Housing frequently meets and consults with HJC throughout the year both on federal matters--for example, seeking HJC input on how to spend federal funds-- and state matters--for example, consulting with HJC on state legislation that sought to ban discrimination on the basis of income. Regular consultation allows for improved coordination on our shared priorities.

10	**Agency/Group/Organization**	Southern Minnesota Regional Legal Services
	Agency/Group/Organization Type	Housing Services - Housing Service-Fair Housing
	What section of the Plan was addressed by Consultation?	Housing Need Assessment Fair Housing
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	Southern Minnesota Regional Legal Services (SMRLS) is an organization that addresses fair housing, civil rights and provides legal assistance. Additionally, SMRLS focuses on the needs of Southern Minnesota with a specialization on the unique needs of greater Minnesota. Minnesota Housing frequently meets and consults with SMRLS throughout the year both on federal matters--for example, seeking SMRLS input on how to spend federal funds-- and state matters--for example, SMRLS specializes in assisting agricultural workers throughout the State. Regular consultation allows for improved coordination on our shared priorities.
11	**Agency/Group/Organization**	Mid-Minnesota Legal Aid
	Agency/Group/Organization Type	Housing Services - Housing Service-Fair Housing
	What section of the Plan was addressed by Consultation?	Housing Need Assessment Fair Housing

	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	Mid-Minnesota Legal Aid (Legal Aid) is an organization that addresses fair housing and civil rights and provides legal assistance to ensure housing stability and prevent homelessness. Minnesota Housing frequently meets and consults with Legal Aid throughout the year both on federal matters--for example, seeking input on how to spend federal funds-- and state matters--for example, consulting with Legal Aid on state legislation that sought to ban discrimination on the basis of income. Regular consultation allows for improved coordination on our shared priorities.
12	**Agency/Group/Organization**	MN NAHRO
	Agency/Group/Organization Type	Housing PHA
	What section of the Plan was addressed by Consultation?	Housing Need Assessment Public Housing Needs

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	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	Minnesota Chapter of National Association of Housing and Redevelopment Officials (NAHRO) members include 150 Agency Members and 50 other organizations. Its members own and operate more than 21,000 public housing units across the state. Minnesota Housing consults with NAHRO and individual PHAs around the state on a regular basis to discuss how to make Minnesota Housing's Publicly Owned Housing funds (POHP) more streamlined (See the AP 60 for more info on the POHP program). These meetings identified several improvements including prompting Minnesota Housing to create a more extensive guide for PHAs on how to apply for POHP. Our frequent consultations with PHAs and NAHRO also include providing technical assistance on a regular basis for PHAs who apply for, and receive POHP funding. Finally, consultation with PHAs help to identify high priority critical physical needs as well as opportunities to address climate resiliency in public housing. Feedback from the PHAs is sued to determine how to best target funding to meet PHA needs across the state.
13	**Agency/Group/Organization**	Youth Services Network
	Agency/Group/Organization Type	Services - Housing Services-Children Services-homeless Planning organization
	What section of the Plan was addressed by Consultation?	Homelessness Needs - Unaccompanied youth Homelessness Strategy

	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	The group is a statewide coalition of youth-serving agencies that coordinated services and advocates with policy makers on behalf of unaccompanied youth and their providers. State Department of Human Services/Department of Children, Youth, and Families staff regularly consult with this group to inform homeless youth policy, including funding distributed to youth-serving agencies through the recent SFY24-25 Combined Request for Proposals.
14	**Agency/Group/Organization**	Minnesota Department of Health
	Agency/Group/Organization Type	Health Agency Other government - State
	What section of the Plan was addressed by Consultation?	Homelessness Strategy
	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	Staff from the Department of Human Services/Department of Children, Youth, and Families routinely meet and consult with the states Infectious Disease response team to assess current outbreaks in emergency shelter or congregate living settings, and to discuss mitigation strategies for shelter and housing settings funded through state shelter capital funds.
15	**Agency/Group/Organization**	Minnesota HMIS Governing Board
	Agency/Group/Organization Type	Planning organization
	What section of the Plan was addressed by Consultation?	Housing Need Assessment Homeless Needs - Chronically homeless Homeless Needs - Families with children Homelessness Needs - Veterans Homelessness Needs - Unaccompanied youth Homelessness Strategy

	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	A member of the Department of Human Services Office of Economic Opportunity serves as a co-chair of the state's HMIS Governing Board. The Board is comprised of both State funders, Continuum of Care representatives, and persons with lived experience. The Board sets policy and makes funding decisions for the State Homeless Management Information System (HMIS) and oversees the administration of the system by Minnesota's statewide HMIS administrator. This regular participation in HMIS Governance and strategy informs the allocation and uses of ESG funds, reporting and training needs related to outcomes and performance measures, and other key components of the Plan.
16	**Agency/Group/Organization**	Harm Reduction Collaboration
	Agency/Group/Organization Type	Services-Persons with Disabilities Services-Persons with HIV/AIDS Health Agency Other government - State Other government - County
	What section of the Plan was addressed by Consultation?	Housing Need Assessment Homeless Needs - Chronically homeless Homelessness Strategy Non-Homeless Special Needs

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	Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?	The group is a statewide coalition of organizations serving persons (including those experiencing homelessness) through a harm-reduction lens; the group seeks to bring voices from its respective communities to the harm reduction and substance use disorder (SUD) political and policy landscape. Department of Human Services/Department of Children, Youth, and Families staff regularly attend and consult with this group as the State's street outreach, drop-in and emergency shelter providers are increasingly on the front-lines of responding to the SUD epidemic; many of the projects applying for homelessness funding in the recent SFY24-25 Combined Request for Proposals (which included ESG funding) sought funding to support harm reduction programming and the state's review and selection of these applications were informed by participation in this coalition.

Identify any Agency Types not consulted and provide rationale for not consulting

There are no agency types that are purposely not consulted.

Other local/regional/state/federal planning efforts considered when preparing the Plan.

Name of Plan	Lead Organization	How do the goals of your Strategic Plan overlap with the goals of each plan?
Continuum of Care	Minnesota Interagency Council on Homelessness	Minnesota has a statewide plan to end homelessness which includes all CoCs in the state. This plan is coordinated by the MICH, in which staff from 11 state agencies participate. The MN Plan to End Homelessness encompasses all of the affordable housing and suitable living environment goals of the Strategic Plan. In addition, DHS and other state agency staff regularly attend local and regional CoC and FHPAP planning meetings to give and receive input to inform the Strategic Plan.

Name of Plan	Lead Organization	How do the goals of your Strategic Plan overlap with the goals of each plan?
Olmstead Plan	Olmstead Implementation Office	The Olmstead Plan is a broad series of key activities our state must accomplish to ensure people with disabilities are living, learning, working, and enjoying life in the most integrated setting. The Plan will help achieve a better Minnesota for all Minnesotans, because it will help Minnesotans with disabilities have the opportunity, both now and in the future to live close to family and friends, live more independently, and participate in community life.
Affordable Housing Plan	Minnesota Housing	Minnesota Housing has a three-year strategic plan. The annual affordable housing plan (AHP) is essentially a workplan for the agency to carry out the Agency's core work for the upcoming year and implementing the Strategic Plan. The current AHP covers October 1, 2023 through September 30, 2025. A few of the agency's fourteen strategic objectives include preserving the condition and affordability of existing housing, increasing the development of new housing that is affordable, and strengthening disinvested communities and supporting Tribal nations and indigenous communities.
Analysis of Impediments to Fair Housing	Minnesota Housing	Minnesota adopted a statewide Analysis of Impediments to fair housing in Fall of 2018, and reports on annual action plan progress in each CAPER.
Small Cities Grantees	DEED	DEED and MN Housing have partnered to co-fund rental preservation projects. Public Facility projects with the highest grant need were funded in partnership with USDA Rural Development, Minnesota Public Facility Authority, MN Dept. of Health, MN Pollution Control, and Department of Energy. DEED conducted eight training/informational sessions to grantees and potential non-entitlement applicants. DEED also encourages grantees and potential applicants to conduct more purposeful outreach to minority populations in their communities to potentially increase these populations in participating in the Small Cities Development Program.

Table 3 – Other local / regional / federal planning efforts

Narrative

DHS/DCYF works closely with other ESG jurisdictions within the State to ensure consistency and coordination wherever possible. The State periodically meets with local units of government who are also administering ESG funding, providing a venue for close coordination and communication, as well as peer to peer technical assistance. Local jurisdictions also participate in the State's ESG funding review process each biennium, and DHS staff provided training to these jurisdictions on best practices in preparing for a HUD on-site monitoring.

During April & May 2021, DHS held special meetings consulting with all 10 CoC Review Committees regarding ESG and other homeless assistance programs distributed through the April 2021 DHS Combined Request for Proposals. These meetings included a range of CoC members, including coordinators, providers, community members and representatives, and persons with lived experience. Similarly, CoC Coordinators and their review committees participated in the review process for the 2023 DHS Combined Request for Proposals. DHS/DCYF will continue this same process going forward.

Minnesota Housing consults regularly with the Minnesota chapter of the National Association of Housing and Redevelopment Authorities in planning and implementing the state Publicly Owned Housing Program for capital needs funding as described in AP-60.

AP-12 Participation – 91.115, 91.300

1. Summary of citizen participation process/Efforts made to broaden citizen participation
Summarize citizen participation process and how it impacted goal-setting.

The Consolidated Planning process has been designed to enumerate Minnesota's overall strategy for coordinating federal and other housing and community development resources to provide decent housing, establish and maintain a suitable living environment, and expand economic opportunities, particularly for low- and moderate-income persons. Interested groups and individuals have also been encouraged to provide input into all aspects of Minnesota's Consolidated Planning activities, from assessing needs to setting priorities through performance evaluation. The public involvement process was initiated with the Citizen Participation Plan (CPP). The objectives of the CPP are to ensure that the citizens of Minnesota, particularly persons of low- and moderate-income, persons living in slum and blight areas, units of local government, housing agencies, and other interested parties, are provided with the opportunity to participate in the planning process and preparation of the Consolidated Plan, including amendments to the Consolidated Plan and the Annual Performance Report. The CPP is attached in admin tab.

The State has aimed to broaden public participation through numerous opportunities for citizens and other interested parties to contribute information, ideas, and opinions about ways to improve Minnesota's neighborhoods, promote housing affordability and enhance the delivery of public services to local residents. These efforts include a broad-based, statewide survey pertaining to Minnesota's housing and community development needs; discussions with agency and community representatives during focus group sessions to address rental, homeowner, and homeless needs; and regional forums held across the state to gather input from Minnesota citizens and interested parties. Other steps the State took to encourage widespread participation in the planning process included publishing notices in a variety of media formats, and direct solicitation of input from community members, program participants, and their interest groups. In general, since the pandemic the State has found that offering virtual options—through the utilization of Teams, WebEx, Zoom, e–-- for citizens to engage has greatly increased participation by citizens.

The State of Minnesota continues to be committed to keeping all interested groups and persons informed of each phase of the Consolidated Planning process and of activities proposed or undertaken under HUD formula grant programs. DEED, Minnesota Housing, and DHS published the draft Annual Action Plan for public review in a manner that afforded citizens, public agencies, and other interested parties a reasonable opportunity to examine its contents and submit comments. The draft Plan included the amount of assistance the state agencies expect to receive and the activities that may be undertaken, including the estimated amount that will benefit persons of low- and moderate-income.

Refer to the Unique Appendices attachment for additional information.

Citizen Participation Outreach

Sort Order	Mode of Outreach	Target of Outreach	Summary of response/attendance	Summary of comments received	Summary of comments not accepted and reasons	URL (If applicable)
1	Public Meeting	Non-targeted/broad community	The first hybrid public hearing was held on Wednesday, March 20, 2024. Twenty-two (22) attendees – 21 virtual attendance and 1 in-person participated and provided comments.	Comments received cover topics such as overall federal funding decreasing while the need is steadily increasing, and opportunities to expand eligible uses within CDBG specifically for home ownership assistance category.	Comments received regarding programs not associated with CDBG, HOME, HOPWA, ESG, or NHTF funding were not accepted as other programs must adhere to their program or funding requirements.	

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Sort Order	Mode of Outreach	Target of Outreach	Summary of response/attendance	Summary of comments received	Summary of comments not accepted and reasons	URL (If applicable)
2	Public Meeting	Non-targeted/broad community	On January 24, 2024, DEED presented at the Southeast Regional Housing Convening in Winona as an outreach effort for cities and counties in Southeast MN to learn about the Small Cities Development Program. There were approximately 500 attendees.	None	None	
3	Public Meeting	Non-targeted/broad community	On January 11, 2024, DEED presented at the Southwest Regional Commission & Economic Developer Meeting as an outreach effort to promote the Small Cities Development Program. There were approximately 30 attendees.	None	None	

Sort Order	Mode of Outreach	Target of Outreach	Summary of response/attendance	Summary of comments received	Summary of comments not accepted and reasons	URL (If applicable)
4	Public Meeting	Non-targeted/broad community	On September 12, 2023, DEED presented at NAHRO 2023 Winter Conference as an outreach effort for cities and counties to learn about the Small Cities Development Program. There were approximately 40 attendees.	None	None	

Sort Order	Mode of Outreach	Target of Outreach	Summary of response/attendance	Summary of comments received	Summary of comments not accepted and reasons	URL (If applicable)
5	Public Meeting	Non-targeted/broad community	On September 6, September 7 and September 27, 2023, DEED conducted implementation Workshops on the CDBG Small Cities Development Program. There were approximately 60 attendees.	Refer to Unique Appendices	None	

Sort Order	Mode of Outreach	Target of Outreach	Summary of response/attendance	Summary of comments received	Summary of comments not accepted and reasons	URL (If applicable)
6	Public Meeting	Non-targeted/broad community	On May 12, 2023, DEED presented at the Southeast Regional Commission & Economic Developer Meeting as an outreach effort to promote the Small Cities Development Program. There were approximately 40 attendees.	None	None	

Table 4 – Citizen Participation Outreach

Expected Resources

AP-15 Expected Resources – 91.320(c)(1,2)

Introduction

The following section describes the annual allocation the State of Minnesota expects to receive over the next five years based on the allocation amounts for program years 2022-2026.

Anticipated Resources

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
CDBG	public–c - federal	Acquisition Admin and Planning Economic Development Housing Public Improvements Public Services	18,835,586	0.00	5,306,667	24,142,253	38,031,264	Minnesota Department of Employment and Economic Development (DEED)

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
HOME	public - federal	Acquisition Homebuyer assistance Homeowner rehab Multifamily rental new construction Multifamily rental rehab New construction for ownership TBRA	9,689,578	1,000,000	0	10,689,578	28,080,466	Minnesota Housing (MH) (acquisition, multifamily rental new construction and rehab only)

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
HOPWA	public - federal	Permanent housing in facilities Permanent housing placement Short term or transitional housing facilities STRMU Supportive services TBRA	448,073	0	0	448,073	1,098,499	Minnesota Housing (MH) (Housing Opportunities for Persons With AIDS: Short Term Rental, Mortgage, Utility Assistance only)

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
ESG	public - federal	Conversion and rehab for transitional housing Financial Assistance Overnight shelter Rapid re-housing (rental assistance) Rental Assistance Services Transitional housing	2,235,077	0	0	2,235,077	6,641,939	Minnesota Department of Human Services/Department of Children, Youth, and Families (DHS/DCYF)

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
HTF	public - federal	Acquisition Admin and Planning Homebuyer assistance Multifamily rental new construction Multifamily rental rehab New construction for ownership	4,881,843	0	0	4,881,843	20,994,412	Minnesota Housing (MH) (acquisition, multifamily rental new construction and rehab only)

Table 5 - Expected Resources – Priority Table

Explain how federal funds will leverage those additional resources (private, state and local funds), including a description of how matching requirements will be satisfied.

The CDBG match will be a mix of private, local, and state resources such as loans from local banks, weatherization funds, Minnesota Housing rehabilitation loans. United States Department of Agriculture Rural Development (USDA RD), Public Facilities Authority (PFA), Minnesota Department of Health (MDH), CDBG-Economic Development match is through local initiatives, local banks, owner equity. DEED's CDBG prior year resources include the 15% set-aside for the federal Minnesota Investment Fund program from the previous allocation, which is roughly $2.5 million. The additional funds include reverted grant funds from other small cities grant awards. Larger rehabilitation and construction projects will leverage state/local funding and other federal funds. Smaller project may also leverage other sources such as private, state/local and potentially federal funds. Grantees will retain documentation to show other funding sources have been expended on the project and will be reported annually.

The HOME match requirement is met through tenant-based rental assistance from Minnesota Housing's Bridges program, which provides a rent subsidy for up to five years to persons with mental illness until they can obtain a permanent rent subsidy; and the State Housing Trust Fund program which also provides rental assistance targeted to individuals and families at-risk of homelessness.

The ESG match requirements are met a variety of ways, depending on the level of state resources available to the Department of Human Services/Department of Children, Youth, and Families in a particular biennial funding cycle. DHS/DCYF expects that for FFY2024 and the remainder of the plan, sufficient state appropriations (under the Emergency Services Program) will be available, allowing DHS/DCYF to provide a state-level match for the entire annual ESG allocation. To ensure compliance with the ESG match requirement, DHS has notified all ESP grantees in the current biennium (whose awards are being used as state-level ESG match) of the prohibition on using those funds to match other federal awards, and of DHS intent to administer these state matching funds in the ways required by ESG regulation.

Minnesota Housing's HOME and NHTF programs leverage other agency, state funded, and low-income housing tax credit investment. Minnesota Housing has an annual Consolidated RFP (Request for Proposal) process which is the agency's largest competitive funding round. It is the primary mechanism that the agency uses to award and allocate federal and state resources to develop and preserve rental homes that are affordable throughout the state of Minnesota. The Consolidated RFP provides a "one stop shop" by consolidating and coordinating multiple housing resources into one multifamily application process. Applicants request funding for a specific housing development and/or activities that meet a specific housing need and generally do not apply for specific programs. The Consolidated RFP deploys significant capital funds and includes federal (including low-income housing tax credits, HOME and NHTF) resources and state appropriated development programs. Minnesota Housing also often has deferred loan and project-based voucher resources available from our Public Funding partners. One of the key benefits of the Consolidated RFP is a consistent application and funding cycle that allows adequate planning time at the community level as well as a streamlined application review process. Minnesota Housing is able to review all applications at once and compare scoring, feasibility and other review considerations across all submittals in order to maximize the number of projects that get funded each year throughout the state.

If appropriate, describe publicly owned land or property located within the jurisdiction that may be used to address the needs identified in the plan.

The State will not use state-owned land to address the needs identified in the plan, though CDBG recipients may use locally owned land.

Discussion

The CDBG, HOME, NHTF, ESG, and HOPWA program final amounts allocated are not officially confirmed at the time of the writing of this draft. HUD has indicated funding awards will be announce at some time in early May. The number included in the table above is the award from FY2023. Should the expected annual allocation be different than anticipated, DEED, DHS/DCYF, and MN Housing will adjust the outcomes accordingly and the program will continue to operate as described.

Annual Goals and Objectives

AP-20 Annual Goals and Objectives – 91.320(c)(3)&(e)

Goals Summary Information

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
1	Address Housing Rehabilitation Needs - DEED	2022	2026	Affordable Housing		Retain Decent Housing for LMI Renters/Owners	CDBG: $ 7,752,513	Rental units rehabilitated: 122 Household Housing Unit Homeowner Housing Rehabilitated: 201 Household Housing Unit
2	Increase Affordable Housing Opportunities-MH	2022	2026	Affordable Housing		Unit Production for LMI Renter Households	HOME: $9,689,578 HTF: $4,881,843	Rental units constructed: 90 Household Housing Unit Rental units rehabilitated: 25 Household Housing Unit
3	Support Economic Development and Workforce Needs	2022	2026	Non-Housing Community Development		Economic Opportunities	CDBG: $ 2,563,000	Facade treatment/business building rehabilitation: 66 Business Jobs created/retained: 0 Jobs Businesses assisted: 0 Businesses Assisted

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Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
4	Facilitate Housing and Service for the Homeless	2022	2026	Homeless		Homelessness	ESG: $2,235,077	Tenant-based rental assistance / Rapid Rehousing: 150 persons Assisted. Homeless Person Overnight Shelter: 3,750 Persons Assisted. Homelessness Prevention: 70 Persons Assisted
5	Provide Funds for Special-Needs Housing & Services	2022	2026	Non-Homeless Special Needs		Community Services for Vulnerable People	HOPWA: $448,073	Homelessness Prevention: 190 Persons Assisted
6	Improve Public Facilities & Infrastructure DEED	2022	2026	Non-Housing Community Development		Public Facilities and Infrastructure	CDBG: $ 13,049,948	Public Facility or Infrastructure Activities other than Low/Moderate Income Housing Benefit: 3379 Persons Assisted Public Facility or Infrastructure Activities for Low/Moderate Income Housing Benefit: 4963 Households Assisted

Table 6 – Goals Summary

Goal Descriptions

1	**Goal Name**	Address Housing Rehabilitation Needs - DEED
	Goal Description	Fund housing rehabilitation activities for low- to moderate-income homeowner and rental households through CDBG funds, DEED.

2	**Goal Name**	Increase Affordable Housing Opportunities-MH
	Goal Description	Fund housing activities for low-to-moderate income rental households, including renovation and new construction, and operating subsidy.
3	**Goal Name**	Support Economic Development and Workforce Needs
	Goal Description	Encourage robust economic growth through commercial building rehabilitation activities, the development and retention of businesses and jobs.
4	**Goal Name**	Facilitate Housing and Service for the Homeless
	Goal Description	Provide funds for service providers to meet the various housing and service needs of the homeless population in Minnesota.
5	**Goal Name**	Provide Funds for Special-Needs Housing & Services
	Goal Description	Continue to fund programs that provide housing and services to special needs populations, including those with HIV/AIDS.
6	**Goal Name**	Improve Public Facilities & Infrastructure DEED
	Goal Description	Address community needs through improvements to public facilities and infrastructure.

AP-25 Allocation Priorities – 91.320(d)

Introduction:

The following section describes the allocation priorities for FY 2023.

Funding Allocation Priorities

	Address Housing Rehabilitation Needs - DEED (%)	Increase Affordable Housing Opportunities-MH (%)	Support Economic Development and Workforce Needs (%)	Facilitate Housing and Service for the Homeless (%)	Provide Funds for Special-Needs Housing & Services (%)	Improve Public Facilities & Infrastructure DEED (%)	Total (%)
CDBG	33	0	11	0	0	56	**100**
HOME	0	100	0	0	0	0	**100**
HOPWA	0	0	0	0	100	0	**100**
ESG	0	0	0	100	0	0	**100**
HTF	0	100	0	0	0	0	**100**

Table 7 – Funding Allocation Priorities

Reason for Allocation Priorities

Percentages include administration costs. Allocation priorities are based on needs in market study, needs assessment, State directive, and public input.

CDBG: CDBG spending will be split between addressing housing rehabilitation needs, economic development and public facilities and infrastructure improvements. These spending priorities have been established through the planning process of where the most need is, as well as the capacity to make an impact on those in need in the State of Minnesota. The amount spent on each category is determined both by past performance and the current ability to meet housing and community development needs in the State. Funds allocated to addressing housing rehabilitation will benefit low- to moderate-income household while improving public facilities and infrastructure will benefit project areas that are predominately low- to moderate-income. Economic Development funds will be utilized to support the Minnesota Investment Fund Program by providing gap financing to businesses creating jobs that benefit low- to moderate-income workers as well as rehabilitation of commercial

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buildings in small cities' downtowns and commercial areas.

HOPWA: Federal regulations dictate both the geography in which HOPWA funds may be used and the beneficiaries. Because only 15% of persons living with HIV/AIDS live in counties outside the seven-county Twin Cities metropolitan area and most are already housed, preventing homelessness is a more cost-effective approach than housing development or tenant-based rent assistance.

NHTF: National Housing Trust Funds will be directed towards efforts to enhance affordable housing opportunities through new construction and rehabilitation.

HOME: Many housing developments need rehabilitation to preserve their federal rent subsidy or affordability of their units. There is also a growing need for new affordable rental housing. All of the HOME funds will be directed toward enhancing the affordable housing opportunities for low to moderate income households throughout the State.

ESG: The total funds for ESG will be spent on services and housing, including rapid rehousing, homelessness prevention, and emergency shelter, for homeless households and households at-risk of homelessness in the State.

How will the proposed distribution of funds will address the priority needs and specific objectives described in the Consolidated Plan?

For CDBG, the distribution of funds addresses the high needs of low to moderate income households, economic opportunities, and public facilities and infrastructure improvements that can be addressed within the CDBG regulations. These needs impact small or rural cities and counties throughout the State which the loss of one may destabilize a community.

For HOME and NHTF, the Consolidated Plan ranks low to moderate income households as a high need. There is a high need for rental rehabilitation. Funds will be targeted to projects that will serve low to moderate income households in the State.

Minnesota uses its HOPWA resources to maintain persons with HIV/AIDS in their current housing by providing emergency assistance because that is the most pressing need identified for this population.

As outlined in the Consolidated Plan, ESG funds will be used to meet the priority needs of providing emergency shelter, prevention, and rapid re-housing to persons at-risk of, and experiencing, homelessness.

AP-30 Methods of Distribution – 91.320(d)&(k)

Introduction:

Formula grant funds from the CDBG, HOME, NHTF, HOPWA, and ESG programs may be directed to their highest and best use and anticipated to be successful first, within each set of program guidelines, given the funding of all housing and community development programs throughout Minnesota. Distribution of funds are based allocations provided by HUD. If additional funding is received that exceeds the amount originally provided by HUD, additional funding will be awarded using the Distribution Method noted below or retained to be utilized in the next program year.

Still, the housing and community development needs statewide far exceed the available resources to address them. Therefore, it is necessary to consider needs by type of activity and geography in order to ensure the greatest impact with limited resources. Diversity across the state means that different areas have different housing and community development needs that are best addressed through different types of investment activities. Such activities are guided by selected ranking criteria. Minnesota's experience with these programs shows that these resources are indeed distributed throughout the state. The entire state will be served by HOME, NHTF and ESG funds, and non-entitlement areas will be served by CDBG and HOPWA funds.

Distribution Methods

Table 8 - Distribution Methods by State Program

1	**State Program Name:**	DEED: Small Cities Development Program and Economic Development
	Funding Sources:	CDBG

	Describe the state program addressed by the Method of Distribution.	Of the amount available for awards, DEED intends to provide Small Cities Development Program (SCDP) funds in accordance with the following approximate allocations: 30 percent for Single Purpose Applications and 55 percent for Comprehensive Applications. The remaining 15 percent allocation is designated for DEED's federal economic development set-aside. If there is not a need from the unit administering federal economic set-aside funds, these funds will go towards SCDP projects, which would be approved by the Commissioner of DEED. Allocation percentages may be modified by the Commissioner of DEED if it is determined that there is a shortage of fundable applications in any category, as allowed in State Rules. DEED does not distribute funds based on specific geographic area. Applications are competitive in nature. Grant terms are typically 36 months but may longer depending on various factors including but not limited to timing of HUD release of funds and disasters affecting the project area. Method of Distribution calculation: The State subtracts from the annual CDBG Award the amount it sets aside for State Administration ($100,000 + 3% of the CDBG Award (2% for Administration and 1% Administration for Technical Assistance which does not require a state match)) to determine the amount available for CDBG grants. The 1% Administration for Technical Assistance is to support state staff to provide technical assistance to grantees. This includes presenting at workshops on how to apply for and implement CDBG-funded activities and/or onsite technical assistance by state staff to grant recipients on improving some aspect of grant implementation. The State then allocates the amount available for CDBG grants to three categories based on State Rules. That is; 15% for Economic Development Set-Aside, 55% for SCDP Comprehensive Grants, and 30% for SCDP Single Purpose Grants. The Business Finance Unit administers the Economic Development Set-Aside Grant Program and the Community Finance Division administers the SCDP program. No more than 20% of a CDBG allocation can be spent towards general administration. This includes general administration funds expended by DEED along with funds awarded and expended by grantees. Lastly, SCDP funds reverted from grantees who did not spend their total awarded grants in the previous fiscal years would be added to the current year’s available funding amount. Grantees

		must bring forward any Program Income they have and spend it first before any new CDBG award funds will be released from DEED. Once DEED has determined the total CDBG allocation available to award to projects, DEED will allocate this total to the Comprehensive and Single Purpose grant budget based on the ratio of Comprehensive funds to Single Purpose funds which is 64.7% to 35.3%. Once DEED determines the grant awards for the year, the percentage of grants awarded for comprehensive projects will be calculated. If that percentage is less than 55%, DEED staff will seek approval from the DEED Commissioner for the lesser percentage. DEED allows a maximum of 15% of project costs to administer the grant payable to grantees. In the event of a disaster, the State of Minnesota reserves the right to use funds for any eligible CDBG activity to an eligible grantee. In addition, in the event a HUD Five-Year Consolidated Plan has not yet been approved by HUD, DEED may award funding to eligible activities with reverted fund and unallocated past funding. Awarded applicants who have Program Income must expend this funding before any new CDBG funds will be disbursed. The State reserves the right to determine what activities are appropriate uses of funds based on needs of the community.

	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	Projects are evaluated based on an assessment of need, impact and cost effectiveness of the applicant to complete the project in a timely manner. **<u>SCDP fund evaluation process</u>**: Up to 240 points will be awarded based on evaluation of the proposed project to serve low- and moderate-income persons in relation to housing, public facilities, alleviate slum and blight in commercial areas, and/or address urgent need activities. Up to 210 points will be awarded based on evaluation of need, impact, and capacity for the proposed project. **Up to 30 points will be awarded based on an evaluation of State demographic information.** **Need:** up to 90 points may be awarded for the following: benefit to low- to moderate-income (LMI) persons and project addresses either substandard conditions or pose a threat to the health or safety of the occupants; an inadequate supply of affordable housing for LMI persons; or other documented condition that gives evidence of the need for improvement or additional units to the housing stock serving LMI persons. **Impact:** up to 90 points may be awarded for the following: an evaluation of the extent to which the proposed project will eliminate housing deficiencies or improve public facilities services serving LMI persons and evaluation of administrative capacity to complete the activity in a timely manner. The application must include information documenting an applicant's history in administering prior SCDP funds and/or other programs similar in nature, to determine whether the applicant can complete the proposed activity. Prior SCDP performance will be taken into consideration for future funding. **Cost-Effectiveness:** up to 30 points may be awarded for the following: an evaluation of the extent to which the proposed project will make cost-effective use of grant funds, including consideration with, and use of, funds from other public and private sources. per household benefit is reasonable; and project benefits existing, rather than future, population, unless growth is beyond applicant's control. **State Demographics:** up to 30 points will be awarded based on: the number of poverty-persons and the percentage of persons residing in the area under the applicant's jurisdiction. The per capita

		assessed valuation of the area under the jurisdiction of the applicant, such that points are awarded in inverse relationship to the applicant's per capita assessed valuation. Economic Development funds: Funds disbursed via the Minnesota Investment Fund (MIF) to support economic development activities are selected based upon potential job creation and retention, project financial viability and community need factors. In more detail, projects are scored based upon the proposed project's ability to improve local economic stability, unemployment rate, median income ratios, projected job creation & retention, wage and tax base impact, financial feasibility, and public and private investment ratios.
	If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)	Selection Criteria for the Minnesota Investment Fund is guided by Minnesota Statutes 116J.8731 which are available on the MN Office of the Revisor of Statutes web page. SCDP application information is available on the State of Minnesota Department of Employment and Economic Development's Small Cities Development Program website (https://mn.gov/deed/government/financial-assistance/community-funding/small-cities.jsp).
	Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG only)	Not applicable.

	Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)	Not applicable.
	Describe how resources will be allocated among funding categories.	All funds must be used for economic development related activities undertaken by a Minnesota business. The State allocates the amount available for CDBG grants to three categories based on State Rules. 15% for Economic Development Set-Aside, 55% for SCDP Comprehensive Grants, and 30% for SCDP Single Purpose Grants. The Business Finance Unit administers the Economic Development Set-Aside Grant Program and the Community Finance Unit administers the Small Cities Development Program. No more than 20% of a CDBG allocation can be spent towards general administration. This includes general administration funds expended by DEED along with funds awarded and expended by grantees. The Commissioner of DEED has the authority to approve grants different from the above percentages. CDBG allocates a set of two rounds in funding. The first round of funding allocation is the use of reverted funds from past fiscal funding years with priorities for awarded public facility projects and owner-occupied/single-family projects. First round of funding allocation is released in early to mid-July. The second round of funding are new CDBG FY 2024 funding allocations that will be for all remaining awarded projects that are not in the round one funding pool. The release of the FY 2024 funding allocation is released once approval is received from HUD.

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	Describe threshold factors and grant size limits.	SCDP funded Single Purpose Applications may only be awarded up to $600,000. Single Purpose Applications are applications that are focus on one housing or community development activity (example: owner-occupied rehabilitation or public facility). Comprehensive Applications may be awarded up to $1,400,000 with each activity not exceeding $600,000. Comprehensive Applications are comprised of two different activities, one of which must be housing (example: owner-occupied housing and commercial building rehabilitation). The maximum MIF grant size is $1,000,000 and is determined by financing need, project leverage capacity and number of jobs to be created or retained.
	What are the outcome measures expected as a result of the method of distribution?	For SCDP projects, outcome measures will include number of assisted housing units, whether owner-occupied or rental, that are rehabilitated, number of commercial buildings rehabilitated in a designated slum/blight area, or number of residents, particularly LMI persons, who benefit from a new or no longer substandard public facility or infrastructure. For MIF project, the measurement will be based on the number of LMI jobs created or retained and private leverage achieved.
2	**State Program Name:**	Minnesota Emergency Solutions Grant Program
	Funding Sources:	ESG
	Describe the state program addressed by the Method of Distribution.	Emergency Solutions Grant Program.

	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	**Organization-Wide Equity and Accessibility (15 points)** • Staff demographics to reflect population served and hiring practices • Action taken to offer culturally responsive program/services • Incorporation of participants in decision making and program evaluation • Steps taken for continuous improvement to provide affirming services to LGBTQIAP2+ population • Steps taken to make program/services accessible **Organization-wide Approach (5 points)** • Participation in local and regional homeless response system • Experience providing services, or if new provider, preparation to provide services • Best practice approaches • Partnerships with local child welfare providers *(youth programs only)* **Emergency Shelter Program Services and Activities (20 points per activity. Applications with multiple activities scored separately.)** • Clear description of policies and procedures around eligibility, program access/admission, length of stay, involuntary discharge, etc. • Detailed information about Emergency Shelter model (Congregate Site, Host Home, Rotating Site, Hotel/Motel, and Emergency Apartments) • Description of services provided • Strategies for implementing low barrier shelter • Implementation of harm reduction approaches

		Emergency Shelter Program Revenue and Budget (10 points, per activity) • Cost effectiveness of program • Detailed information on revenue sources • Diverse and sustainable funding • Descriptive/complete budget narrative and reasonableness of budget **Scattered-Site Transitional Housing & Rapid Re-Housing Program Services and Activities (20 points per activity. Applications with multiple activities scored separately.)** • Detailed information about housing model • Clear description of policies and procedures around eligibility, program access/admission, length of stay, involuntary discharge, and rent/utility payments • Description of services provided • Implementation of follow-up and after-care services • Clear plan to serve parents with their children, if applicable • Implementation of harm reduction approaches **Scattered-Site Transitional Housing & Rapid Re-Housing Program Revenue and Budget (10 points per activity.)** • Cost effectiveness of program • Detailed information on revenue sources • Diverse and sustainable funding • Descriptive/complete budget narrative and reasonableness of budget

	If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)	Announcement of the Request For Proposals for the ESG program are distributed to all Department of Human Services/Department of Children, Youth, and Families - Office of Economic Opportunity funded housing agencies, all Continuum of Care committees, all members of the Minnesota Interagency Council on Homelessness, and the Minnesota Coalition for the Homeless. The RFP is posted on the Minnesota Department of Human Services/Department of Children, Youth, and Families website and published in the State Register.
	Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG only)	FFY2023 ESG funds have been awarded through a two-year competitive Request For Proposals. Eligible applicants included non-profit 501 (c) (3) organizations and local units of government. Many of the non-profits are community and/or faith based. FFY2024 ESG funds are awarded through the same process. For more detail, see "AP-30 ESG Methods of Distribution" attachment under AP-90 Attachments.
	Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)	Not Applicable.

	Describe how resources will be allocated among funding categories.	For FFY2024, the State of Minnesota will use the maximum amount of funding allowable for emergency shelter activities, which in FY2024 is 60 percent of the State's estimated allocation. The State of Minnesota and its sub-recipients will use the maximum allowed amount for ESG Administration. A portion of these funds are shared with sub-recipients to assist in administration of their ESG programs. Additional ESG funds above the allowable shelter and administration limits will be used exclusively for prevention and rapid re-housing activities. The State has historically used the maximum allowable amount of its ESG allocation to fund emergency shelter. However, the State will continue to monitor the levels of emergency shelter, homelessness prevention and rapid re-housing funds available to non-entitlement areas of the state in future plan years and adjust the allocation of funding among each category accordingly.
	Describe threshold factors and grant size limits.	The State of Minnesota does not have grant limits in awarding ESG funds. However, because DHS/DCYF attempts to achieve statewide distribution with emergency shelter and re-housing funds, sizes of grant awards may be limited by available funds and the number of requests. There are no threshold factors for funding other than those identified in "AP-30 ESG Methods of Distribution" attachment under AP-90 Attachments, which is limited to the timely and complete submission of application materials by the deadline.

	What are the outcome measures expected as a result of the method of distribution?	For the upcoming program year, we anticipate that 3,750 persons experiencing homelessness will receive adequate emergency shelter and that 220 persons who are either at-risk of, or currently experiencing homelessness, will be moved to permanent housing. By funding a continuum of activities with ESG, we address the needs of persons experiencing homelessness for both crisis and short or medium-term housing, including emergency shelter, prevention (re-housing those at-risk of homelessness) and rapid re-housing (for those already homeless by HUD's definition). We are the only State agency providing funding for emergency shelter activities, which meets a critical needs gap in rural parts of Minnesota.
3	**State Program Name:**	Minnesota Housing National Housing Trust Fund (NHTF)
	Funding Sources:	HTF
	Describe the state program addressed by the Method of Distribution.	NHTF funds will be distributed directly to owner/developers of affordable housing via Minnesota Housing's annual Multifamily Consolidated RFP. The Consolidated RFP is offered once per year and provides a means of "one stop shopping" by consolidating and coordinating multiple housing funding resources into one multifamily application process to maximize selections and efficiently allocate funds to the project with the best fit. Applicants request funding for a specific housing development proposal and generally do not apply for specific funding sources. The NHTF funds will be part of a deferred pool of resources, through Minnesota Housing, which are targeted to address specific and critical needs in rental housing markets, including but not limited to geographic priority areas: transit-oriented development, areas with strong job markets or job growth, areas that need more affordable housing, and tribal areas. Assistance will generally be in the form of a zero percent interest rate, 30-year deferred loan due and payable at the end of the term. Minnesota Housing provides the loans directly to the owners. Minnesota Housing retains the option to offer funds on a pipeline basis in the event qualified proposals are insufficient to use the entire NHTF grant.

	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	Applications must meet eligibility requirements and the project will be reviewed in accordance with the Multifamily RFP standards. Which can be found online here https://www.mnhousing.gov/rental-housing/housing-development-and-capital-programs/rfps/consolidated-rfp-htc.html The needs of very low-income renters, those with incomes below 50% of area median income (AMI), are a high priority for the State of Minnesota, with significant priority on extremely low-income renters (below 30% AMI). Applications will be evaluated in accordance with need and scoring criteria that emphasizes other State priorities. For the 2024 consolidated RFP, these strategic priorities include: 1. Preservation of developments that contain existing federal assistance or other critical affordable units at risk of loss, 2. Address specific and critical rental housing needs, for example, serving the lowest income tenants, workforce housing, senior housing, housing for persons with disabilities, increasing opportunities for affordable housing in communities, and 3. Prevent and end homelessness, including through permanent supportive housing. These priorities may change slightly from year to year. Minnesota Housing also gives priority in awarding funding to the proposals that best meet selection priorities in effect at the time of the RFP. These selection priorities are provided with each Consolidated RFP process. Which can be found online and attached in the appendix. In general, NHTF projects should meet the categories listed below to be eligible for funding: • Eligible Housing Types: Permanent; General Occupancy; Rental Housing; Senior Housing; Permanent Supportive Housing • Eligible Projects: Have a minimum of four units • Eligible Activities: New Construction; Rehabilitation or Preservation; Construction Financing; Permanent Financing; Operating assistance, if eligible for NHTF.

		• Funding and application review requirements include, but are not limited to: Project Feasibility; Financial and Organizational Capacity; Strategic Priorities and Selection Criteria; Deferred Loan Funding Priorities; Underwriting Standards; Payment Standards; Rent and Income Limits; Multifamily Design Standards; Site Control; Prevailing Wage; Tenant Selection Plan (TSP) Guidelines; Prohibited Tenant Preference Policy; Tenant relocation. Eligibility criteria are discussed at greater length in the NHTF Program Guide in the appendix. Consistent with Affirmative Fair Housing Marketing regulations, Minnesota Housing requires that each housing provider carry out an affirmative marketing program to attract prospective buyers or tenants in the housing market area regardless of race, creed, color, religion, sex, national, origin, marital status, status with regard to public assistance, disability, sexual orientation, or familial status. The plan should detail how the housing provider intends to market and attract populations that are least likely to apply to the project, including persons with disabilities and households of color. While rehabilitation is a priority for Minnesota Housing, most funds allocated will likely be used for rental new construction, depending on the types of applications received in response to the consolidated RFP, scoring, funding sources available, and the relative need for new construction or preservation.
	If only summary criteria were described, how can potential applicants access application manuals or other **state publications describing the application criteria? (CDBG only)**	Not Applicable.

	Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG only)	Not Applicable.
	Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)	Not Applicable.
	Describe how resources will be allocated among funding categories.	Minnesota Housing will allocate 10% of its grant to program planning and administration costs; up to one-third for operating cost assistance or funding operating cost assistance reserves; the balance of the grant will provide capital funding for new construction or rehabilitation of NHTF units.

	Describe threshold factors and grant size limits.	Rental applications under the Consolidated RFP must meet the requirements specified in the Multifamily RFP Standards. Recent requirements were that the project had to meet the factors of project feasibility, and the applicant had to meet the factors of organizational capacity. Application processes and eligibility criteria for the 2024 Consolidated RFP and subsequent RFPs may be found at MHFA's website www.mnhousing.gov. There are no limits on assistance amounts other than those established in regulations. Amounts of assistance are sized to specific project needs.
	What are the outcome measures expected as a result of the method of distribution?	Numbers of rental units rehabilitated and preserved or constructed or provided operating assistance.
4	**State Program Name:**	Minnesota Housing-HOME
	Funding Sources:	HOME

	Describe the state program addressed by the Method of Distribution.	Like NHTF, HOME funds will be distributed directly to owner/developers of affordable housing via Minnesota Housing's annual Multifamily Consolidated RFP. HOME funds will be part of a deferred pool of resources through the Multifamily Consolidated RFP, which is offered once per year and provides a means of "one stop shopping" by consolidating and coordinating multiple housing funding resources into one multifamily application process to maximize selections and efficiently allocate funds to the project with the best fit. Applicants request funding for a specific housing development proposal and generally do not apply for specific funding sources. Assistance will generally be in the form of a zero percent interest rate, 30-year deferred loan due and payable at the end of the term. Minnesota Housing provides the loans directly to the owners.

	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	Applications must meet eligibility requirements and the project will be reviewed in accordance with the Multifamily RFP standards. Which can be found online here https://www.mnhousing.gov/rental-housing/housing-development-and-capital-programs/rfps/consolidated-rfp-htc.html The needs of very low-income renters, those with incomes below 50% of area median income (AMI), are a high priority for the State of Minnesota, with significant priority on extremely low-income renters (below 30% AMI). Applications will be evaluated in accordance with need and scoring criteria that emphasizes other State priorities. For the 2024 consolidated RFP, these strategic priorities include: 1. Preservation of developments that contain existing federal assistance or other critical affordable units at risk of loss, 2. Address specific and critical rental housing needs, for example, serving the lowest income tenants, workforce housing, senior housing, housing for persons with disabilities, increasing opportunities for affordable housing in communities, and 3. Prevent and end homelessness, including through permanent supportive housing. These priorities may change slightly from year to year. Minnesota Housing also gives priority in awarding funding to the proposals that best meet selection priorities in effect at the time of the RFP. These selection priorities are provided with each Consolidated RFP process. Which can be found online and attached in the appendix. In general, HOME projects meet the categories listed below to be eligible for funding: • Eligible Housing Types: Permanent; General Occupancy; Rental Housing; Senior Housing; Permanent Supportive Housing. • Eligible Projects: Have a minimum of four units. • Eligible Activities: New Construction; Rehabilitation or Preservation; Construction Financing; Permanent Financing.

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		Funding and application review requirements include, but are not limited to: Project Feasibility; Financial and Organizational Capacity; Strategic Priorities and Selection Criteria; Deferred Loan Funding Priorities; Underwriting Standards; Payment Standards; Rent and Income Limits; Multifamily Design Standards; Site Control; Prevailing Wage; Tenant Selection Plan (TSP) Guidelines; Prohibited Tenant Preference Policy; Tenant Relocation Eligibility criteria are discussed at greater length in the HOME Program Guide in the appendix. Consistent with Affirmative Fair Housing Marketing regulations, Minnesota Housing requires that each housing provider carry out an affirmative marketing program to attract prospective buyers or tenants in the housing market area regardless of race, creed, color, religion, sex, national, origin, marital status, status with regard to public assistance, disability, sexual orientation, or familial status. The plan should detail how the housing provider intends to market and attract populations that are least likely to apply to the project, including persons with disabilities and households of color. While rehabilitation is a priority for Minnesota Housing, most funds allocated will likely be used for rental new construction, depending on the types of applications received in response to the consolidated RFP, scoring, funding sources available, and the relative need for new construction or preservation.
	If only summary criteria were described, how can potential applicants access application manuals or other **state publications describing the application criteria? (CDBG only)**	Not Applicable.

	Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG only)	Not Applicable.
	Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)	Not Applicable.
	Describe how resources will be allocated among funding categories.	Ninety percent of the program funds will be directed towards programs. Up to 10 percent will be used for administration.

	Describe threshold factors and grant size limits.	There are no limits on assistance amounts other than those established in HOME regulations. The amount of assistance is sized to meet project needs. Rental applications under the Multifamily Consolidated RFP must meet the requirements specified in the Multifamily RFP Standards. Recent requirements were that the project had to meet factors of project feasibility, and the applicant had to meet factors of organizational capacity. Application processes and eligibility criteria for the 2024 Consolidated RFP and other RFPs may be found at MHFA's website www.mnhousing.gov.
	What are the outcome measures expected as a result of the method of distribution?	Numbers of rental units rehabilitated and preserved or constructed.
5	**State Program Name:**	Minnesota Housing-HOPWA
	Funding Sources:	HOPWA
	Describe the state program addressed by the Method of Distribution.	Minnesota Housing issued an RFP in October 2023. Of the five applications received, two applicants (Rainbow Health and Clare Housing) were selected for funding and have begun implementing programs that serve low-income households (at or below 80% of area median income) who are living with HIV/AIDS outside of the 15-county Eligible Metropolitan Statistical Area (EMSA) as of March 2024.

	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	Minnesota Housing will allocate resources to the existing grantee and/or additional grantees that can provide emergency assistance for short-term rent, mortgage and utility payments (STRMU) and collaborates with diverse community partners.
	If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)	Not Applicable.
	Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG only)	Not Applicable.

	Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)	After engaging with community partners as well as Minnesota HIV Housing Coalition and other HIV/AIDS program funders, the funds are made available through an RFP process for application to all eligible sponsors, including eligible grassroots faith-based and other community-based organizations. Eligible applicants were evaluated on the financial capacity along with the project design and equitable program processes. Special emphasis was placed on identifying potential barriers in the proposed geographic areas and showcasing knowledge and experience in providing HOPWA assistance through collaborative models with other health and housing providers, focusing on achieving long-term and holistic outcomes.
	Describe how resources will be allocated among funding categories.	There is only one funding category and all resources are allocated to it.
	Describe threshold factors and grant size limits.	Ninety-seven percent of the program funds will be directed towards programs. Minnesota Housing will retain 3% for the administration of the program.

	What are the outcome measures expected as a result of the method of distribution?	Assisted households remain in their homes.

Discussion:

Minnesota Housing issued a competitive HOPWA RFP on October 30, 2023, with applications due on December 4, 2023. As a result, Clare Housing and Rainbow Health Minnesota were selected as Project Sponsors and will provide emergency assistance for short-term rent, mortgage, and utility payments (STRMU). These Project Sponsors began their contract periods in March 2024 and will continue to provide STRMU throughout the 2024 program year.

Low-income individuals and families living with HIV/AIDS in Greater Minnesota, who are at or below 80% of the area median income, will be eligible to receive HOPWA assistance through this program.

AP-35 Projects – (Optional)

Introduction:

As allowable in State Consolidated Plan, projects will be entered after the submission of the 2023 Annual Action Plan.

#	Project Name

Table 9 – Project Information

Describe the reasons for allocation priorities and any obstacles to addressing underserved needs

AP-38 Project Summary

Project Summary Information

Project Name	Target Area	Goals Supported	Needs Addressed	Funding	Description	Target Date	Estimate the number and type of families that will benefit from the proposed activities	Location Description	Planned Activities

AP-40 Section 108 Loan Guarantee – 91.320(k)(1)(ii)

Will the state help non-entitlement units of general local government to apply for Section 108 loan funds?

No

Available Grant Amounts

Not applicable

Acceptance process of applications

Not applicable

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AP-45 Community Revitalization Strategies – 91.320(k)(1)(ii)

Will the state allow units of general local government to carry out community revitalization strategies?

No

State's Process and Criteria for approving local government revitalization strategies

Not applicable

AP-50 Geographic Distribution – 91.320(f)

Description of the geographic areas of the state (including areas of low-income and minority concentration) where assistance will be directed

Funds are available statewide to eligible entities as allowed by each program.

Geographic Distribution

Target Area	Percentage of Funds
Statewide	**100**
Non-entitlement	**100**

Table 10 - Geographic Distribution

Rationale for the priorities for allocating investments geographically

CDBG funds are available to units of local government that are within non-entitlements areas. HOME and NHTF funds are available statewide. HOPWA funds are available to eligible applicants living outside of the 15-county EMSA.

For ESG Shelter funding, the application is open to all areas of the state, but priority is given to applications from the balance of state areas (non-ESG entitlement areas). Within ESG entitlement areas, priority is given to those jurisdictions which have chosen to use their ESG resources for emergency shelter but still demonstrate significant unmet need. For funding allocated to the ESG Prevention and Rapid Re-Housing activities, funds will only be awarded to applications from non-ESG entitlement areas of the state.

Discussion

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Affordable Housing

AP-55 Affordable Housing – 24 CFR 91.320(g)

Introduction:

The term affordable housing that is used in 24 CFR 92.252 and 92.254 includes several elements that are not requirements of ESG, HOPWA and CDBG. Therefore, the only units that receive federal assistance that can be assured of meeting the standard of "affordable housing" and are described here are HOME and NHTF units.

One Year Goals for the Number of Households to be Supported	
Homeless	0
Non-Homeless	115
Special-Needs	0
Total	115

Table 11 - One Year Goals for Affordable Housing by Support Requirement

One Year Goals for the Number of Households Supported Through	
Rental Assistance	0
The Production of New Units	90
Rehab of Existing Units	25
Acquisition of Existing Units	0
Total	115

Table 12 - One Year Goals for Affordable Housing by Support Type

Discussion:

With HOME and NHTF combined, it is estimated that the state will support development or rehabilitation of a total 115 units of housing with FY 24 resources.

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AP-60 Public Housing - 24 CFR 91.320(j)

Introduction:

The State does not own or manage public housing.

Actions planned during the next year to address the needs to public housing

The Publicly Owned Housing Program (POHP) is a competitive funding program that has historically used the proceeds of General Obligation Bonds (GO) to provide financing to public housing authorities and agencies (PHAs). PHAs use these loans to rehabilitate and preserve public housing in the state. During the 2023 Legislative Session, the State Legislature approved approximately $41 million in general obligations bond proceeds and $40 million in general fund appropriations for public housing rehabilitation. An RFP for the $41 million in general obligation bonds was released in January 2024, and applications for those funds are currently under review. A second RFP is planned to be released in late Fall 2024 using the appropriations funds. POHP funds are prioritized to address health and life safety issues, critical needs, accessibility, and water and energy efficiency/climate resiliency.

Actions to encourage public housing residents to become more involved in management and participate in homeownership

The State does not own or manage public housing and, therefore, has no opportunities to access public housing tenants and has no actions planned.

If the PHA is designated as troubled, describe the manner in which financial assistance will be provided or other assistance

While the state does not operate any public housing authority, it does offer resources that may benefit troubled public housing authorities. The Publicly Owned Housing Program (POHP) is a state competitive funding program that uses the proceeds of General Obligation Bonds (GO) to provide financing to public housing authorities and agencies (PHAs). PHAs use these loans to rehabilitate and preserve public housing in the state. Troubled and other PHAs are invited to participate in the "Working Together" conference to receive training on topics relevant to their operations.

Discussion:

AP-65 Homeless and Other Special Needs Activities – 91.320(h)
Introduction

During FFY2024, the State of Minnesota plans on using ESG funds to address homeless needs throughout the State to help combat the rate of homelessness in the State. These efforts are coordinated through the Continuum of Care and strives to reduce the amount of homelessness in the State.

Describe the jurisdictions one-year goals and actions for reducing and ending homelessness including

Reaching out to homeless persons (especially unsheltered persons) and assessing their individual needs

The State of Minnesota provides funding to several street outreach, emergency shelters, and transitional housing programs across the state with the state and federal funding that has been made available to it. Some of these programs provide outreach to the unsheltered homeless population but many barriers to effective unsheltered outreach remain. These barriers include but are not limited to: the largely hidden nature of unsheltered homelessness outside of urban centers, large geographic distances and minimal staffing levels at providers, client mistrust of public systems or assistance, and daunting data collection recordkeeping. On-site community meals, support services, or community connect events can provide sources of contact with unsheltered persons and lead to additional services, but these types of events have been slow to return after the height of the Covid-19 pandemic. The State of Minnesota continues to partner with regional Continuum of Care Committees to develop effective and low barrier Coordinated Entry systems in all areas of the state which can better serve as a focal point for assessing and prioritizing the individual needs of both unsheltered and sheltered persons.

Addressing the emergency shelter and transitional housing needs of homeless persons

After many years of minimal state investment in emergency shelter, the 2021 Minnesota Legislature invested a record $6.8M in on-going base funding. This investment reflected the growing recognition of the important safety net provided by Minnesota’s emergency shelter providers and was used by providers to respond to the growing need for safe and secure shelter while strengthening the existing shelter infrastructure. On a given night, over 4,000 persons are staying in emergency shelters in Minnesota and almost 2,000 persons are staying in transitional housing. The goal for the 2024 year, if no new resources will become available, is to continue to support these capacities at current levels. While emergency shelter is not a stand-alone solution to homelessness, shelter facilities fill a critical safety gap for families in many communities. This is particularly true during harsh Minnesota winters and in communities where extremely low vacancies or difficult rental markets result in many families exhausting all informal housing options during long episodes waiting for permanent housing

In such communities, youth, and families in particular struggle to exit homelessness or emergency shelter quickly as poor or minimal rental histories, high rents and rental deposits, low wages and other barriers make it difficult to obtain market-rate housing. Site-based transitional housing can provide an interim option for those unable to obtain their own lease (even with rapid-rehousing assistance), particularly in the growing number of Minnesota communities where private rental housing is increasingly unavailable or inaccessible for persons experiencing homelessness. For others, scattered-site transitional or rapid rehousing (funded with ESG and other sources) provides the rental assistance and supportive services that many individuals and families need to obtain and maintain private rental housing.

Helping homeless persons (especially chronically homeless individuals and families, families with children, veterans and their families, and unaccompanied youth) make the transition to permanent housing and independent living, including shortening the period of time that individuals and families experience homelessness, facilitating access for homeless individuals and families to affordable housing units, and preventing individuals and families who were recently homeless from becoming homeless again

Emergency Solutions Grant Program funds will be targeted to provide prevention and rehousing assistance and services to families, individuals, and youth, some of whom are veterans and some of whom are chronically homeless, to move these households from homelessness to housing. By targeting these funds to persons that currently reside in shelters (or who would be not for this assistance), the length of time these households are homeless will be reduced. With the provision of supportive services to the rapid rehousing participants, it is expected that permanent housing retention will be improved.

In addition to efforts with ESG funding, the State provides over $10.2 million dollars per year in Family Homelessness Prevention and Assistance Program (FHPAP), a funding stream which is dedicated to transitioning homeless persons to stable housing and preventing persons who are at greatest risk from becoming homeless.

Similar efforts are well underway among state, county and nonprofit providers seeking to end veteran homelessness as part of the State's Heading Home plan, including maintaining a statewide veteran registry. These efforts have shown results as the numbers of homeless veterans have decreased in recent years, and at least 8 of Minnesota 10 CoC regions have effectively ended veteran homeless (as of June 2022).

In Minnesota, the state's Medical Assistance program (federal Medicaid program) recently expanded to include a new Housing Stabilization benefit. This expanded Medicaid-eligible service is increasingly an important component of Minnesota's efforts to support people in transitioning to permanent housing and independent living.

The purpose of these services is to:

- Support an individual's transition into housing,
- Increase long-term stability in housing in the community, and
- Avoid future periods of homelessness or institutionalization.

Housing Stabilization Services are services that pay for staff that support people to find and maintain housing, it does not pay for the cost of housing. There are currently roughly 11,576 Minnesotans using Housing Stabilization Services.

Helping low-income individuals and families avoid becoming homeless, especially extremely low-income individuals and families and those who are: being discharged from publicly funded institutions and systems of care (such as health care facilities, mental health facilities, foster care and other youth facilities, and corrections programs and institutions); or, receiving assistance from public or private agencies that address housing, health, social services, employment, education, or youth needs

Discharge planning for persons residing in institutions initially occurs through the services provided by that institution, many of whom are legally required to provide discharge planning to residents leaving their facilities. In addition, the State’s 10 Continuum of Care planning groups have developed Plans to End Homelessness which address coordination with discharge planning processes, including the development Coordinated Entry systems. As a result, local housing providers provide outreach and assessment to persons who may need supportive housing when leaving an institution. Unfortunately, many persons leaving these institutions are not initially eligible for HUD-funded programs administered through the Continuum of Care if they were not literally homeless upon entry and residing in the institution for 90 days or less. In these cases, discharge referrals are made to other types of supportive housing for which the household may qualify. At the Department of Human Services, the Bridging Benefits project continues to improve access to mainstream and public benefits for persons nearing discharge from the state’s correctional system, a key component to reducing housing instability among those recently incarcerated in Minnesota. The Department of Corrections (DOC) published a “Homelessness Mitigation Plan 2022 Legislative Report.” This plan was a collaborative effort, led by the DOC, that involved collaborative efforts with many groups ranging from other state agencies to people with lived experience of homelessness.

As noted earlier, in Minnesota the Family Homeless Prevention and Assistance Program (FHPAP) program is typically funded at over $10.2 million and a significant amount is used for homelessness prevention activities. These funds are available in all 87 Minnesota counties. These resources, as well as the State’s Successful Transition to Adulthood (STAY) funding and Homeless Youth Act funding all assist unaccompanied youth leaving foster care and young parents to become stably housed and avoid homelessness.

Discussion

AP-70 HOPWA Goals – 91.320(k)(4)

One year goals for the number of households to be provided housing through the use of HOPWA for:	
Short-term rent, mortgage, and utility assistance to prevent homelessness of the individual or family	190
Tenant-based rental assistance	0
Units provided in permanent housing facilities developed, leased, or operated with HOPWA funds	0
Units provided in transitional short-term housing facilities developed, leased, or operated with HOPWA funds	0
Total	190

AP-75 Barriers to affordable housing – 91.320(i)

Introduction:

In the 2022 Housing and Community Development Survey, respondents were then asked if they knew of any barriers to the development or preservation of housing in their communities. Respondents most identified community opposition, or “not in my backyard” mentality, as a barrier to the development or preservation of housing. Cost was also a commonly perceived impediment as building materials, fuel, and services continue to become more expensive in the market, with the costs of land, materials, or labor ranking as the highest barriers to the development or preservation of housing. Those who provided additional narrative commentary in response to this question tended to highlight these same concerns, with many calling for outreach and education to address NIMBYism and a range of strategies designed to decrease the costs of providing affordable housing, including redevelopment, updates to zoning codes, and additional funding.

Actions it planned to remove or ameliorate the negative effects of public policies that serve as barriers to affordable housing such as land use controls, tax policies affecting land, zoning ordinances, building codes, fees and charges, growth limitations, and policies affecting the return on residential investment

Containing the cost of developing affordable housing is a critical issue in Minnesota. To address the growing need for affordable housing, Minnesota Housing must build and preserve as many affordable units as possible with limited resources. Costs of land, materials and labor are outside of what Minnesota Housing can control; however, cost containment is a focus at Minnesota Housing. Costs are evaluated for each project and overall costs of production are also monitored and evaluated over time. At the same time, Minnesota Housing balances cost containment objectives with other policy goals, such as long-term operating costs.

Here are some additional examples of how Minnesota Housing reduces other barriers through our process:

We reduce the barrier of local land use and development policies by prioritizing developments that use land efficiently and minimize the loss of agricultural land and green space,

We reduce barriers of zoning by prioritizing developments that address the needs of the underserved populations of households of color, single-headed households with minor children, and people with disabilities; developments that are in opportunity areas.

We reduce barriers of local application and permit processes by prioritizing developments for which costs are reduced or avoided by regulatory changes, incentives, or waivers by the local governing body, including fast-track permitting and approvals, flexibility in site development standards and zoning

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requirements, and waiver of permit or impact fees.

In addition, the State fully supports efforts to reduce NIMBYism, prejudice, and negative attitudes toward affordable and multifamily housing, and will encourage planning decisions by CDBG sub-recipient communities that work to decrease segregation and increase integration of populations. The State will also fully support civic leaders and developers who undertake education in communities statewide. Such education could be targeted, timely, and, in the context of a possible development, relevant to potentially affected citizens.

Discussion:

In May 2023, Governor Walz signed the $1.065 billion housing omnibus bill, the largest single investment in housing in state history. Other legislation brought the total investment in housing to over $1.3 billion.

The housing bill is an increase of $950 million from the Agency's base budget of $115 million for 2022-2023. An estimated $625 million is allocated to existing programs and $440 million will go to over 15 new programs or activities. This budget responds to the range of housing needs felt by Minnesotans in all regions of the state, while focusing on addressing the barriers described above, along with closing disparities, assisting lowest-income Minnesotans and serving underserved geographies.

The use of approved legislative funds fits into the following categories:

- Capital Resources (50%)
- Housing Stability (25%)
- Homeownership Assistance (20%)
- Other (5%)

A summary of the 2023 housing funding allocations in the 2023 Minnesota One budget is attached in the Appendix to this Plan. Divisions and teams across the agency are working to deploy these resources.

For the 2024 Legislative session, Minnesota Housing's priorities are for funding to support continued construction and rehabilitation of affordable housing and to preserve publicly owned housing units. The Governor's capital budget includes $50 million for Housing Infrastructure Bonds (HIB), and $7.5 million in funding for Publicly Owned Housing (POHP.)

Minnesota Housing is also seeking policy changes, largely to facilitate implementation for newly created programs from the 2023 budget, to allow the agency to align income definitions across programs, and to clarify definitions to improve alignment with Inflation Reduction Act dollars and other federal funding sources. The agency and Governor are also supporting increased renter protections, including prohibiting discrimination based on source of income/receipt of public assistance.

AP-85 Other Actions – 91.320(j)

Introduction:

The following sections discuss other actions the state will undertake in FY 2023.

Actions planned to address obstacles to meeting underserved needs

The State has found that the largest obstacle in meeting underserved needs is a lack of funding. The State will continue to fund projects within its scope of funding to serve residents in need in Minnesota and will continue to seek other funding sources to address additional needs in the State.

Actions planned to foster and maintain affordable housing

Minnesota Housing will continue to give selection points in its RFPs to projects that include funding commitments from local units of government. However, Minnesota Housing does not require local consent.

The Low-Income Housing Tax Credit Program (LIHTC) and additional state deferred financing are available to owners and investors of affordable rental housing for low-income households to help finance development. Selection points are also awarded for projects for which development-specific assessments or infrastructure costs are donated or waived or that have been approved for reduced setbacks, reduced parking requirements, decreased road widths, flexibility in site development standards and zoning code and other requirements, preservation of affordable housing, water and sewer access charge reductions.

Actions planned to reduce lead-based paint hazards

Exposure to lead-based paint is one of the most significant environmental and public health threats posed to homeowners and renters. Housing units built before 1940 are most likely to contain lead-based paint or coatings. Units built between 1960 and 1978 have a lesser risk in comparison to homes built before 1960. Lead was banned for use in household paint in 1978. In some cases, older units may have few if any lead hazards depending on construction methods, past renovation work, and other factors (HUD grants). CDBG housing rehabilitation activities require conformance with the Lead Safe Housing Rule at 24 CFR 35.1330.

The Environmental Health Division of MDH oversees a comprehensive lead program that includes state-wide medical monitoring, health care, elevated blood investigations, compliance assistance, compliance assurance, and environmental remediation of identified lead hazards. The program is largely funded by federal dollars (HUD and EPA), with additional funding provided by the state's general fund. For more information see: https://www.health.state.mn.us/communities/environment/lead/index.html

Actions planned to reduce the number of poverty-level families

In Minnesota, there is a statewide network of Community Action Agencies (CAAs) and Tribal governments with a common purpose: fighting poverty and its effects in Minnesota communities. The goals of these agencies are to better focus available local, state, private, and federal resources to assist low-income individuals and families to acquire useful skills and knowledge, gain access to new opportunities, and achieve economic self-sufficiency. Each agency assesses needs, establishes priorities, determines strategies to respond to local poverty issues, and delivers a broad range of services and activities to strengthen self-reliance.

The specific programs delivered by the CAAs and tribal governments include:

- Energy Assistance: Provides financial assistance toward energy bills for low-income households;
- Weatherization: Offers weatherization of homes of low-income households to reduce heat loss and increase heating efficiency;
- Financial Literacy programming: Includes Family Assets for Independence in Minnesota, a program which matches low-income households' income with state, federal, and private funding for the purpose of buying a home, furthering education, or starting a business. Other forms of financial literacy programming include tax preparation assistance, budget counseling, and general financial education;
- Food Shelves and various nutrition programs: Provides food for households experiencing emergencies through the network of locally run food shelves;
- Head Start: Assists low-income families break the cycle of poverty by improving the health and social competence of children up to age 5 and pregnant women and by promoting economic self-sufficiency for parents;
- Homeless Programs: Provides assistance to households or individuals who are at-risk of being homeless, who are currently homeless, or who were previously homeless and are receiving follow-up services;
- Housing Construction, Rehabilitation, and Assistance: Develops long-term low-income housing, including the rehabilitation of unoccupied housing and the provision of rental housing assistance.

Actions planned to develop institutional structure

The delivery of affordable housing programs authorized by the federal government and Minnesota state legislature is centralized in Minnesota Housing. DEED is the primary administrator and provider of CDBG funds in non-entitlement areas of the state. Minnesota Housing and DHS/DCYF share the delivery of supportive housing programs for persons experiencing homelessness. DHS/DCYF is primarily responsible for the delivery of supportive services for persons with special needs because many persons DHS/DCYF serves are experiencing homelessness.

Affordable housing assistance in Minnesota depends upon a large network of local lenders, housing authorities, community action agencies, nonprofit and faith-based organizations, homeowner educators

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and counselors, and local governments throughout the state. The State relies on these entities to administer a number of affordable and supportive housing programs, to identify housing needs at the local level, and to encourage the development of affordable housing.

Recognizing the need to increase the accessibility and effectiveness of assistance programs for low- and very low-income people, Minnesota Housing has worked to increase the participation of local nonprofits and other nontraditional lenders in delivering its programs, including those led by Black, Indigenous, or people of color. These participants provide a greater opportunity to coordinate the delivery of assistance and to better target funds to people with the greatest need. Using state funds, Minnesota Housing runs a Capacity Building Grant Program, which builds the capacity of new and existing partners to address root causes of housing barriers within the housing systems. This grant prioritizes work by and for communities disproportionately experiencing housing challenges.

The State does not have any plans for developing new institutional structures but will continue to participate in the various structures currently in place, supporting the Minnesota Chapter of the National Association of Housing and Redevelopment Officials' conferences and the Working Together conference. Minnesota Housing coordinates its RFP selections with other funding partners, including DEED. CDBG grantees coordinate CDBG funding with Minnesota Housing, Greater Minnesota Housing Fund, DHS, Rural Development, Department of Health, and Weatherization funding. DHS/DCYF will continue to participate in the various structures currently in place. The State hosts the Minnesota Interagency Council on Homelessness (MICH), through which all state agencies involved in the provision of services to homeless persons meets monthly. Members of the MICH are assigned to all Continuum of Care committees and Family Homeless Prevention and Assistance Program advisory committees to provide technical assistance and attend meetings of these groups. The State also hosts the Interagency Stabilization Group as well as the Greater Minnesota Preservation Work Group and the Stewardship Council to ensure coordination of funding resources.

The State participates in several standing meetings with representatives from local government, nonprofit, and private providers of housing and homelessness services. For economic development CDBG activities, the state does not have any plans to develop new institutional structures but will continue to utilize collaborations already in place. DEED partners with communities, counties, non-profit agencies, the Economic Development Association of Minnesota, Minnesota Bankers Association, and the Council of Development Finance Agencies to ensure that funds are accessible to businesses throughout the state. Working with these partner organizations enables the State of Minnesota to better access underserved communities and address financing needs for local companies throughout the region.

Actions planned to enhance coordination between public and private housing and social service agencies

The delivery of affordable housing programs authorized by the federal government and Minnesota state legislature is centralized in Minnesota Housing. DEED is the primary administrator and provider of CDBG funds in non-entitlement areas of the state. Minnesota Housing and DHS/DCYF share the delivery of supportive housing programs for persons experiencing homelessness. DHS/DCYF is primarily responsible for the delivery of supportive services for persons with special needs because many persons DHS/DCYF

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serves are experiencing homelessness. Coordination between public and private housing and social services primarily occurs at the local or regional level and is supported by the Continuum of Care committees and other regional planning bodies funded, in part, by the State of Minnesota.

Affordable housing assistance in Minnesota depends upon a large network of local lenders, housing authorities, community action agencies, nonprofit and faith-based organizations, homeowner educators and counselors, and local governments throughout the state. The State relies on these entities to administer several affordable and supportive housing programs, to identify housing needs at the local level, and to encourage the development of affordable housing.

Recognizing the need to increase both the accessibility and effectiveness of assistance programs for low- and very low-income people, Minnesota Housing has worked to increase the participation of local nonprofits and other diverse lenders in delivering its programs including those led by Black, Indigenous, or people of color. These diverse participants provide a greater opportunity to coordinate the delivery of assistance and to better target funds to people with the greatest need.

The State does not have any plans for developing new institutional structures but will continue to participate in the various structures currently in place, supporting the Minnesota Chapter of the National Association of Housing and Redevelopment Officials (NAHRO)'s conferences. Minnesota Housing coordinates its RFP selections with other funding partners, including DEED. DEED's CDBG grantees coordinate CDBG funding with Minnesota Housing, Greater Minnesota Housing Fund, DHS, Rural Development, Department of Health, and Weatherization funding. DHS/DCYF will continue to participate in the various structures currently in place. The State hosts the Minnesota Interagency Council on Homelessness (MICH), through which all state agencies involved in the provision of services to homeless persons meets monthly. Members of the MICH are assigned to all Continuum of Care committees and Family Homeless Prevention and Assistance Program advisory committees to provide technical assistance and attend meetings of these groups. The State also hosts the Interagency Stabilization Group as well as the Greater Minnesota Preservation Work Group and the Stewardship Council to ensure coordination of funding resources. Finally, the State hosts the Olmstead Implementation Office, which is responsible for implementing the Olmstead Plan, a comprehensive plan to provide people with disabilities opportunities to live, learn, work and enjoy life in integrated settings. The state participates in several standing meetings with representatives from local government, nonprofit, and private providers of housing and homelessness services.

The state does not have plans to provide financial assistance to troubled PHAs. Troubled and other PHAs are invited to participate in the NAHRO conference to receive training on topics relevant to their operations. Because the state is not a public housing owner, it does not have plans to encourage residents to become more involved in management of public housing or have a specific outreach plan to public housing residents to encourage homeownership. Public housing residents are eligible to apply for homeownership assistance and receive the same outreach as other potential first-time homebuyers.

Discussion:

Together with Greater Minnesota Housing Fund and Minnesota Housing Partnership, Minnesota Housing hosts Regional Housing Forums to bring together a variety of housing and community partners to highlight available resources, provide examples of affordable housing development and listen and share information. These events support connection and collaboration between the public and Minnesota Housing and create a forum for connections to be made among partners within the region.

Program Specific Requirements

AP-90 Program Specific Requirements – 91.320(k)(1,2,3)

Introduction:

The following includes program specific details for CDBG, HOME, ESG, and HTF funding.

Community Development Block Grant Program (CDBG)
Reference 24 CFR 91.320(k)(1)

Projects planned with all CDBG funds expected to be available during the year are identified in the Projects Table. The following identifies program income that is available for use that is included in projects to be carried out.

1. The total amount of program income that will have been received before the start of the next program year and that has not yet been reprogrammed	0.00
2. The amount of proceeds from section 108 loan guarantees that will be used during the year to address the priority needs and specific objectives identified in the grantee's strategic plan.	0
3. The amount of surplus funds from urban renewal settlements	0
4. The amount of any grant funds returned to the line of credit for which the planned use has not been included in a prior statement or plan	0
5. The amount of income from float-funded activities	0
Total Program Income:	**0.00**

Other CDBG Requirements

1. The amount of urgent need activities	0
2. The estimated percentage of CDBG funds that will be used for activities that benefit persons of low and moderate income. Overall Benefit - A consecutive period of one, two or three years may be used to determine that a minimum overall benefit of 70% of CDBG funds is used to benefit persons of low and moderate income. Specify the years covered that include this Annual Action Plan.	70.00%

HOME Investment Partnership Program (HOME)
Reference 24 CFR 91.320(k)(2)

1. A description of other forms of investment being used beyond those identified in Section 92.205 is

as follows:

None.

2. A description of the guidelines that will be used for resale or recapture of HOME funds when used for homebuyer activities as required in 92.254, is as follows:

   Not applicable because Minnesota will not use HOME for homebuyer assistance.

3. A description of the guidelines for resale or recapture that ensures the affordability of units acquired with HOME funds? See 24 CFR 92.254(a)(4) are as follows:

   Not applicable because Minnesota will not use HOME for homebuyer assistance.

4. Plans for using HOME funds to refinance existing debt secured by multifamily housing that is rehabilitated with HOME funds along with a description of the refinancing guidelines required that will be used under 24 CFR 92.206(b), are as follows:

   There are no plans for using HOME to refinance existing debt.

5. If applicable to a planned HOME TBRA activity, a description of the preference for persons with special needs or disabilities. (See 24 CFR 92.209(c)(2)(i) and CFR 91.220(l)(2)(vii)).

   Not applicable.

6. If applicable to a planned HOME TBRA activity, a description of how the preference for a specific category of individuals with disabilities (e.g. persons with HIV/AIDS or chronic mental illness) will narrow the gap in benefits and the preference is needed to narrow the gap in benefits and services received by such persons. (See 24 CFR 92.209(c)(2)(ii) and 91.220(l)(2)(vii)).

   Not applicable.

7. If applicable, a description of any preference or limitation for rental housing projects. (See 24 CFR 92.253(d)(3) and CFR 91.220(l)(2)(vii)). Note: Preferences cannot be administered in a manner that limits the opportunities of persons on any basis prohibited by the laws listed under 24 CFR 5.105(a).

   Minnesota Housing does not limit to segments of the HOME eligible population. Minnesota Housing makes an effort to integrate units targeted to households experiencing homelessness or those at risk of homelessness across a variety of developments. Minnesota Housing solicits projects in the annual Multifamily Consolidated RFP. Within the scoring and selection criteria additional points are given to projects that propose to serve identified populations with a demonstrated need, one of which is individuals experiencing homelessness. Therefore, Minnesota Housing may utilize HOME funds in units that are targeted to High Priority Homeless households. Minnesota Housing may also utilize HOME funds in units that are targeted to Persons with Disabilities. In the interest of furthering economic integration, High Priority Homeless and Persons with Disabilities units typically make up a small number of units in each development.

Emergency Solutions Grant (ESG)
Reference 91.320(k)(3)

1. Include written standards for providing ESG assistance (may include as attachment)

All sub-recipients of ESG funding have been required by DHS/DCYF to establish written standards for the provision of emergency shelter, homelessness prevention, and rapid rehousing assistance to persons experiencing homelessness. The State will not be developing statewide written standards due to the complex and varying needs and characteristics of the 87 counties in which ESG assistance is provided.

DHS has developed a monitoring tool based on the requirements found in 576.400(e)(3) and is conducting reviews of each sub-recipient's Written Standards during the annual monitoring cycle to ensure that they adequately include the elements broadly outlined in 576.400(e)(3).

DHS has provided guidance on required standards for prevention and rapid re-housing providers (evaluating eligibility, prioritizing assistance, determining type, amount and length of assistance) in completing their Written Standards in accordance with HUD’s requirements.

2. If the Continuum of Care has established centralized or coordinated assessment system that meets HUD requirements, describe that centralized or coordinated assessment system.

DHS/DCYF funds ESG projects in seven of the ten Minnesota CoCs. Each Continuum of Care region is in a different phase of implementation and evaluation of Coordinated Assessment. It is therefore impossible to summarize the characteristics or status of each CoC region of the state. However, DHS/DCYF routinely reviews ESG sub-recipients’ participation in their respective CoC region(s) Coordinated Entry system and seeks to address any potential barriers to active participation in that system.

In addition, the MN Interagency Council on Homelessness (MICH) has a working group to advise and assist in the on-going development and improvement of coordinated assessment systems throughout the State.

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The State works to ensure that its ESG sub-recipients are involved in this coordinated assessment to the maximum extent practicable, and that such participation requirements do not unintentionally prevent or discourage the most vulnerable people experiencing homelessness from receiving the outreach and emergency shelter they urgently need.

3. Identify the process for making sub-awards and describe how the ESG allocation available to private nonprofit organizations (including community and faith-based organizations).

ESG funds are awarded as part of a funding allocation process that combined the grant with available money from four state-funded programs: the Emergency Services Program (ESP), the Homeless Youth Act (HYA), the Transitional Housing Program (THP), Shelter-Linked mental health, and Safe Harbor Shelter and Housing.

The application process for ESG funding is open to programs from all areas of the state. Priority will be given to shelter applications from the balance of State areas (non-entitlement areas), and funds for homelessness prevention and rapid re-housing activities will only be awarded to balance of state areas who do not receive their own ESG allocation.

The allocation of funding to specific programs is based on the overall quality of responses to the evaluation criteria and in accordance with regional and local priorities, as established by each Continuum of Care (CoC) committee. Eligible organizations include local government, nonprofit, community, and faith-based organizations such as shelters, transitional housing programs, and emergency service providers.

Requests For Proposals (RFPs) are sent to all current Office of Economic Opportunity homeless programs grantees, all Continuum of Care Committees throughout the state, and all other interested parties who have contacted OEO during the year and expressed interest in the homeless program funding. DHS/DCYF also publishes the RFP in the State Register and posts the RFP on the DHS/DCYF website.

4. If the jurisdiction is unable to meet the homeless participation requirement in 24 CFR 576.405(a), the jurisdiction must specify its plan for reaching out to and consulting with homeless or formerly homeless individuals in considering policies and funding decisions regarding facilities and services funded under ESG.

The recipient is a State and therefore not required to meet the homeless participation requirement in 24 CFR 576.405. However, all sub-recipients are expected to actively work to consult and involve homeless or formerly homeless individuals in their policy development and program operations and are monitored regularly on this topic. In addition, State staff are incentivizing shelter providers to engage residents and former residents in an examination of shelter rules and policies by including questions related to this practice in its shelter funding Requests for Proposals (RFP) and monitoring tool ESG sub-recipients.

Over the past several years, the State has increased its consultation efforts with homeless and formerly homeless individuals as the amount of new funding COVID-related funding available for outreach, shelter, prevention, and rapid re-housing has grown substantially. The State launched a Taskforce on Shelter to develop standards for shelter, and establish clearer oversight of the state's emergency shelters. Appointed representatives came from a wide range of backgrounds and groups and included significant representation from homeless and formerly homeless individuals.

Finally, the state's webinar series (begun to improve information and coordination during the COVID-19 pandemic) now features regular Speakers Bureau sessions for persons with lived experience to address policy makers and providers about their experiences of homelessness.

These and other contributions by persons with lived experience continue to increase DHS/DCYF understanding of what homeless and formerly homeless individual experience when accessing the state's shelter and housing systems. DHS/DCYF will continue to address these issues through its biennial funding process, monitoring, and technical assistance for sub-recipients of ESG funding.

5. Describe performance standards for evaluating ESG.

The existing performance standards for ESG were developed in consultation with CoC representatives from around the state, and reflect the basic purpose of ESG shelter, prevention, and rapid re-housing funds to a) keep people safely sheltered, b) re-house persons who are homeless, and c) ensure persons are stably housed at program exit. ESG sub-recipient performance reports are available for each CoC Coordinator to review and include information on these goals and sub-recipient performance. This set of outcomes, as well as specific annual goals for these ESG-funded activities, are included in the Outcomes Measures and Performance Standards section of this Plan.

For the current Action Plan Year, the following performance standards will be used for evaluating each FY2024 ESG-funded activity:

Emergency Shelter:
# of individuals in households receiving safe, adequate emergency shelter.
Prevention (Re-housing)/Rapid Re-housing:
# of individuals in households who are stably re-housed.

In addition to these performance standards, on-going evaluation of ESG sub-recipient performance occurs through DHS/DCYF Grantee Risk Assessment Tool and its bi-annual monitoring process. This monitoring process places a heavy emphasis on program performance and effectiveness as well as ensuring sub-recipients have the technical assistance, they need to be successful.

ESG Monitoring is described in more detail in the Unique Appendices, AP-90 ESG Monitoring Document. The State will continue to share the outcomes of its monitoring visits with Continuum of

Care Coordinators when there are relevant performance issues identified and seek mutual problem-solving and assistance from CoC committees when appropriate.

Housing Trust Fund (HTF)
Reference 24 CFR 91.320(k)(5)

1. How will the grantee distribute its HTF funds? Select all that apply:

☑ Applications submitted by eligible recipients

2. If distributing HTF funds through grants to subgrantees, describe the method for distributing HTF funds through grants to subgrantees and how those funds will be made available to state agencies and/or units of general local government. If not distributing funds through grants to subgrantees, enter "N/A".

N/A.

3. If distributing HTF funds by selecting applications submitted by eligible recipients,

a. Describe the eligibility requirements for recipients of HTF funds (as defined in 24 CFR § 93.2). If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

Eligible entities for NHTF include owners or developers that must satisfy the definition of recipient and be either:

- A for profit entity,
- A 501(C)(3) nonprofit entity,
- A government unit (excluding the federal government), or
- A religious organization

The owner must provide evidence of a qualifying interest in the property. Such interest must be recorded and appear in county records. The minimum qualifying interest in 100 percent fee simple interest that may also be subject to a mortgage.

The owners and development team must not be debarred or excluded from receiving federal assistance prior to selection, entering into a Written Agreement, or closing the loan.

Applicants and their development team must undergo an evaluation by Minnesota Housing of their capacity and pass Minnesota Housing underwriting before the applicant qualifies as an eligible recipient. Applicants must have demonstrated experience and capacity to implement an eligible NHTF activity as evidenced by its ability to own, construct, or rehabilitate, and manage and operate an affordable multifamily rental housing development.

Minnesota Housing underwriting standards require that at least one sponsor must demonstrate acceptable performance (multifamily housing experience) and financial capacity for the scale for the proposed project regardless of guaranty provisions, if any. All loans require a full sponsor credit review for final approval.

Eligible recipients will certify that housing units assisted with the NHTF will comply with NHTF program requirements during the entire period that begins upon selection and ending upon the conclusion of all NHTF funded activities. Recipients must demonstrate the ability and financial capacity to undertake, and manage the eligible activity. Recipients must also demonstrate familiarity with requirements of other Federal, State or local housing programs that may be used in conjunction with NHTF funds to ensure compliance with all applicable requirements and regulations of such programs.

b. Describe the grantee's application requirements for eligible recipients to apply for HTF funds. If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

Minnesota Housing's annual Multifamily Consolidated RFP coordinates multiple housing funding resources, including NHTF and HOME, into one multifamily application process to maximize the number of projects that can be selected and to allocate funds as efficiently as possible. The process allows multifamily affordable development sponsors to apply for resources from Minnesota Housing and two other public entity funding partners using a common application and procedure. The Consolidated RFP application materials are generally issued in April, applicants are required to submit an intent to apply by May, and final applications are due in July.

Applications are evaluated for eligibility as detailed in the Multifamily RFP Standards. Multifamily staff review applications in two phases: 1. initial scoring; and 2. feasibility review. The initial scoring consists of reviewing individual applications to help ensure projects meet Low Income Housing Tax Credit (HTC) Qualified Allocation Plan (QAP), self-scoring worksheet, and scoring guide requirements. Once the initial scoring of applications in complete, applications are ranked per the QAP and Multifamily RFP standards. Projects are evaluated based on project type, scoring, geographic distribution, and funding resources available. Projects prioritized will move forward to feasibility review. This review consists of a detailed analysis of the application's project cost, funding structure, and financial capacity. The feasibility review is conducted by the internal development team, which consists of a program manager(s), underwriter, architect, housing management officer, and if applicable, a housing stability officer for the following:

- consistency with Minnesota Housing's mission and strategic priorities
- compliance with statutes and program rules, including geographic distribution of resources
- consistency with program requirement, eligible uses and priorities, and
- financial feasibility, market need, architectural quality and overall development team capacity

Once applications are considered feasible, they move on to a Selection Committee meeting, which includes underwriters, managers, and senior leadership. The Selection Committee deliberates on feasible applications compared with funding resources available, weighing appropriate uses of those funds and the agency's Strategic Priorities, feasibility, and organizational capacity and recommends a package of developments for selection. This recommendation is then brought before Minnesota Housing's Board of Directors for final review and approval.

c. Describe the selection criteria that the grantee will use to select applications submitted by eligible recipients. If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

There are three main components of the RFP review process that are captured in the attached RFP Application Instructions.

- Initial Eligibility and Feasibility: Applicants must satisfy project feasibility and financial and organizational capacity requirements to be considered for funding. Once applications are submitted to the agency, they undergo application and eligibility review to determine if they meet the basic eligibility requirements. The applications then undergo feasibility review by staff underwriters, including detailed analysis of applicant and organization capacity and priority housing need.
- Strategic Priorities: Seven strategic priorities reflect the Agency's policy goals for funding priorities. Every proposal must satisfy at least one strategic priority to be eligible for funding through the RFP. Minnesota Housing gives priority to proposals that best meet the greatest number of strategic priorities.
- Selection Priorities: Among proposals that satisfy the Agency's strategic priorities, the Agency gives priority in awarding funding to those proposals that best meet the greatest number of selection priorities.
- Deferred Loan Funding Priorities: For deferred funding, including the NHTF, Minnesota Housing will evaluate proposals for best available funding source based on specific requirements for

programs.

d. Describe the grantee's required priority for funding based on geographic diversity (as defined by the grantee in the consolidated plan). If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

Minnesota Housing will accept and consider proposals for NHTF from across the state consistent with the state's certification to affirmatively further fair housing. The needs of very low income and extremely low income tenants across Minnesota are a high priority in the Consolidated Plan; however, geographic location of a project may be considered in the context of the project's proximity to certain community features whose presence is a priority for Minnesota Housing.

Selection Priorities relate specifically to the geographic location of projects, including communities with a need for more affordable housing options, workforce housing communities, transit and walkability, metropolitan area, Greater Minnesota urbanized area, Greater Minnesota and small urban areas, and community revitalization areas such as rural and tribal areas, qualified census tracts, and opportunity zones. In sum, these geographic priority areas support a balanced and diverse distribution of resources across the state.

e. Describe the grantee's required priority for funding based on the applicant's ability to obligate HTF funds and undertake eligible activities in a timely manner. If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

Applicants should be capable of undertaking and completing NHTF funded activities in a timely manner, consistent with regulatory requirements to meet the two-year commitment and five-year expenditure deadlines. Minnesota Housing anticipates that projects selected secure all necessary project funds and are capable of closing~~,~~ within approximately 18 months from the date of selection. This capability is evaluated during the Consolidated RFP process. Capacity of the entire development team is evaluated, taking into consideration experience with similar projects, financial and staff capacity, status of other projects in the team's development pipeline, and other factors relevant to the role of the entity.

As described in the agency's Multifamily RFP Standards, the following factors will be considered in determining whether an organization has demonstrated sufficient organizational capacity:

- The applicant's related housing experience;
- Whether the applicant has successfully completed similar projects or is partnering with other organizations that have successfully completed similar projects;
- Whether the applicant has strong current and expected ongoing capacity to complete the

proposed housing, and other proposals being developed by the organization including those previously selected by Minnesota Housing that have not yet been completed; and
Whether the applicant has the capacity to operate and maintain the rental housing long term.

f. Describe the grantee's required priority for funding based on the extent to which the rental project has Federal, State, or local project-based rental assistance so that rents are affordable to extremely low-income families. If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

Developments that provide fully executed commitments for project based rental assistance (standard or in conjunction with High Priority Homeless units) at the time of application are given selection priority.

g. Describe the grantee's required priority for funding based on the financial feasibility of the project beyond the required 30-year period. If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

New Construction, rehabilitation, and rehabilitation and acquisition rental projects with NHTF have a required affordability period of thirty years. Additional preference will be given to projects that have commit to affordability for more than 30 years. Operating cost assistance reserves may be funded for the amount estimated to be necessary for up to fifteen years from the start of the affordability period.

h. Describe the grantee's required priority for funding based on the merits of the application in meeting the priority housing needs of the grantee (such as housing that is accessible to transit or employment centers, housing that includes green building and sustainable development features, or housing that serves special needs populations). If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

Minnesota's Consolidated Plan identifies priority housing needs among extremely low-income renters for all renter household types. NHTF resources will be used exclusively to support units affordable to extremely low-income renters (at or below 30% of area median income) and will prioritize new construction activities to expand the housing stock for this population.

In addition to helping to meet the substantial unmet need of extremely low-income renters, Minnesota Housing has defined the following Strategic and Selection priorities. As described in the previous section, the Strategic Priority policies describe the main strategic focus and driving policy goals of Minnesota Housing in the current funding round and will be of primary importance in the evaluation of applications. The Selection Priorities capture other elements that are beneficial to a project. These priorities, described below, are communicated to potential applications through the "Strategic and Selections Priorities."

- Access to Transit or Walkability
- Greater Minnesota Workforce Housing
- Rural or Tribal
- Planned Community Development
- Preservation (including federally assisted housing)
- Supportive Housing

Among proposals that best satisfy these Strategic Priorities, Minnesota Housing will give priority in awarding funding to the proposals that best meet the greatest number of selection priorities in effect at the time of the RFP.

Selection priorities include:

- Greatest Need Tenant Targeting
- Large Family Housing
- Senior Housing
- Permanent Supportive Housing for High Priority Homeless (HPH), consistent with Local

Continuum of Care Priorities

- People with Disabilities
- Serves Lowest Income for Long Durations
- Preservation
- Rental Assistance
- Serves Lowest Income Tenants/Rent Reduction
- Long Term Affordability
- Increasing Geographic Choice
- Need for More Affordable Housing Options
- Workforce Housing Communities
- Transit and Walkability
- Supporting Community and Economic Development
- Community Development Initiative
- Equitable Development
- Rural/Tribal
- QCT/Community Revitalization and Opportunity Zones
- Multifamily Award History
- Black, Indigenous and People of Color-owned/Women-owned Business Enterprise
- Efficient Use of Scarce Resources and Leveraged Funds
- Other Contributions
- Intermediary Costs
- Building Characteristics
- Universal Design
- Smoke Free Buildings Enhanced Sustainability

i. Describe the grantee's required priority for funding based on the extent to which the application makes use of non-federal funding sources. If not distributing funds by selecting applications submitted by eligible recipients, enter "N/A".

Minnesota Housing's NHTF funds will leverage other agency, private, and low-income housing tax credit investment. The NHTF funds will be made available through the agency's Consolidated RFP, which consolidates and coordinates multiple housing resources into one application process, including funding from the Metropolitan Council. Financing opportunities that could be leveraged with NHTF funds include several nonfederal sources through the State of Minnesota:

- Amortizing first mortgages through the State of Minnesota's Low- and Moderate-Income Rental

Program

- Deferred loans through State of Minnesota funded Economic Development and Housing Challenge program
- Deferred loans through the State of Minnesota funded Preservation Affordable Rental Investment Fund
- Housing Investment Bonds through the State of Minnesota

Two of the agency's selection priorities incorporate a projects ability to leverage other resources. These include federal, local, philanthropic, and employer contributions; and financial readiness to proceed.

4. Does the grantee's application require the applicant to include a description of the eligible activities to be conducted with HTF funds? If not distributing funds by selecting applications submitted by eligible recipients, select "N/A".

Yes

5. Does the grantee's application require that each eligible recipient certify that housing units assisted with HTF funds will comply with HTF requirements? If not distributing funds by selecting applications submitted by eligible recipients, select "N/A".

Yes

6. Performance Goals and Benchmarks. The grantee has met the requirement to provide for performance goals and benchmarks against which the grantee will measure its progress, consistent with the grantee's goals established under 24 CFR 91.315(b)(2), by including HTF in its housing goals in the housing table on the SP-45 Goals and AP-20 Annual Goals and Objectives screens.

Yes

7. Maximum Per-unit Development Subsidy Amount for Housing Assisted with HTF Funds. Enter or attach the grantee's maximum per-unit development subsidy limits for housing assisted with HTF funds.

The limits must be adjusted for the number of bedrooms and the geographic location of the project. The limits must also be reasonable and based on actual costs of developing non-luxury housing in the area.

If the grantee will use existing limits developed for other federal programs such as the Low Income Housing Tax Credit (LIHTC) per unit cost limits, HOME's maximum per-unit subsidy amounts, and/or Public Housing Development Cost Limits (TDCs), it must include a description of how the HTF maximum per-unit development subsidy limits were established or a description of how existing limits developed for another program and being adopted for HTF meet the HTF requirements specified above.

Minnesota Housing's Consolidated RFP (including HTF, HOME and Low-Income Housing Tax Credits) reviews project costs through the Predictive Cost Model. 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 reasonable and actual 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 awarded or allocated HTCs and is benchmarked against industry-wide construction data. The model predicts the reasonable and actual 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 awarded or allocated HTCs and is benchmarked against industry-wide data. While the model is statistically robust, explaining 64% to 79% of the variation in historical costs, it cannot capture all the components of every proposed project. As a result, if a project's proposed total development cost (TDC) is more than a certain percentage (currently 25%) over the predicted cost model, staff must conduct additional due diligence to determine that the costs are still reasonable before seeking a cost waiver from the board. In addition, the QAP includes other criteria that appropriately incentives affordable housing development while managing costs and leveraging resources, including examining financial readiness to proceed/leveraged funds, other contributions, intermediary costs.

Previously, Minnesota Housing established a per-unit development subsidy at the same level as per unit cost thresholds established in the cost containment methodology associated with the QAP. In addition to the per-unit subsidy limits, subsidies were further limited on individual projects based on the result of subsidy layering reviews and the financing needs of the project. Additionally, per unit subsidy limits were subject to change whenever a new QAP was adopted or modified. Minnesota Housing received public feedback that the cost containment standards should consider those factors that result in increased, but necessary development costs, such as geography, larger family projects, and long-term cost savings. The Agency removed the cost containment selection criteria and projects will not complete for points against other projects if they are below a per unit threshold. In addition, adjustments are made in response to cost trends. Any changes will continue to be reasonable, based on actual costs, and adjusted for the number of bedrooms and geographic location of the program. With these QAP updates to cost containment methodology and Minnesota Housing's continued reliance on the predicative cost model tool, the NHTF maximum per-unit development subsidy limit will rely on the HOME limit, or currently 240% of the Section 234 basic mortgage limit, for elevator-type projects.

8. Rehabilitation Standards. The grantee must establish rehabilitation standards for all HTF-assisted housing rehabilitation activities that set forth the requirements that the housing must meet upon project completion. The grantee's description of its standards must be in sufficient detail to determine the required rehabilitation work including methods and materials. The standards may refer to applicable codes or they may establish requirements that exceed the minimum requirements of the codes. The grantee must attach its rehabilitation standards below.

In addition, the rehabilitation standards must address each of the following: health and safety; major systems; lead-based paint; accessibility; disaster mitigation (where relevant); state and local codes, ordinances, and zoning requirements; Uniform Physical Condition Standards; Capital Needs Assessments (if applicable); and broadband infrastructure (if applicable).

All NHTF units must comply with Minnesota Housing's Multifamily Rental Housing Design/Construction Standards, including Chapter 9, Design, Construction, and Property Standards for Federally Funded Projects. These standards are attached and found on the agency's website. Chapter 7 provides federal program requirements, while projects must achieve all requirements detailed in the guide.

9. Resale or Recapture Guidelines. Below, the grantee must enter (or attach) a description of the guidelines that will be used for resale or recapture of HTF funds when used to assist first-time homebuyers. If the grantee will not use HTF funds to assist first-time homebuyers, enter "N/A".

N/A.

10. HTF Affordable Homeownership Limits. If the grantee intends to use HTF funds for homebuyer assistance and does not use the HTF affordable homeownership limits for the area provided by HUD, it must determine 95 percent of the median area purchase price and set forth the information in accordance with §93.305. If the grantee will not use HTF funds to assist first-time homebuyers, enter "N/A".

N/A

11. Grantee Limited Beneficiaries or Preferences. Describe how the grantee will limit the beneficiaries or give preferences to a particular segment of the extremely low- or very low-income population to serve unmet needs identified in its consolidated plan or annual action plan. If the grantee will not limit the beneficiaries or give preferences to a particular segment of the extremely low- or very low-income population, enter "N/A. Any limitation or preference must not violate nondiscrimination requirements in § 93.350, and the grantee must not limit or give preferences to students. The grantee may permit rental housing owners to limit tenants or give a preference in accordance with § 93.303(d)(3) only if such limitation or preference is described in the action plan.

Minnesota Housing does not limit to segments of the NHTF eligible population. Minnesota Housing makes an effort to integrate units targeted to households experiencing homelessness or those at risk of homelessness across a variety of developments. Minnesota Housing solicits projects in the annual Multifamily Consolidated RFP. Within the scoring and selection criteria additional points are given to projects that propose to serve identified populations with a demonstrated need, one of which is individuals experiencing homelessness. Therefore, Minnesota Housing may utilize NHTF funds in units that are targeted to High Priority Homeless households. In the interest of furthering economic integration, High Priority Homeless units typically make up a small number of units in each development.

12. **Refinancing of Existing Debt.** Enter or attach the grantee's refinancing guidelines below. The guidelines describe the conditions under which the grantee will refinance existing debt. The grantee's refinancing guidelines must, at minimum, demonstrate that rehabilitation is the primary eligible activity and ensure that this requirement is met by establishing a minimum level of rehabilitation per unit or a required ratio between rehabilitation and refinancing. If the grantee will not refinance existing debt, enter "N/A."

Minnesota Housing will not use NHTF to refinance existing debt.

Discussion:

UNIQUE APPENDICES

2024

MINNESOTA STATE REGISTER

MONDAY, MARCH 4, 2024

VOLUME 48, NUMBER 36

PAGES 835 - 856

Minnesota State Register

Judicial Notice Shall Be Taken of Material Published in the Minnesota State Register

The Minnesota State Register is the official publication of the State of Minnesota's Executive Branch of government, published weekly to fulfill the legislative mandate set forth in Minnesota Statutes, Chapter 14, and Minnesota Rules, Chapter 1400. It contains:

- **Proposed Rules**
- **Adopted Rules**
- **Exempt Rules**
- **Expedited Rules**
- **Withdrawn Rules**
- **Executive Orders of the Governor**
- **Appointments**
- **Proclamations**
- **Vetoed Rules**
- **Commissioners' Orders**
- **Revenue Notices**
- **Official Notices**
- **State Grants and Loans**
- **Contracts for Professional, Technical and Consulting Services**
- **Non-State Public Bids, Contracts and Grants**

Printing Schedule and Submission Deadlines

Vol. 48 Issue Number	Publish Date	Deadline for: all Short Rules, Executive and Commissioner's Orders, Revenue and Official Notices, State Grants, Professional-Technical- Consulting Contracts, Non-State Bids and Public Contracts	Deadline for LONG, Complicated Rules (contact the editor to negotiate a deadline)
#37	Monday 11 March	Noon Tuesday 5 March	Noon Thursday 29 February
#38	Monday 18 March	Noon Tuesday 12 March	Noon Thursday 7 March
#39	Monday 25 March	Noon Tuesday 19 March	Noon Thursday 14 March
#40	Monday 1 April	Noon Tuesday 26 March	Noon Thursday 21 March

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SUBSCRIPTION SERVICES: E-mail subscriptions are available by contacting the editor at sean.plemmons@state.mn.us. Send address changes to the editor or at the Minnesota State Register, 50 Sherburne Avenue, Suite 309, Saint Paul, MN 55155.

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State Capitol, Room 231, St. Paul, MN 55155
https://www.senate.mn/

Minnesota State Court System
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MN Judicial Center, Rm. 135,
25 Rev. Dr. Martin Luther King Jr Blvd., St. Paul, MN 55155
http://www.mncourts.gov

House Public Information Services
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State Office Building, Room 175
100 Rev. Dr. Martin Luther King Jr Blvd., St. Paul, MN 55155
https://www.house.leg.state.mn.us/hinfo/hinfo.asp

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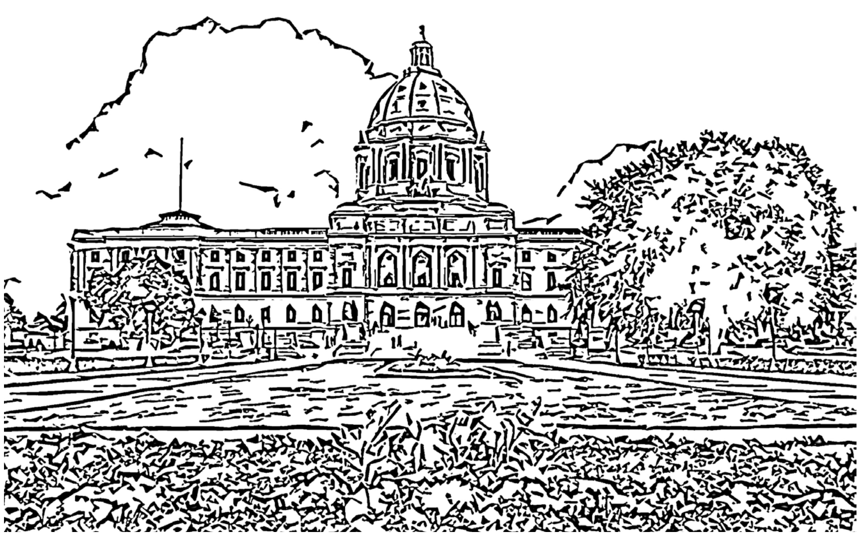
Front Cover Artwork: *The Turtle River quietly flows through Three Island Lake County Park in Beltrami County, Minn. Photo by Sean Plemmons*



Expedited Rules

Provisions exist for the Commissioners of some state agencies to adopt expedited rules when conditions exist that do not allow the Commissioner to comply with the requirements for normal rules. The Commissioner must submit the rule to the attorney general for review and must publish a notice of adoption that includes a copy of the rule and the conditions. Expedited rules are effective upon publication in the State Register, and may be effective up to seven days before
publication under certain conditions.

Expedited rules are effective for the period stated or up to 18 months. Specific *Minnesota Statute* citations accompanying these expedited rules detail the agency's rulemaking authority.

KEY: Proposed Rules - Underlining indicates additions to existing rule language. ~~Strikeouts~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material."
Adopted Rules - Underlining indicates additions to proposed rule language. ~~Strikeout~~ indicates deletions from proposed rule language.

Department of Commerce
Adopted Expedited Permanent Rules Relating to Automobile Self Insurance

The rules proposed and published at State Register, Volume 48, Number 21, pages 487-489, November 20, 2023 (48 SR 487), are adopted as proposed.

Official Notices

Pursuant to *Minnesota Statutes* §§ 14.101, an agency must first solicit comments from the public on the subject matter of a possible rulemaking proposal under active consideration within the agency by publishing a notice in the *State Register* at least 60 days before publication of a notice to adopt or a notice of hearing, and within 60 days of the effective date of any new statutory grant of required rulemaking.

The *State Register* also publishes other official notices of state agencies and non-state agencies, including notices of meetings and matters of public interest.

Department of Employment and Economic Development, Minnesota Housing Finance Agency and Department of Human Services
Notice of Public Hearings for the State of Minnesota 2024 Housing and Community Development Annual Action Plan (Action Plan)

The state of Minnesota (State) is developing its Annual Action Plan (Action Plan) for 2024 and encourages citizen and community participation in its development.

The State annually submits an Action Plan to the U.S. Department of Housing and Urban Development (HUD) in order to receive federal housing and community development funding through the Community Development Block Grant, HOME Investment Partnerships, Emergency Solutions Grants, Housing Opportunities for Persons with AIDS programs, and the National Housing Trust Fund. This Action Plan reflects year three of the State's 2022-2026 Consolidated Plan which examines the housing and community development needs of the State and sets priorities for allocating HUD funds.

The State will hold its first public hearing about the Action Plan on Wednesday, March 20, 2024, to gather citizen input on housing and community development needs and how federal funding should be allocated in the State. This hearing will be held at 3:45 p.m., in-person at the Minnesota Department of Employment and Economic Development's conference room located on the 2nd floor in the Great Northern Building, 180 E 5th Street, St. Paul, MN 55101, and also remotely via ***Microsoft Teams Meeting Link*** or via-phone at **1-651-395-7448,** with **Phone Conference ID: 171183234#**

A second public hearing on the Action Plan will be held on Wednesday, May 22, 2024, for review and comment on the draft Action Plan. The draft Action Plan will be available for public review and comment beginning April 22, 2024. The draft Action Plan will be available at ***https://www.mnhousing.gov/policy-and-research/opportunities-to-engage.html*** and ***http://mn.gov/deed/government/financial-assistance/community-funding/***. This hearing will be held at 3:45 pm, in-person at the Minnesota Department of Employment and Economic Development's Brainerd Conference room located on the 12th floor at the Great Northern Building, 180 E 5th Street, St. Paul, MN 55101, and also remotely via ***Microsoft Teams Meeting Link*** or via-phone at **1-651-395-7448,** with **Phone Conference ID: 179170171#**

Written public comments should be submitted to: Natasha Kukowski; Minnesota Department of Employment and Economic Development; Great Northern Building; 180 E 5th Street, Suite 1200, St. Paul, MN 55101-1351; Attn: Small Cities Unit; or by email to Natasha.Kukowski@state.mn.us. A hard copy of the draft Action Plan can be requested by email to ***Natasha.Kukowski@state.mn.us***, or calling (651) 259-7425 or (800) 657-3858.

If you need an accommodation due to a disability, or require interpretation services, please contact Natasha Kukowski at least three (3) business days prior to the public hearing at ***Natasha.Kukowski@state.mn.us*** or (651) 259-7425 to make the request.

The State will consider any comments from individuals or groups received in writing or at public hearings. A summary of the written and public hearing comments on the Action Plan and the State's responses will be included in the final Action Plan. The Action Plan and, if necessary, substantial amendment, will be submitted to HUD after HUD notifies the State of its fiscal year 2024 allocations.

Minnesota Department of Health (MDH)

Division of Health Policy

Notice of Adoption of Revised Rule: Minnesota Uniform Companion Guide (MUCG) Version 14.0 for the Implementation of the ASC X12/005010X279A1 Health Care Eligibility Benefit Inquiry and Response (270/271)

NOTICE IS HEREBY GIVEN that the Minnesota Department of Health (MDH) has adopted into rule version 14.0 of the Minnesota Uniform Companion Guide (MUCG) for the implementation of the following ASC X12N transaction:

- ASC X12/005010X279A1 Health Care Eligibility Benefit Inquiry and Response (270/271).

For brevity and ease of reference, the MUCG for the transaction above is hereinafter referred to as the "v14 270/271 MUCG."

Obtaining a copy of the v14 270/271 MUCG. The v14 270/271 MUCG is available for free viewing or downloading on the ***Minnesota Administrative Uniformity Committee webpage***, https://www.health.state.mn.us/facilities/ehealth/auc/index.html, and on the ***MDH Health Care Administrative Simplification webpage***, https://www.health.state.mn.us/facilities/ehealth/asa/index.html.

Description of the MUCG Rules. ***Minnesota Statutes, section 62J.536***, https://www.revisor.mn.gov/statutes/cite/62J.536, requires the Minnesota Commissioner of Health, in consultation with the Minnesota Administrative Uniformity Committee (AUC), to promulgate rules pursuant to ***section 62J.61***, https://www.revisor.mn.gov/statutes/cite/62J.61, establishing and requiring group purchasers, clearinghouses, and health care providers to exchange specified health care administrative transactions electronically, using the applicable single, uniform companion guide adopted by the Commissioner of Health. Under section 621.61, the Commissioner of Health is exempt from Minnesota Statutes,

State of Minnesota 2024 Annual Action Plan Sign-in Sheet

First Public Hearing | March 20, 2024 | 3:45 – 4:45pm | Great Northern Building

Please Print

Name	Organization (if applicable)	Email (if you'd like plan updates)
Laura Helle	Three Rivers Community Action	lhelle@threeriverscap.org

Virtual Attendance List - 1st Public Hearing

No#	Full Name	Timestamp
1	Teresa Belden	3/20/24, 3:37:10 PM
2	Tina Langton	3/20/24, 3:37:11 PM
3	Ken Oltman	3/20/24, 3:38:10 PM
4	Austin Klein	3/20/24, 3:42:52 PM
5	Ruth Paradise	3/20/24, 3:42:54 PM
6	Guest	3/20/24, 3:43:11 PM
7	Tiffany Kibwota	3/20/24, 3:43:52 PM
8	Kim Lieberman	3/20/24, 3:44:51 PM
9	Derek Kuechle	3/20/24, 3:44:57 PM
10	Guest	3/20/24, 3:45:14 PM
11	Devon Pohlman	3/20/24, 3:45:33 PM
12	Whitney	3/20/24, 3:45:50 PM
13	Jeru Gobeze	3/20/24, 3:46:58 PM
14	Kathy Greiner - RTMN	3/20/24, 3:47:47 PM
15	Jordan Grossman, CEDA	3/20/24, 3:49:16 PM
16	Guest	3/20/24, 3:52:57 PM
17	Emily Contreras	3/20/24, 3:54:06 PM
18	Patty Paulson	3/20/24, 3:56:04 PM
19	mjennings	3/20/24, 4:01:51 PM
20	Tasha A	3/20/24, 4:04:02 PM
21	Terry Parker	3/20/24, 4:06:31 PM

DEPARTMENT OF HUMAN SERVICES

MINNESOTA HOUSING

EMPLOYMENT AND ECONOMIC DEVELOPMENT

The State of Minnesota's 2024 Annual Action Plan to the US Department of Housing and Urban Development

March 20, 2024

1st Public Hearing

MINNESOTA

Public hearing information

- This webinar is being recorded.
- All attendees’ video are disabled.
- All attendees’ microphones will be disabled.
- Chat and “Raise Your Hand” feature (for call-in – Press *5)
- Closed captions can be accessed by clicking the ellipses (…) button, Language and Speech then clicking “Turn on Live Captions.”

Agenda

- Introductions
- US Department of Housing and Urban Development (HUD) anticipated resources
- Location program funds can be used
- Anticipated activities
- Public hearing

Introductions

- Minnesota Department of Employment and Economic Development
  - Natasha Kukowski
  - Zachary Klehr
  - Christian Nordeng
- Minnesota Housing and Finance Agency
  - Rachel Ganani
  - Nellie Siers
- Minnesota Department of Human Services
  - Annie Wells
  - Isaac Wengerd

HUD anticipated resources in the 2024 Action Plan

Program	Summary	Funding
Community Development Block Grant (CDBG)	DEED provides funding to small cities and counties through the Small Cities Development Program for housing, public infrastructure and commercial rehabilitation projects.	Estimated $19 million
Emergency Solutions Grant (ESG)	DHS provides operating costs and essential services to shelter, and funding for rapid rehousing and prevention programs, through a competitive application process.	Estimated $2.2 million
HOME Investment Partnerships Program (HOME)	Minnesota Housing makes funds available statewide through annual Request for Proposals. It provides deferred financing for affordable rental housing.	To Be Announced
National Housing Trust Funds (NHTF)	Minnesota Housing makes funds available through a Request for Proposals same as HOME but limited to support Extremely Low-Income households.	To Be Announced
Housing Opportunities for Persons with AIDS (HOPWA)	Minnesota Housing administers through a nonprofit in Greater Minnesota to provide short term rental and mortgage assistance.	To Be Announced

Location program funds can be used

Program	Locations within the state that use each program
Community Development Block Grant (CDBG)	Cities with a population of less than 50,000 people or counties with a population less than 200,000 people. Funds cannot be used in the counties of Anoka, Dakota, Hennepin, Ramsey, St. Louis, or Washington; or the cities of Bloomington, Duluth, Eden Prairie, Mankato, Minneapolis, Minnetonka, Moorhead, Plymouth, Rochester, St. Cloud, St. Paul, or Woodbury.
Emergency Solutions Grant (ESG)	"Balance of State" – all areas of the state *except* Dakota County, Duluth, Hennepin County, Minneapolis, St. Louis County, and St. Paul.
HOME Investment Partnerships (HOME)	Statewide
National Housing Trust Funds (NHTF)	
Housing Opportunities for Persons with AIDS (HOPWA)	

Anticipated activities in the 2024 Annual Action Plan

Program	Anticipated activities
Community Development Block Grant (CDBG)	Owner-occupied and residential rental rehabilitation for low-to-moderate income households, commercial building rehabilitation, public facility improvements/rehabilitation, and streetscape
Emergency Solutions Grant (ESG)	Emergency shelter, Rapid Rehousing and homelessness prevention
HOME Investment Partnerships Program (HOME)	Renovation and new construction of housing units for low-to-moderate income rental households
National Housing Trust Fund (NHTF)	Renovation and new construction of housing units for extremely low-income renters; prioritize new construction to expand the housing stock for this population
Housing Opportunities for Persons with AIDS (HOPWA)	Provide short term rental, mortgage or utility assistance, and services to people with HIV/AIDs

Public hearing

- We will now begin accepting comments for the 2024 Annual Action Plan.
  - Joining via computer - You may enter your comment in the chat or use the “Raise Your Hand” feature. Host will enable your microphone so you can unmute yourself to verbally state the comment.
  - Joining via phone - Press *5 to use the “Raise Your Hand” feature. Host will enable your microphone and you can press *6 to unmute to verbally state the comment.
- Questions may be asked; however, please clearly state when you are making a comment.
- If you are commenting on behalf of an agency or group, please state the name of the agency or group.

Thank You!

The draft 2024 Annual Action Plan will be available online on April 18, 2024.

State of Minnesota 2024 Annual Action Plan
First Public Hearing Comments

March 20, 2024 at 3:45 PM
Great Northern Building

Comments received at the hearing:

- The overall funding is getting less and less each year while the need across the state steadily increases. Issues arise with fixed spending based on decreases in funding.
- Interest in funding of low-income limits and multi-income developments for affordable housing.
- Opportunities to expand eligible uses within the Small Cities program specifically in the home ownership assistance category.

State and Local Tax Policies

Minnesota's previous Consolidated Plan conceded that the state's rental property tax rate is often mentioned as a barrier to affordable rental housing, both for developers and for landlords who provide affordable rental units. The tax reportedly has adverse impacts on the maintenance of existing rental housing, the development of new housing, and the efficient use of the existing housing stock. Property tax rebates for lower-income households help to mitigate some of the taxes that are passed on to renters. While the State wishes to support policies that make affordable housing development more achievable, the difficulties of implementing these strategies may limit their viability for Minnesota in the near future.

However, the State has been able to begin to address this issue with its 4d affordable rental housing property tax, a special class tax rate for affordable housing developments that represents a class rate reduction of 75 percent for rent-restricted properties. Eligible properties are subject to rent and income restrictions of the section 8 program; the Low Income Housing Tax Credit (LIHTC) program; rural housing service rent assistance programs; or a financing program of the federal, state, or local government.

Structure and Delivery of Services

Over the program year, the State will continue its collaborative funding process of a consolidated request for proposals (RFP). Included in the RFP are the federal HOME Investment Partnerships and Housing Trust Fund programs alongside state resources, and project-based section 8 vouchers through the Metropolitan Council/Metro HRA.

Challenges

Lack of Sufficient Resources

Funding shortages create a challenge for Minnesota; however, there are steps its agencies can take to maximize available resources in the most efficient way. Over the program year, Minnesota Housing will continue to focus its efforts and major resources on preservation and new construction of affordable rental housing. Minnesota Housing attempts to reduce barriers that add costs to projects, including prioritizing developments that use land efficiently and minimizing loss of agricultural and green space, or reducing barriers of local application and permit processes by prioritizing development for which costs are reduced or avoided by regulatory changes, incentives, or waivers by the governing body. In addition, Minnesota Housing employs a cost containment strategy to incentivize lower development costs while balancing quality.

DEED will continue to focus efforts on rehabilitation of all housing, creation of jobs related to economic development, and improvement of public facility access to low- to moderate-income areas. The State supports all efforts to use resources most efficiently.

First-Time Homebuyers

While Minnesota Housing's HOME program does not currently include homebuyer activities, the agency remains strong in providing mortgage and down payment assistance to first time homebuyers through state resources. Minnesota Housing has a strategic priority to reduce Minnesota's racial and ethnicity homeownership disparity. Minnesota ranks among the top three states consistently of having the highest disparities in homeownership rate between white/non-Hispanic households and households of color. We emphasize homebuyer and financial counseling and coaching and continue to design and offer mortgage programs that support homeownership fore households of color and Hispanic Ethnicity.

Over the program year, the State will continue to alleviate the challenges of first-time homebuyers by providing funding for homebuyer training and education, down payment assistance, and post purchase counseling for first time homebuyers.

Other Obstacles

NIMBYism

Community attitudes, often referred to as "Not in My Backyard," or NIMBYism, are frequently identified as an obstacle to increasing the availability of affordable housing. However, local government policies can also be described as creating a NIMBY atmosphere for affordable housing.

The State fully supports efforts to reduce NIMBYism, prejudice, and negative attitudes toward affordable and multifamily housing, and will encourage planning decisions by CDBG and HOME sub-recipient communities that work to decrease segregation and increase integration of populations. The State will also fully support civic leaders and developers who undertake education in communities statewide. Such education could be targeted, timely, and, in the context of a possible development, relevant to potentially affected citizens.

Sustainable housing

The Multifamily Division of Minnesota Housing encourages practices that promote sustainable housing in the development and rehabilitation of affordable rental housing The agency policy states" Minnesota Housing encourages sustainable, healthy housing that optimizes the use of cost effective durable building materials and systems that minimizes the consumption of natural resources both during construction or rehabilitation and in the long term maintenance and operation. We encourage optimizing the use of renewable resources and energy, minimizing damages and impact to the environment, and maximizing the use of natural amenities such as solar, wind, climate, and orientation of the development.

All federal funds, and the majority of other capital improvement funding from Minnesota Housing must meet all requirements of the 2015 Enterprise Green Communities Criteria (EGCC) as amended by the agency's Overlay and Guide.

In its 2018 Multifamily common application, Minnesota Housing is asking for funding applicants to apply for energy efficiency incentives from utilities and other sources. The purpose of this requirement is to leverage utility funds in order to increase energy efficiency in Minnesota's affordable housing.

For example, applicants to the Housing Tax Credit (HTC) program are awarded additional points for implementing green design criteria. Further, the Publicly Owned Housing Program (POHP) references sustainable building design standards in its manual, stating that "Minnesota Statutes Section 168.325 requires promulgation of & Sustainable Building Design Goals for new buildings. These goals are design standards that:

- Exceed the existing energy code standards,
- Achieve the lowest possible lifetime costs for new buildings,
- Ensure good indoor air quality,
- Create and maintain a healthy environment,
- Facilitate productivity improvements,
- Specify ways to reduce material costs, and
- Consider the long-term operating costs. of the building including the use of renewable and distributed electric energy generation that uses a renewable source of natural gas or a fuel that is as clean as or cleaner than natural gas."

For any SCDP rehabilitation project, DEED conducts an inspection that includes energy improvements to homes and commercial businesses with items such as windows, doors, insulation, and energy-efficient heating units.

Contingency Provision Language

The CDBG, HOME, NHTF, ESG, and HOPWA program final amounts allocated are not officially confirmed at the time of the writing of this draft. HUD has indicated funding awards will be announced at some time in early May 2024. The number included in the table above is the award from FY 2023. Should the expected annual allocation be different than anticipated, DEED, DHS/DCYF, and MN Housing will adjust the outcomes accordingly and the program will continue to operate as described.

DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT (DEED)

AP-15: Expected Resources

The State of Minnesota DEED receives Community Development Block Grant (CDBG) funds annually from HUD with 85% of its annual allocation and award grants to local units of government for general community development projects such as housing and commercial rehabilitation and public facility activities. The remaining 15%, administered by the Office of Business Finance, is designated specifically for economic development projects known as the Minnesota Investment Fund (MIF) Revolving Loan Fund (RLF).

Upon submittal of an application by an eligible applicant, DEED awards the MIF grant to a local unit of government in an amount up to $1,000,000 to assist with the start up or expansion of a qualified business. When repayment of the loan occurs, DEED allows the local government to retain the funds. All loan repayments are considered “Program Income” (PI) and since the local government is permitted to retain the PI, the loan payments must be placed in a separate Revolving Loan Fund (RLF) to fund thesame activities that generated the PI. Therefore, the RLF must be used specifically for future economic development activities.

Whereas, the Small Cities Development Program (SCDP), Program Income (PI) is defined as income of $35,000 or more generated in a federal fiscal year (October 1 – September 30) by SCDP funds from pastand open grants. These should be accounted for and reported separately. Reporting is due October 15th each year.

If a grantee receives less than $35,000 in a fiscal year, it is not considered Program Income but referred to as Local Income.

Program Income and Local Income funds generated could include:

- Loan repayments (with interest, if applicable).
- Proceeds from the sale of property in which SCDP funds were used.
- Interest earned on the Program Income itself.

Program Income from previous grants must be used before newly awarded grant funds can be disbursed. Program Income must be listed as leverage on applications and is expected to be drawn prior to drawing awarded funds.

Program Income and Local Income must be reused in a manner consistent with what was stated in the funding application, grant agreement, SCDP program requirements (national objective, environmental, labor standards and etc.) and their respective Program Income Reuse Plan. After closeout, if grantees wish to use Program Income or Local income generated for something other than the activities that generated the income, SCDP staff should be consulted.

As of September 30, 2023, in the recent report, the Small Cities Development Program, Program Income has a balance of **$2,229,667.03**

Please refer to the table below:

Local Government	Balance as of 9/30/2023	Contact Information
Brainerd	$ 60,448.00	(218) 828-2307
Clay County	$ 49,000.00	(218) 299-5011
Dodge Center	$ 492.00	(507) 374-2575
Elbow Lake	$ 36,585.00	(218) 731-7463
Faribault, Morristown	$ 604,724.00	(507) 334-2222
Foley	$ 88,420.00	(320) 968-7260
Grand Rapids	$ 51,649.00	(218) 326-7600
Hancock	$ 45,786.00	(320) 208-6559
Hendricks	$ 20,800.00	(507) 275-1300
Henning	$ 78,075.00	(218) 739-3249
Hutchinson	$ 51,874.00	(320) 587-5151
Ivanhoe	$ 47,032.00	(507) 694-1552
Janesville	$ 49,756.00	(507) 234-5110
Madison	$ 54,633.00	(507) 694-1552
Lafayette	$ 51,832.00	(507) 228-8241
Lake Benton	$ 45,640.00	(507) 368-4641
Madelia	$ 38,478.00	(507) 642-3245
Marshall	$ 37,978.00	(507) 537-6764
Murray County	$ 49,226.00	(507) 836-6023
New Prague	$ 580,918.00	(952) 758-4401
Pierz	$ 1,900.00	(320) 468-6471
Sandstone	$ 42,997.50	(320) 679-1800
Sauk Centre	$ 13,541.00	(320)352-0121
Shakopee	$ 18,368.00	(920) 233-9300
Sherburn	$ 18,128.00	(507) 764-4491
Thief River Falls	$ 32,475.53	(218) 681-2943
Willmar	$ 12,212.00	(320) 235-4913
Winona	$ 22,052.00	(507) 457-8234
Winthrop, Gibbon, New Auburn	$ 24,647.00	(507) 647-5500
TOTAL	**$ 2,229,667.03**	

AP-30 Method of Distribution – 91.320(d)&(k) DEED Funding

DEED funding covered by this Action Plan is distributed in a competitive funding opportunity. The results of this funding process are reflected in the priorities and specific objectives outlined in the State's 2023 Annual Action Plan Table of Objectives and Outcomes.

Following are the criteria used for distributing DEED funding:

1. Funding allocation by percentages
    A. DEED funding will be allocated on the following percentages and criteria:
        i. 30% for Single Purpose
        ii. 55% for Comprehensive Applications
        iii. The remaining 15% allocation is designated for DEED's federal economic development set-aside.
        iv. If there is not a need from the unit administering federal economic set-aside funds, these funds will go towards SCDP projects, which would be approved by the Commissioner of DEED.
        v. Allocation percentages may be modified by the Commissioner of DEED if it is determined that there is a shortage of fundable applications in any category, as allowed in State Rules.
        vi. DEED does not distribute funds based on specific geographic area.

2. Required statements review and Method of Distribution calculation
    A. The Request for Proposal (RFP) include the electronic and hard copy versions of the application, fully completed and submitted by the deadline. The required documents will be evaluated on a competitive basis and criteria:
        i. Grants are typically 39-month projects but may be longer depending on various factors including, but not limited to timing of HUD release of funds and disasters affecting the project area.
        ii. 20% of funds are allocated towards administration with a maximum of 15% of project cots to grantees and 5% for state staff.
    B. Method of Distribution calculation is based on the following criteria
        i. The State subtracts from the CDBG award the amount it sets aside for State administration:
            a. $100,000 + 3% = Dollar amount of CDBG award
            b. 2% = match (Administration)
            c. 1% = no match (Administration for Technical Assistance)

3. Availability and determination of funds
    A. The amount of available funds will include reverted funds, funds from grantees who did not spend their total grant awards in previous fiscal years, added to the current CDBG allocation.
    B. In addition, grantees must bring forward any Program Income funds they have and spend it first before any new CDBG awarded funds will be released from DEED.

i. Awarded applicants who have Program Income must expended those funds before any new CDBG funds will be disbursed as per the grantee’s approved Program Income Reuse Plan.

C. In the event of a disaster, the State of Minnesota reserves the right to use funds for any eligible CDBG activity available to an eligible grantee.

D. Once the State has determined a total CDBG allocation to award, the State will allocate the total to Single Purpose and Comprehensive grants based on the funding allocation percentages noted earlier, unless modified by the Commissioner of DEED.

State of Minnesota DEED Method of Distribution 2024

Estimated Allocation of Federal CDBG Funds based on FY2023 funding

Amount	Description
$18,835,586.00	**CDBG Allocation FY 2023**
$476,711.72	State Admin ($100,000 + 2% of $18,835,586)
$188,355.86	Technical Assistance (1% of $18,835,586)
$18,170,518.42	**Available for Grants**
$18,170,518.42	**Available for Grants**
$2,725,577.76	Economic Development (15%)
$9,993,785.13	SCDP Comprehensive (55%)
$5,451,155.53	SCDP Single Purpose (30%)
$0.00	**Balance**
$9,993,785.13	SCDP Comprehensive
$5,451,155.53	SCDP Single Purpose
$15,444,940.66	**2023 SCDP Funds Available for Competitive Grants**
$0.00	Estimated Program Income in Apps.
$1,943,909.88	Reverted SCDP- 2020 and prior
$637,179.39	2023 not used SCDP award
$2,725,577.76	2023 Reverted Economic Development
$5,306,667.03	**NON 2023 Funds Available for Competitive Grants**
$15,444,940.66	2024 Funds Available for SCDP Competitive Grants
$5,306,667.03	NON 2024 Funds Available for Competitive Grants
$20,751,607.69	**FUNDS AVAILABLE TO FUND 2023 COMPETITIVE GRANTS**
$23,365,461.00	**PRELIMINARY PROPOSALS RECEIVED**
$20,751,607.69	**FUNDS ENCUMBERED FOR 2024 ROUND**
$0.00	**REMAINING BALANCE OF 2024 SCDP ALLOCATION UNENCUMBERED**

Program Specific-CDBG

SCDP Special Needs Activities

SCDP funds may be used for affordable housing development that assists special needs populations. The SCDP is flexible and can assist special needs populations in a variety of ways, including rehabilitation of homes, shelters, or community centers that serve these populations. These ·applicants will follow the regular SCDP process that is currently in place.

SCDP Disaster Response Activities

DEED may allocate reverted dollars from previous or current SCDP funds for use in a federal- and/or state-declared disaster response. The type of response will be determined based on the needs in the disaster area and the other resources that may be available. All other available resources must be accessed prior to the use of SCDP funds. All recipients of assistance will need to meet SCDP requirements. These applicants will follow the regular SCDP process that is currently in place.

Program Income

Program Income (PI) is income received in excess of $35,000 in a federal fiscal year by a grantee or a sub-recipient as a result of the activities supported by Minnesota CDBG funds. Grantees or sub- recipients will follow the requirements set by DEED (SCDP) in addition to all HUD program income regulatory requirements. HUD Requirements can be found at 570.489(e).

Program Income is defined as income generated by the SCDP-funded activities, which include but is not limited to:

- Loan repayments (with interest, if applicable);
- Proceeds from the sale of property purchased with SCDP funds; or
- Interest earned on the Pl itself, once back under the control of the Grantee.

All communities that currently have Pl on hand and intend on applying for a new SCDP grant must bring the current Pl as leveraged funds unless repayment agreements are already in place for use of these funds. All awarded grants with Pl on hand will reduce draws based on distribution plans of those funds to the awarded projects.

Internal SCDP Monitoring Procedures (Jan 2021)

All grants will be monitored to determine if the grant activities meet the following: national objective, eligible activities, grant and financial management, activity specific and grant progress.

There are two types of monitoring conducted:

- On-site Monitoring
- On-going Desk Monitoring

On-site monitoring will be completed at least one time within the grant period. The goal is to monitor each grantee early enough to prevent problems but late enough to review grantee performance and progress. A monitoring checklist will be used at the visit with a description of a concern or a finding if applicable. Upon monitoring completion staff will input data into the monitoring spreadsheet.

The following is the onsite monitoring process:

- Notification of visit: The grantee and administrator will be emailed or called to set up the monitoring appointment and provided the monitoring checklist for preparation.
- Entrance meeting onsite (describing the process) will occur between the state, grantee, and administrator;
- State monitoring conducted using monitoring checklist: see areas reviewed in next section;
- Exit Meeting: Provide positive feedback and discuss findings/concerns;
- Cover letter and monitoring report written and approved by director prior to mail out;
- Notification of results to mayor and administrator: Cover letter and report;
- Follow up to clear Findings within 60 days from report date (when possible).

Due to COVID-19 pandemic and Stay Home Order, SCDP staff is still conducting monitoring but via remote/desk monitoring using different technologies available to conduct remote meetings and receiving documents electronically. To accommodate grantees that do not possess up to date technology, grantees are able to use alternative communication means such as telephone calls, and US mail to deliver the pertinent documents necessary for a successful monitoring.

Areas reviewed will consist of:

- Activity Eligibility and National Objective;
- Grant and Financial Management;
- General areas of review: environmental, fair housing, labor standards- if applicable, grant progress, policies/procedures, and individual case files

Desk monitoring consists of DEED reviewing the items below at any time during the grant period:

- Annual Reports/Performance Measurements
- Disbursement Requests
- Labor Standards-Notice of Contract Awards and Final Reports

- Policies and procedures
- Environmental
- Requested information

2024 Annual Action Plan Input Results

Agency	Agency type (city or admin)	Housing priorities	Community development priorities	Agree most funds to housing/CD	If no, other eligible activities to be funded	Additional comments
City of Taconite	City	N/A	Water infrastructure	Yes	N/A	N/A
Headwaters Regional Development Commission (HRDC)	Admin	Supportive housing Permanent new stock needed Infrastructure to promote new developments	Easier access to funds to help in emergency situations such as apartment closures	N/A	N/A	Appears to be a lot of documentation on compliance. Maybe consider mission over red tape or increase admin fee? Rural workers wear many hats, not enough capacity for 1 job, less complaince would enable more to be accomplished as staff capacity is an issue.
HRDC	Admin	Developing affordable housing Assisting unhoused population in attaining housing	Funds for emergency situations such as apartment closures	N/A	N/A	N/A
NW MN Multi-County HRA	Admin	Workforce housing Houses for families - rentals Contract for deed homes	Commercial rehab Blighted housing Lack of available housing	N/A	N/A	Many communities have aging city halls or community center - ineligible for SCDP b/c they're also polling places. Why? Maximums increase? Tough to do much with post-COVID costs for materials. How is lead assessment going to change. Have a shortage of lead contractors. Admin burden never seems to lessen. Google Drive site is well-organized and easy to use.
NW MN Multi-County HRA	Admin	Low income housing Workforce housing Down payment program	Commercial properties	Yes and No	Wok force housing would be another area that needs more assistance.	Would be helpful if admins could still get the full 15% admin even if all rehab is not spent. Time and funds are still spent when project backs out.
Widseth	Admin	Affordable housing Workforce housing "Value gap" between rehab costs and appriasal value	Development cost increase faster than communities ability to finance projects	Yes	N/A	Greatly appreciate the continous parternship DEED and SCDP program to improve communites. Thank you for the traveling to the community for the training.
Northwest Community Action	Admin	New housing Housing rehabs (owner and rental)	Commercial district upgrades Infrastructure (water, sewer, streets)	Yes	N/A	N/A
NWCA	Admin	Housing rehab in rural areas Market rate rental New housing	Housing Transportation	Yes	N/A	N/A
NWCA	Admin	Rural single family housing rehab Sewer and wells	Single family housing rehab Commercial rehab	Yes	N/A	N/A
City of Kelliher	City	Owner occupied rehab New housing New rental housing	New housing Attracting new businesses Open space development	N/A	N/A	N/A
HRDC	Admin	Developing affordable and equitable housing capacity Increasing and maintaining housing stock	Access to public transportation Prevention of future subsidised housing emergencies (closures)	Yes	N/A	Housing stock is not growing at a rate that keeps up with pop. growth, especially in small cities without large development companies.
Douglas County HRA	Admin	Manufactured homes repair/replacement (MHFA RLP income limits are too low) Funding increase for rehab - materials/labor are high and lead hazards eat up funds. Affordable homeownership with higher income limits	Affordable rentals Affordable housing	Yes	N/A	$20k-25k doesn't go as far as it once did in rehab projects, this needs to be raised to keep up with rising costs of materials/labor.
Moore Engineering	Admin	Municipalities	N/A	Yes	N/A	N/A
Moore Engineering	Admin	Municipalities (civil engineering)	N/A	Yes	N/A	N/A
Bolton & Menk	Admin	N/A	Municipal Streets, utilities and public facilities	Yes	N/A	Thank you!
Kandiyohi County HRA	Admin	New construction - single family, affordable multi-family Single family and multi-family rehab Lot infrastructure	N/A	Yes	N/A	Thanks for all your help!
UMVRDC	Admin	New housing Senior housing Rental housing Market rate rental	Housing	Yes	New housing and childcare	N/A
Central Minnesota Housing Partnership	Admin	Owner occupied rehab	Beautification projects (streetscape, façade uplifts, etc.)	Yes	N/A	Increase per project amount to be able to address household needs above budget and more people assisted. Reuse of local funds and Program Income have excited communities to use the funds on projects.
Crookston Housing and EDA	Admin	Market rate rental Rehab older housing stock for workforce housing	Market rate housing Streetscape	Yes	N/A	With inflation there's a need to increase amounts that recipients can receive 12,400 and 25,000 amounts
Development Services Inc. (DSI)	Admin	Owner occupied Rental	Neighborhood redevelopment with current housing stock	Yes	N/A	N/A
Swift County HRA	Admin	Rehabilitation/preservation New development	Address slum/blight in downtown business areas	Yes	N/A	N/A
DSI	Admin	Owner occupied Rental	To make our communites a better place to live for future generations	Yes	N/A	N/A
Fergeus Falls HRA	Admin	Additional units, all income levels included Workforce is being discussed	Infrastructure and development of city owned property	Yes	N/A	Good training, thank you for traveling.
Bollig Engineering	Admin	Housing utility infrastructure updates Rehab and new housing development infrastructure Housing preservations and production	Infrastructure development and rehab Husing production to meet workforce needs Housing preservation	Yes	N/A	N/A
Bollig Engineering	Admin	New housing infrastructure	Updating or replacing infrastructure	Yes	N/A	N/A
Brainerd, Crow Wing and Crosby HRAs	Admin	Building new affordable housing units and retaining the current affordable homes	New affordable housing	Yes	N/A	N/A
Moore Engineering	Admin	N/A	Water/wastewater infrastructure improvements	N/A	N/A	N/A
City of Perham/Perhman HRA	City/admin	Affordable capacity and rehab	Workforce retention	Yes	N/A	N/A

Agency	Agency type (city or admin)	Housing priorities	Community development priorities	Agree most funds to housing/CD	If no, other eligible activities to be funded	Additional comments
Clay County HRA	Admin	Owner rehab Ending homelessness Elderly housing Housing for (inlegible) families	Business rehab Streetscape and beautification	Yes	N/A	N/A
UCAP	Admin	Insulating homes properly during winter months	Make sure homes are not falling apart and getting them fixed from the outside as well	No	N/A	N/A
Southwest Minnesota Housing Partnership (SWMHP)	Admin	Affordable housing	Affordable	Yes	N/A	N/A
City of Watkins	City	Building townhouses Residential rehab	New pumps for waste water treatment	Yes	N/A	N/A
City of Lonsdale	City	Provide life cycle housing Assistance to L/LMI residents in need	Provide essential services Liveable housing Planning/zoning Economic development	Yes	N/A	Good job at training workshop
Lakes & Pines, CAC	Admin	Rehab on existing housing Subsidized housing	Community Center	Yes	N/A	N/A
City of Tracy	City	Rentals Single family homes Twin homes SS and housing	Housing Putting rental housing in empty buildings down town Infrastructure including updating city offices	Yes	N/A	N/A
UCAP	Admin	Affordable housing - new and existing Retain existing housing (rehab) Build contractor base to work on housing to help preserve	N/A	Yes	N/A	N/A
Minnesota Valley Action Council (MVAC)	Admin	Maintain housing stock/affordable housing	N/A	Yes	N/A	N/A
MVAC	Admin	Rehab large number of homes needing more than 75k in needs	Demolition of homes Rehab costs Finding contractors Finding contractors willing to be lead licensed.	No	Remoe the labor standards from commercial projects	N/A
City of Lonsdale	City	Residential properties	Residential rehab projects	Yes	N/A	Thank you for the training opportunity. The information is useful and a follow-up will be necessary.
Southeast MN Multi-County HRA (SEMMCHRA)	Admin	Affordable housing Preservation of housing	N/A	Yes	N/A	N/A
SEMMCHRA	Admin	Housing affordability Preserving the housing stock	N/A	Yes	N/A	N/A
SEMMCHRA	Admin	rehab and new construction Affordable multi-family complexes in out-state MN	Rehabilitation and preservation of existing housing stock. Construction of new workforce housing.	Yes	N/A	N/A

SCDP Allowable Pre-Agreement Costs

200.458 Pre-award costs.

Pre-award costs are those incurred prior to the effective date of the Federal award directly pursuant to the negotiation and in anticipation of the Federal award where such costs are necessary for efficient and timely performance of the scope of work. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency.

To minimize additional workload on grantees and the state, as established in 2 CFR 200.485 requirements, this plan includes implementation and incurring of pre-award costs if and when the grantees complete the following documentation in its local files.

The purpose of this communication is to advise grantees about eligible SCDP expenditures and allowable pre-agreement costs. The following expenses may be incurred prior to the executed grant agreement:

- Costs incurred to attend the Small Cities Development Program (SCDP) Implementation Workshop.
- Costs incurred to complete an environmental review.
- Grant start-up activities (i.e., Policies and Procedures).
- Costs incurred to accept applications and determine scope of work.

Grantee must document in file:

- The grantee documents that the costs incurred prior to grant award are necessary for efficient and timely performance of the activity in question.
- The grantee documents that the costs are for eligible activities under the regulations for the applicable funding program.
- The grantee documents that the grantee has complied with all other requirements for pre-award costs under the regulations for the applicable funding program.

We cannot reimburse you for allowable pre-agreement costs until you have the following:

- An executed grant agreement with us.
- Cleared the SCDP environmental review process.
- Cleared any special conditions necessary.
- Citizen participation process is complete.

MINNESOTA DEPARTMENT OF HUMAN SERVICES (DHS)

AP-30 Method of Distribution - 91.320(d)&(k)

ESG Funding

ESG Funding for emergency shelter, prevention, and rapid re-housing activities covered by this Action Plan is distributed in a competitive funding opportunity. The results of this funding process are reflected in the priorities and objectives outlined in State's 2024 Annual Action Plan Table of Objectives and Outcomes.

Taken together, the ESG Shelter, Prevention and Rapid Re-Housing funding address three of the State's priority objectives for ESG funding:

SL-1.1 Provide safe, adequate emergency shelter for those not yet re-housed or diverted from shelter.
SL-1.1 Stably rehouse homeless persons and those at-risk of homelessness
SL-1.1 Ensure homeless families and individuals transition to stable, long-term housing situations.

Following are the criteria used for distributing FFY2024 ESG funding eligible activities:

Scoring Components: All Activities

Organization-Wide Equity and Accessibility (15 points)

- Staff demographics to reflect population served and hiring practices
- Action taken to offer culturally responsive program/services
- Incorporation of participants in decision making and program evaluation
- Steps taken for continuous improvement to provide affirming services to LGBTQIAP2+ population
- Steps taken to make program/services accessible

Organization-wide Approach (5 points)

- Participation in local and regional homeless response system
- Experience providing services, or if new provider, preparation to provide services
- Best practice approaches
- Partnerships with local child welfare providers *(youth programs only)*

Emergency Shelter Program Services and Activities (20 points per activity. Applications with multiple activities scored separately.)

- Clear description of policies and procedures around eligibility, program access/admission, length of stay, involuntary discharge, etc.
- Detailed information about Emergency Shelter model (Congregate Site, Host Home, Rotating Site, Hotel/Motel, and Emergency Apartments)
- Description of services provided
- Strategies for implementing low barrier shelter
- Implementation of harm reduction approaches

Emergency Shelter Program Revenue and Budget (10 points, per activity)

- Cost effectiveness of program

- Detailed information on revenue sources
- Diverse and sustainable funding
- Descriptive/complete budget narrative and reasonableness of budget

Scattered-Site Transitional Housing & Rapid Re-Housing Program Services and Activities (20 points per activity. Applications with multiple activities scored separately.)

- Detailed information about housing model
- Clear description of policies and procedures around eligibility, program access/admission, length of stay, involuntary discharge, and rent/utility payments
- Description of services provided
- Implementation of follow-up and after-care services
- Clear plan to serve parents with their children, if applicable
- Implementation of harm reduction approaches

Scattered-Site Transitional Housing & Rapid Re-Housing Program Revenue and Budget (10 points per activity.)

- Cost effectiveness of program
- Detailed information on revenue sources
- Diverse and sustainable funding
  Descriptive/complete budget narrative and reasonableness of budget

AP-90 PROGRAM SPECIFIC REQUIREMENTS: ESG MONITORING

Bi-annually, the DHS/DCYF Office of Economic Opportunity (OEO) staff reviews all ESG grantees using a Grantee Risk Assessment Tool based on a HUD risk analysis tool. The tool has three broad areas of analysis:

General agency information, including such factors as Executive/Fiscal Director turnover, unresolvedmonitoring findings, agency systems and board function;

Program Operations, including compliance and reporting issues, partnerships and linkages and the quality ofprogramming based on monitoring; and

Fiscal operations, including audit findings, unresolved fiscal problems, fiscal systems and procedures,program deficits, and accurate reporting.

The Grantee Risk Assessment Tool allows DHS/DCYF to determine if a grantee needs immediate attention or can receive on-site monitoring as a part of the regular bi-annual rotation. In either case, the focus of the monitoring will include any risk areas highlighted by the risk analysis tool. The regular monitoring rotation ensures that grantees are monitored at least once during every grant cycle.

Grantee concerns, whether identified through the risk assessment process, risk analysis, or via a monitoring visit, are addressed in a timely manner. Some issues must be addressed immediately, while others are dealt with over time.

The on-site monitoring tool looks at the overall agency capacity and systems in place to deliver services determined through a guided discussion with program managers and direct service staff. This includes an overview of the strengths and challenges facing the community and participants, coordination and collaborationefforts, major staff or board changes, information systems, outcomes, fiscal systems, supportive service referral,and board function. A random selection of participant files is reviewed for specific documentation on homelessness, data privacy, case management, follow-up, and supportive services. There is a verification of timeliness of grant expenditures, homeless participation in policies and project development, and that the expected number of participants is being served.

Desk monitoring, including monthly fiscal reporting, is provided throughout the grant period and consists of open communication and joint problem solving with grantees, analysis of monthly fiscal reports, annual audits,and required program reports.

Grantees receive a written monitoring report after the visit. Issues such as late reporting must be corrected immediately. Capacity building occurs as the field representative provides assistance to the grantee during the year. Program staff work collaboratively with monitoring staff to develop the new monitoring instrument, which is reviewed and updated regularly.

DHS/DCYF conducts a customer satisfaction survey to secure input for program improvement and development. Training and grantee meetings are held periodically as needed. The work plan, customer satisfaction survey, on-going open communication, and training events provide grantees with a variety of opportunities throughout the grant period to ask questions and provide feedback.

MINNESOTA HOUSING FINANCE AGENCY
(MINNESOTA HOUSING)

One Minnesota Budget

On May 15, Governor Walz signed the **$1.065 billion housing omnibus bill**, the **largest single investment in housing in state history.** Other legislation will provide nearly $250 million more to the agency for a total of $1.313 billion. Overall, the Legislature delivered on the priorities laid out in the Governor's $1.152 billion January budget and bonding recommendations. The housing bill is an increase of $950 million from base budget ($115 million) with an estimated $625 million to existing programs and $440 million to over 15 new programs or activities. This budget responds to the range of housing needs felt by Minnesotans in all regions of the state, while focusing on closing disparities, assisting lowest-income Minnesotans and serving underserved geographies. The bill addresses critical housing needs facing the state:

- Rental and homeownership
- New construction and preservation
- Deeply affordable housing and market-rate housing in Greater Minnesota
- Homelessness prevention and homeownership development
- Rental assistance and downpayment assistance

Housing Budget Bill Summary	
	FY 2024-2025
Preserve and Create New Homes	$548.8 million *+$495 million*
Increase Housing Stability	$176 million *+$120 million*
Support and Strengthen Homeownership	$271.5 million *+$267 million*
Other Housing Investments	$69.3 million *+$68 million*
Total FY 2024-25	**$1.065 billion**

The Legislature previously passed $50 million in Family Homelessness Prevention and Assistance program and several other bills provide additional resources to the agency, including:

- **State Infrastructure/Bonding Bills:** $72 million for Public Housing Preservation (POHP) including $30.1 million cash and $41.9 from state general obligation bonds ($87 million total for POHP), and $3 million for the new Greater Minnesota Housing Infrastructure program.
- **Tax Bill:** $40 million in funding for the Workforce and Affordable Homeownership Development and $4.5 million for the grant program to small cities in Greater Minnesota as part of a new Statewide Local Housing Aid Program ($40.5 million).
- **Metro-wide Sales Tax in Housing Bill:** The housing omnibus bill also included a new .25% metro area sales to fund rental assistance administered by the Agency ($77 million), as well as new Local Affordable Housing Aid ($231 million).

HOUSING BUDGET HIGHLIGHTS

This historic investment will build new housing, improve existing housing, reduce homeownership disparities and promote housing stability through expanding access to rental assistance and additional resources for homelessness prevention. The budget increases funding for many existing programs and creates over 15 additional programs or activities.

Significant resources for preservation and construction of homes:

- $200 million in Housing Infrastructure appropriations
- $121 million for the Challenge Program
  - $6.4 million per year is set-aside for housing projects for American Indians
- $90 million for the Community Stabilization program to address naturally occurring affordable housing
- $87 million for Public Housing Rehabilitation
- $60.5 million for the Workforce Homeownership Program
- $40 million for a new Homeownership Investment Grant program
- $39 million for Greater Minnesota Workforce Housing development

Investments to increase housing stability:

- $120.5 million for Family Homeless Prevention (FHPAP) (including the $50 million passed earlier in session)
  - $10 million direct allocation to Tribal Nations
- A new statewide rental assistance program funded by appropriations ($46 million) and a new metro area sales tax (estimated to collect $77 million)
- $25 million to strengthen supportive housing developments that support individuals or families who are at-risk of or are facing homelessness

Supporting and strengthening homeownership:

- $101.8 million to support Agency downpayment assistance programs, including $50 million for first-generation homebuyers
- $100 million to Community Development Financial Institutions for first-generation homebuyer grants
- $10 million for manufactured home lending grants in cooperatives
- $3.7 million for homebuyer education, counseling, and training (HECAT)

Additional investments in housing:

- $50 million for Stable Housing Organizational Relief Program for non-profit housing owners
- $5.8 to fund Local Housing Trust Funds matching grants
- $4 million for Lead Safe Homes
- $3 million for Housing Mediation Grants

AGENCY POLICY HIGHLIGHTS

- Authority for Agency to create special purpose credit programs to reach communities most impacted by disparities in homeownership
- Expands eligibility for Housing Infrastructure funding to include new construction at or below 50% Area Median Income (AMI) and allows grants for homeownership development
- Clarifies that Tribes and Tribal entities may be eligible for all Minnesota Housing programs
- Prioritizes use of appropriations to serve households most impacted by housing disparities
- Modifies the Agency's $5 billion outstanding bonds and notes statute to exclude limited obligations, which includes Housing Infrastructure Bond debt
- Allows adding or rehabilitating detached accessory dwelling units as an eligible use for the Agency's Fix Up Fund program

HOUSING POLICY PROVISIONS IN OTHER BILLS

Judiciary and Public Safety Bill: Renter Protections

The Governor's policy recommendations included a number of protections targeted at creating stability for renter households. Provisions adopted include:

- 14-day notice required prior to filing eviction
- Limit eviction reporting until a judgment is rendered and expand expungement requirements
- Ability to terminate a lease due to tenant infirmity
- Disclosure of non-optional fees and whether utilities are included in rent
- Right to counsel for residents of public housing in breach of lease proceedings
- Minimum temperature of 68 degrees required October 1 through April 30
- Clarification of emergency/required repairs

Tax Bill: Property Tax Changes

- Lowers the 4(d), Low Income Rental Classification, property tax rate to .25 for qualifying units and creates a new local approval process for new units
- Creates a lower property tax rate (.75) for homes in community land trusts

Energy and Environment Bill: "Green Bank" Established

- Minnesota Housing is included on the Board of Directors for the Minnesota Climate Innovation Finance Authority ("Green Bank") which will oversee an initial $45 million for projects related to clean energy, greenhouse gas emission reduction, and other projects

Labor Policy: Prevailing Wage Provisions

- Establishes that state prevailing wages do not apply to single-family detached home developments of 10 or fewer homes
- Establishes that Minnesota Housing is a contracting authority under state prevailing wage law

FY 2024-25 Housing Budget

Program	Description	FY 2024-2025
PRESERVE AND CREATE NEW HOMES – EXISTING PROGRAMS		
Economic Development and Housing Challenge (Challenge)	Funds both multifamily rental and single-family homeownership new construction and redevelopment. Leverages federal, private and local government funds.	$120.9 million *+$95 million*
Workforce Homeownership Program	Provides development resources to increase the supply of homeownership opportunities.	$60.5 million* *+$60 million*
Greater Minnesota Workforce Housing Program	Provides competitive financial assistance to build market-rate and mixed-income residential rental properties in Greater Minnesota.	$39 million *+$35 million*
Housing Infrastructure	Provides loans and grants for rental housing development, manufactured housing community infrastructure and homeownership development.	$200 million *+$200 million*
Public Housing Rehab	Provides resources to improve public housing with a priority on health and safety improvements, including fire suppression systems.	$87 million** *+$87 million*
Manufactured Home Park Infrastructure Grants	Provides grants for manufactured home park acquisition, improvements and infrastructure.	$17 million *+$15 million*
Rental Rehabilitation Loans	Rehabs naturally occurring affordable and federally subsidized rental housing in Greater Minnesota.	$7.5 million
Preservation (PARIF)	Assists with repair, rehabilitation and stabilization of federally assisted rental housing that is at risk of aging out of federal assistance programs.	$8.4 million
Rehab Loans (Single Family)	Helps low-income homeowners make basic health and safety improvements to their homes.	$5.5 million
PRESERVE AND CREATE NEW HOMES – NEW PROGRAMS		
Community Stabilization	Provides resources to preserve and improve existing housing commonly referred to as Naturally Occurring Affordable Housing.	$90 million
Homeownership Investment Grants	Development, financing, and rehab/resale of homes for affordable owner-occupancy, via CDFIs.	$40 million
Manufactured Home Park Acquisition	Available to Northcountry Cooperative Foundation for conversion of parks to cooperative ownership.	$10 million
High-Rise Sprinkler Grants	Install sprinkler systems in existing properties currently unprotected; survey to identify other buildings in need.	$10 million
Greater Minnesota Housing Infrastructure	Grants to provide up to 50% of the cost of public infrastructure for housing development.	$8 million**
		*includes appropriation from tax bill
		**includes any cash or state general obligation bond proceeds from capital improvement bills

Program	Description	FY 2024-2025
INCREASE HOUSING STABILITY – EXISTING PROGRAMS		
Family Homeless Prevention	Provides short-term assistance to families at risk of homelessness. Types of assistance may include one-time rental payments, assistance with first or last month's rent, or one-time mortgage payments.	$120.5 million *+$100 million*
Housing Trust Fund	Provides rental assistance for individuals and families, many of whom have previously experienced homelessness.	$23.3 million
Homework Starts with Home	Provides rent and other housing assistance to families with children that lack housing stability.	$5.5 million *+$2 million*
Bridges	Provides rental assistance for families in which at least one adult member has a serious mental illness.	$10.7 million *+$2 million*
INCREASE HOUSING STABILITY – NEW PROGRAMS		
Strengthen Supportive Housing	Provides resources to strengthen supportive housing for individuals or families who are at-risk of or are experiencing homelessness.	$25 million
Rent Assistance	"Bring It Home" statewide rental assistance, funded via ongoing appropriation and in the metro area via a. 25% metro-wide sales tax.	$124 million** *$46 m - budget* *$77 m - sales tax*
		**funded with new dedicated sales tax revenue

SUPPORT AND STRENGTHEN HOMEOWNERSHIP – EXISTING PROGRAMS		
Homeownership Assistance Fund/Downpayment Assistance	Provides funding for the Agency's downpayment and closing cost assistance program. Serves low- to moderate-income first-time homebuyers across the state, including First Generation Homebuyers.	$51.8 million *+$50 million*
Homeownership Education, Counseling and Training (HECAT)	Provides both pre-purchase homebuyer counseling and foreclosure prevention counseling services.	$3.7 million *+$2 million*
Build Wealth MN	Direct appropriation to support capacity and provide resources to Build Wealth MN's 9000 Equities Fund.	$6 million *+$5 million*

Program	Description	FY 2024-2025
SUPPORT AND STRENGTHEN HOMEOWNERSHIP – NEW PROGRAMS		
Agency First Generation Downpayment Assistance	Resources to provide enhanced downpayment assistance to buyers whose parents did not own a home or who lost a home to foreclosure. Funds can be paired with agency mortgage products, and will also be available to buyers who are not served by agency options.	$50.0 million
CDFI First Generation Downpayment Assistance	Resources for downpayment assistance to first-generation homebuyers, as administered via CDFI organizations.	$100 million
Fee-based HomePurchasing	Downpayment capital to incentivize development of homepurchasing products for interest-averse buyers, administered by NeighborWorks Home Partners.	$10 million
Manufactured Home Lending Grant	Resources to nonprofits to provide manufactured home financing, downpayment assistance, or repair, removal, or site preparation.	$10 million

OTHER HOUSING INVESTMENTS – EXISTING PROGRAMS		
Capacity Building	Provides grants to organizations for regional coordination, housing planning and to build capacity.	$6.3 million *+$5 million*
OTHER HOUSING INVESTMENTS – NEW PROGRAMS		
Lead Safe Homes	Identify and/or remediate lead health hazards in properties serving residents at or below 60% AMI.	$4 million
Housing Mediation Grant Program	Statewide housing mediation program to provide support to renters and residential rental property owners.	$3 million
Local Housing Trust Funds (LHTF)	Matching grants to incentivize local housing trust funds including $1 million to Northland Initiative Foundation.	$5.8 million
Stable Housing Organizational Relief Program	Financial assistance to nonprofits rental properties that are experiencing significant detrimental financial impacts due to recent economic and social conditions.	$50 million

Home Investment Partnerships (HOME) and National Housing Trust Fund (NHTF) Combined Program Guide

August 2023

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Regulations

Program specific federal statutes and rules referenced in this guide can be found at the links below:

- HOME Investment Partnerships Program
- National Housing Trust Fund Program
- Minnesota Statutes and Rules – Office of the Revisor of Statutes

Federal Cross-Cutting Requirements

HOME and NHTF are federal funds that require compliance with various cross-cutting requirements, which impact the entire project. The Initiation of Negotiations (ION) for the cross-cutting requirements is triggered differently for each of the funding sources and type.

- NHTF Operating Cost Assistance
    - Completing the NHTF Funding Application Certification and submitting an application as part of Minnesota Housing's annual Multifamily Consolidated Request for Proposals (RFP) / Housing Tax Credits (HTC) funding round (Consolidated RFP) triggers the ION for all applicable cross-cutting requirements.
- The pool of deferred funds (HOME and NHTF)
    - The signing of the NHTF and/or HOME Funding Acceptance Agreement triggers the ION for all applicable cross-cutting requirements. The certification form is signed after the project launch meeting.

The owner/developer is required to comply with all applicable cross-cutting requirements. No choice limiting actions can be taken after the ION has been triggered for these specific funds. In order to be compliant, an owner/developer is prohibited from expending funds or taking any action that would preclude the selection of alternative choices until the environmental review process is complete.

The following chart helps identify some, but not all, of the major federal cross-cutting requirements, their trigger points and the term of compliance with the requirement. More detailed explanations of these requirements can be found throughout relevant guides required as part of Minnesota Housing's Consolidated RFP and in the Code of Federal Regulations (CFR). Violating the choice limiting actions prohibition could cause the federal funds to be withdrawn from the project. If you have questions about choice limiting actions, contact Minnesota Housing's Federal Programs Manager. Contact information can be found on Minnesota Housing's website.

Requirement	Trigger Point	Term of Requirement
Environmental Reviews regarding choice limiting actions – HOME	ION (Initiation of Negotiations)	ION until clearance or release of funds
Environmental Reviews regarding choice limiting actions – NHTF	None	None
Uniform Relocation Act (URA)	ION	ION until project construction closeout
Section 3	ION	ION until project construction closeout
Black, Indigenous and People of Color-owned Business Enterprise/Women-owned Business Enterprise[1]	ION	ION until project construction closeout
Davis Bacon and Related Acts – HOME	ION	ION until project construction closeout
Davis Bacon and Related Acts – NHTF	None	None
Lead-based Paint	ION (pre-1978 construction date)	ION and ongoing
Fair Housing – Accessibility	ION	ION and ongoing
Fair Housing – Marketing	ION	ION and ongoing
EEO – Included in Contracts	ION	ION until project construction closeout
Debarment/Suspension	ION	ION until project construction closeout
Physical Condition Standards	ION	ION until term of the loan

[1] Minnesota Housing has adopted Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise (BIPOCBE/WBE), which is also known as Minority-owned and Women-owned Business Enterprise (MBE/WBE) when in reference to certain state and federal programs as well as statutory language.

Chapter 1 – Introduction

1.01 Background

Minnesota Housing has administered the HOME Investment Partnerships Program (HOME) since 1992. The National Housing Trust Fund Program (NHTF) funds first became available in Minnesota Housing's 2016 Consolidated RFP. HOME and NHTF are federal programs and are dependent on the continued availability of federal funds.

1.02 HOME and NHTF Program Purpose and Descriptions

The information presented in this guide is not intended to be a complete description of the owner/developer's responsibilities under the U.S. Department of Housing and Urban Development's (HUD) HOME and NHTF programs.

Unless a provision is noted as "HOME Only" or "NHTF Only," all provisions of this guide apply to both programs. Noncompliance by the owner/developer with certain HOME and NHTF Program requirements may have serious financial consequences.

HOME

The HOME Program can either preserve or increase the supply of decent, safe and sanitary affordable housing for low-income individuals and families. For preservation projects, Minnesota Housing gives priority in its Consolidated RFP to projects faced with risk of opt-out from federal subsidy programs (e.g., Section 8). The HOME Program provides financing for any of the following activity types:

- New construction (with or without acquisition)
- Acquisition with rehabilitation
- Rehabilitation without acquisition

NHTF

The NHTF Program provides opportunities to increase or preserve the supply of multifamily rental housing for extremely low- and very low-income families, including homeless families. This program provides funding to add a supply of affordable housing to markets where there is strong evidence of an inadequate supply. The primary benefit of the NHTF Program will be the reduction of the number of homeless families and individuals as well as a reduction in the number of families paying a disproportionate share of their income for housing. The NHTF Program provides financing for any of the following activity types:

- New construction (with or without acquisition)
- Acquisition with rehabilitation
- Rehabilitation without acquisition
- Operating Cost Assistance with one of the above activity types

1.03 Highlights of the HOME Final Rule

The 2013 HOME Final Rule contains many provisions that impact how Minnesota Housing administers HOME activities. It also codifies existing policy guidance that has been previously issued by HUD and addresses a number of technical and non-substantive "housekeeping" items within the HOME regulation. This guide specifies areas where Minnesota Housing has implemented more restrictive requirements.

The provisions of the HOME Final Rule listed below are of particular importance as they relate to changes in how the HOME Program is administered. Details can be found in subsequent chapters specific to the change.

- Revised commitment and completion deadlines
- Occupancy deadlines
- Regulatory guidance to strengthen performance in the production and preservation of HOME assisted projects
- Long-term financial viability of the HOME project over its affordability period
- HOME projects are required to maintain property conditions throughout the affordability period
- Capital needs will be evaluated during underwriting to plan for major systems repairs
- Reserves deposits must be sufficient to ensure the useful life of essential building components throughout the period of affordability
- Community Housing Development Organization (CHDO) qualification and capacity requirements increased

1.04 Highlights of the NHTF Interim Rule

In January 2015, HUD published an Interim Rule (FR-5246-I-03) that provides guidelines for states to implement the NHTF Program. The provisions of the NHTF Interim Rule listed below are of particular importance as they relate to how NHTF will be administered. Details can be found in subsequent chapters specific to the change.

As HUD releases additional guidance for NHTF, Minnesota Housing will continue to update program policies and protocols to align with the NHTF Interim Rule. Where possible, the NHTF Program will align with the HOME Program.

Unique components of NHTF:

- Labor standards – not required
- Operating Cost Assistance and Operating Cost Assistance Reserves (OCAR)
- All NHTF assisted rental housing must meet a minimum affordability period of 30 years
- Choice limiting actions prohibitions not required for environmental requirements

NOTE: The terms affordability period and compliance period both mean the length of time that the property must be in compliance with the program requirements. These two terms are interchangeable.

1.05 Program Comparison Chart

Categories	NHTF Program	HOME Program
Statutory Authority	Title I of the Housing and Economic Recovery Act of 2008	Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, as amended
Regulatory Authority	24 CFR Part 93	24 CFR Part 92
Purpose	• Production or preservation, primarily of rental housing, affordable and available to extremely low-income households State determines: • Priority housing need throughout the state	• Preserve the supply of decent, safe, and sanitary affordable housing for low-income individuals and families • Meet identified priority housing needs through development or rehabilitation of rental housing State determines: • Priority housing need throughout the state
Allocation	Formula	Formula
Formula Factors	Shortage of standard housing: • Overcrowding, having incomplete kitchen facilities, having incomplete plumbing, or a high rent to income ratio • Affordable to very low- and extremely low-income (below 50% of area median income (AMI) and 30% of AMI) households; weighted toward extremely low-income households • High rent to income ratio ≥ 50% of income for rent • Cost of producing housing relative to national average	Shortage of standard housing: • Overcrowding, having incomplete kitchen facilities, having incomplete plumbing, or a high rent to income ratio Rental households in poverty: • Poverty relative to national average • Inadequate housing – low vacancy, poor renters • Pre-1950 housing stock occupied by poor households • Fiscal incapacity • Cost of producing housing relative to national average

<table>
<tr><th>Categories</th><th>NHTF Program</th><th>HOME Program</th></tr>
<tr><td>Minimum Income Targeting</td><td>When total NHTF funds available nationally are less than $1 billion:
100% of NHTF assisted units must be occupied by extremely low-income households (≤ 30% of AMI) or families with incomes at or below the poverty line (whichever is greater))
When NHTF funds are greater than $1 billion nationally:
At least 75% of NHTF assisted units must be occupied by extremely low-income households (≤30% of AMI) or families with incomes at or below the poverty line (whichever is greater))
Up to 25% for very low-income households (≤ 50% of AMI)</td><td>Regardless of the amount of the award to Minnesota Housing:
100% for low-income households (≤ 80% of AMI)
90% (of HOME rental units) for households at ≤ 60% of AMI
20% of HOME assisted units in projects with five or more HOME units for households at ≤ 50% of AMI</td></tr>
<tr><td>Eligible Activities</td><td>New construction
Acquisition and rehabilitation
Operating Cost Assistance (up to one third of annual grant)</td><td>New construction
Acquisition
Acquisition and rehabilitation</td></tr>
<tr><td>Limits on Eligible Activities</td><td>Minnesota Housing will be using NHTF funds for the construction or rehabilitation of multifamily rental properties</td><td>Minnesota Housing will be using HOME funds for the construction or rehabilitation of multifamily rental properties</td></tr>
<tr><td>Rents</td><td>Rents plus utilities in units for extremely low-income households are capped at 30% of the income of a household whose income is 30% of AMI</td><td>High HOME rents (including utilities) are capped at the lesser of the Fair Market Rent (FMR) for the area or 30% of the income of a household whose income is 65% of AMI.
Low HOME rents (including utilities) are capped at 30% of the income of a household whose income is 50% of AMI, or, if there is federal or state project-based rental assistance, 30% of the tenant’s adjusted income</td></tr>
</table>

Categories	NHTF Program	HOME Program
Maximum Per-Unit Subsidy Limits	Limits are set by Minnesota Housing: • Currently using 240% of the Section 234 basic mortgage limit, for elevator-type projects	Interim Policy – CPD-15-003 Section 234 – Condominium Housing, elevator-type. Section 234 basic mortgage limits will be used in place of the Section 221(d)(3) limits until further HUD guidance. • Cannot exceed 240% of the Section 234 basic mortgage limit
Affordability Periods	Rental Projects – New Construction, Rehabilitation, Rehabilitation and Acquisition: • 30 years	Rental Projects – Rehabilitation, Rehabilitation and Acquisition: • 5, 10, 15 years depending upon the amount of the HOME investment Rental Projects – New Construction: • 20 years
Funding Commitment Deadline	24 months from date of HUD Grant Agreement execution	Currently suspended
Project Completion Deadline	Four (4) years from commitment date (execution of a project's Written Agreement)	Four (4) years from commitment date (execution of a project's Written Agreement)

Chapter 2 – Eligible Uses and Eligibility Criteria

2.01 Eligible Projects

- HOME and NHTF programs allow for the funding of new construction, rehabilitation and acquisition.
- A property may contain one or more buildings on a single site. Properties may also be located on more than one site if it meets all of the following:
    - The properties are under common ownership
    - The properties are under common management and financing
    - The housing units are being rehabilitated in each building as part of a single undertaking
- A property must also meet all of the following:
    - Conform to all applicable zoning ordinances
    - Possess all appropriate use permits
    - Be used primarily for residential purposes (51% or more of the gross floor area of each structure must be residential space)
    - Provide permanent housing (e.g., no emergency shelters or other facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, halfway houses, housing for students, dormitories [including farmworker dormitories])

2.02 Ineligible Projects

- A property under the Emergency Low-Income Housing Preservation (ELIHPA) Act of 1987
- A property under the Low-Income Housing Preservation and Resident Homeownership (LIHPRA) Act of 1990
- Minnesota Housing financed projects actively participating in its Redefined Equity program
- Public housing property, unless otherwise specified by HUD
- A property owned by a trust
- A property owned by a borrower who previously received funds from Minnesota Housing and who did not maintain compliance with affordability, property standards or otherwise defaulted under its loan
- A property where there are encumbrances, judgments or outstanding liens that are not acceptable to Minnesota Housing
- A property with a history of negative cash flow that will not be corrected during the acquisition and rehabilitation of the property

- **NHTF:** Prohibits the use of NHTF funds in conjunction with property taken by eminent domain unless eminent domain is employed only for a public use.
- **HOME:** A property previously funded under the HOME Program (by Minnesota Housing or any other Participating Jurisdiction) that is still within its affordability period unless a waiver has been granted by Minnesota Housing and HUD.

2.03 Eligible Costs and Activities

Hard Costs

- Eligible hard costs include the actual cost of constructing or rehabilitating housing, including the activities in 24 CFR Part 93.201(a) for NHTF and 24 CFR Part 92.206(a) for HOME. Minnesota Housing can help determine what types of costs can be included in a specific project. Eligible hard costs that are incurred prior to execution of the Written Agreement will become ineligible project costs for the purposes of cost allocation.
- Permanent improvements that bring the property into compliance with applicable state and local codes, zoning ordinances and lead-safe housing as stated in HOME regulations under Part 92.251 and NHTF regulations under Part 93.301, Minnesota Housing Rental Housing Design/Construction Standards, and Uniform Physical Condition Standards (UPCS) specified in 24 CFR Part 5.705. Note that effective 10/1/2023, UPCS will be replaced by the National Standards for the Physical Inspection of Real Estate (NSPIRE).
- Acquisition costs for properties to be rehabilitated.

NOTE: HOME and NHTF funds are restricted in their use for public housing units. Applications for public housing units must meet the eligibility requirements of 24 CFR Part 92.213 for HOME or 24 CFR Part 93.203 for NHTF.

Soft Costs

- Architectural, engineering or related professional services required to prepare plans, drawings, specifications or work write-ups if they are incurred no more than 24 months prior to the execution of the HOME or NHTF Written Agreement that commits the funds to the property or during the construction phase
- Costs for environmental testing (Phase 1), Lead-based Paint (LBP) assessment, radon, asbestos-containing materials (ACM) assessment
- Developer fees up to 5% of the loan
- Finance-related costs
- Affirmative marketing and fair housing information to prospective tenants or owners of an assisted project
- Temporary relocation costs
- Other soft costs eligible under 24 CFR Part 92 for HOME, and 24 CFR Part 93 for NHTF and are approved by Minnesota Housing in advance of incurring the soft costs

Eligible Operating Costs (NHTF)

The NHTF Program allows grantees to set aside up to one third of their grant for operating cost assistance for NHTF assisted units for which project-based rental assistance is not available. Minnesota Housing will make available operating cost assistance in the form of a grant to provide operating reserves to eligible projects.

Owners that accept OCAR as a component of the funding for their project will be required to enter into a Written Agreement as well as an Operating Cost Assistance Written Agreement with Minnesota Housing. These documents will identify the obligations of the owner in regard to holding and drawing the reserve funds.

Ongoing monitoring of the reserves will occur as part of asset management oversight and will be integrated into the underwriting of the project. On an annual basis, reserve amounts may be reconciled with the amount originally committed and projected with actual costs incurred. Adjustments to the reserves would be made as directed by HUD. HUD guidance on this specific requirement is still pending. Minnesota Housing reserves the right to modify any portion of this guide to respond to federal guidance.

2.04 Ineligible Costs and Activities

Additional detail for ineligible activities and fees can be found under 24 CFR Part 92.214 for HOME and Part 93.204 for NHTF. Owners are encouraged to review this section of the regulation (refer to Section 1.05 above for links).

NOTE: Ineligible improvements and expenses may be completed at the expense of the owner.

Ineligible Improvements and Expenses

- Recreational or luxury improvements
- Installation of fireplaces or wood burning stoves
- Materials purchased prior to the commitment of federal funds
- Acquisition that is not in conjunction with rehabilitation of the project
- Improvements that started prior to loan closing
- Equipment and furnishings not considered part of the real estate
- Materials, fixtures or landscaping of a type or quality exceeding those customarily used in similar neighborhood properties
- Improvements not included in the scope of work and the loan amount

Ineligible Soft Costs

Ineligible soft costs can include items such as:

- (HOME) Operating or replacement reserves
- (HOME and NHTF)
  - Application fees
  - Management agent fees
  - Monitoring fees
  - Displacement of tenants
  - Other soft costs incurred prior to loan closing that have not been approved by Minnesota Housing

2.05 Eligible Owners, Sponsors, Developers and Capacity

Eligible Entities for HOME and NHTF must be either:

- A for-profit entity
- A 501(c)(3) nonprofit entity
- A government unit (excluding the federal government)
- A religious organization

NOTE: For a project funded with HOME to be eligible to receive Community Housing Development Organization (CHDO) set-aside funds, the owner must be certified by Minnesota Housing as a CHDO.

The owner must provide evidence of a qualifying interest in the property. Such interest must be recorded and appear in the county records. The minimum qualifying interest is 100% fee simple interest that may also be subject to a mortgage.

Owner and Development Team Debarment Review

Minnesota Housing will confirm that no members of the project team, including the owner, are debarred or excluded from receiving federal assistance prior to selection, entering into a Written Agreement or closing the loan.

- If the owner(s) are listed on HUD’s Limited Denial of Participation (LDP) list or they are in the System for Award Management (SAM) and listed as debarred, they will not be eligible to receive HOME or NHTF funds.
- If anyone on the owner’s development team is listed on either HUD’s LDP or the SAM debarment list, they must be replaced by someone who does not appear on HUD’s debarment lists.

Contractor Debarment

Before issuing a contract to a general contractor, the owner must verify with Minnesota Housing that the general contractor is not debarred or excluded from working on federally assisted projects.

- If the general contractor is listed on HUD's LDP list or in the SAM, they are not eligible to work on the project and will have to be replaced by another contractor who does not appear on HUD's debarment lists.
- It is the general contractor's responsibility to provide documentation to Minnesota Housing that verifies all subcontractors working on the project are not on the LDP list or in the SAM.

Developer Capacity

Developer's capacity, including but not limited to prior experience and financial capabilities, will be assessed by Minnesota Housing prior to selection for funding.

Community Housing Development Organization (CHDO) Capacity (HOME Program)

- To receive the HOME CHDO set-aside funds, the developer must complete and submit a CHDO Qualification Form and supporting documentation to Minnesota Housing for review and approval.
- CHDO certification must be completed for every project.
- If CHDO set-aside funds are awarded to a project, the CHDO must recertify every year throughout the term of affordability.
- If a project is receiving CHDO set-aside funding, the CHDO can only be replaced as the general partner for just cause, and the CHDO must be replaced with another certified CHDO.
- A nonprofit must have paid staff whose experience qualifies them to undertake CHDO set-aside activities.

2.06 Design and Property Standards

HOME and NHTF Property Standards

- Properties served with HOME and NHTF funds must comply with all applicable state and local codes, standards, and ordinances by project completion. In cases where standards differ, the most restrictive standard will apply. In the absence of a state or local building code, the International Residential Code or International Building Code of the International Code Council will apply.
- Properties must meet local housing habitability or quality standards throughout the affordability period. If no such standards exist, HUD's UPCS, as set forth in 24 CFR Part 5.705, will apply. Note that effective 10/1/2023, UPCS will be replaced by NSPIRE.
- It is the owner's responsibility to determine if there is a local housing habitability code required for their property and to provide to Minnesota Housing with either a copy of the code or an internet URL to the code.

Minnesota Housing Rental Housing Design/Construction Standards

- All projects funded through the HOME and NHTF programs must follow Minnesota

Housing's Rental Housing Design/Construction Standards. These guidelines are available on Minnesota Housing's website at www.mnhousing.gov: Rental Housing Design/Construction Standards.

- All rehabilitation projects with 26 or more units are required to have the useful remaining life of the major systems determined. Major systems include structural support; roofing; cladding and weatherproofing (e.g., windows, doors, siding, gutters); plumbing; electrical; and heating, ventilation, and air conditioning.
- For rehabilitation projects, if the useful remaining life of one or more major system(s) is less than the applicable affordability period, the system(s) must be either included in the scope of work or a replacement reserve must be established and monthly deposits made to the reserve account to adequately repair or replace the systems as needed.

2.07 Environmental Reviews

HOME and NHTF both require an environmental review prior to execution of the Written Agreement.

HOME Program

The environmental review requirements for HOME are found under 24 CFR Part 92.352. This section's regulations align with the environmental review requirements found under 24 CFR Part 58. After the ION, no choice limiting actions can be taken until the environmental review has been completed. It is important for developers to consult with the underwriter to review the noted regulations to ensure the relevant protocols are followed. Written Agreements will not be entered into until an environmental review is completed.

NHTF Program

The environmental review requirements for NHTF are found under 24 CFR Part 93.301(f). It is important for developers to consult with the underwriter to review the noted regulations to ensure the relevant protocols are followed. Written Agreements will not be entered into until an environmental review is completed.

2.08 Lead Hazard Evaluation and Reduction

All projects funded through the HOME or NHTF Program must follow HUD 24 CFR Part 35 subparts A, B, J, K, M and R, Minnesota Housing's Rental Housing Design/Construction Standards and Minnesota Housing's Lead-based Paint policy. Owners are required to follow disclosure requirements for Lead- based Paint (LBP), including:

- Complete Minnesota Housing's Lead-based Paint Pre-Construction Certification form and submit to Minnesota Housing via the Multifamily Customer Portal as part of pre-construction due diligence.
- Provide the EPA-approved lead hazard pamphlet "Protect Your Family from Lead in Your Home" to all tenant households in a property built prior to 1978. The pamphlet must be given upon execution of the HOME and/or NHTF Funding Acceptance Agreement to existing tenants and new tenants at move-in.

- Distribute to all tenants residing at the property during rehabilitation the "Renovate Right: Important Lead Hazard Information for Families, Child Care Providers, and Schools" pamphlet. This must be distributed no less than seven days and no more than 60 days prior to commencement of rehabilitation.
- Retain on file a Lead-based Paint Acknowledgment of Disclosure form signed by the tenant. The signed Lead-based Paint Acknowledgement of Disclosure must be retained for three years from the beginning date of the leasing period.
- Post an assessment or notice of lead-based paint hazards present, whether determined by a risk assessment or presumption of lead. The owner must post the notice in a conspicuous location or deliver a copy of the assessment to each household within 15 days.

2.09 Obtaining Bids

All projects must be awarded to a single general contractor except if the project includes asbestos work. If asbestos work is included, it is acceptable to have a general contractor for the asbestos work and a general contractor for the remaining scope of work. The selected single prime general contractor will be responsible for their scope of work.

The contractor selection process can be through competitive or negotiated bids. If the bid for a general contractor is negotiated, all subcontractors must be competitively solicited. Refer to Section 2.05 for important information on eligible contractors and subcontractors and Minnesota Housing's Contractor Guide for more information on soliciting bids.

2.10 Funds for Final Draw

Minnesota Housing will withhold a minimum of $50,000 or 5% of the HOME or NHTF loan proceeds, whichever is greater, until the final draw, in addition to any construction retainage, pending satisfactory evidence that all HOME or NHTF program and compliance responsibilities have been met and that all associated documentation needed for the project closeout is complete.

For projects using HOME/NHTF for new construction, Minnesota Housing will withhold the final draw until all federally assisted units are occupied by income-eligible tenants and all federal due diligence has been reviewed and approved.

2.11 Construction Process Monitoring

The owner's contracts with the architect and general contractor must include language that requires the architect and general contractor to provide regular construction administration and site observations pursuant to Minnesota Housing's Architect's Guide and Contractor's Guide (which are linked below in Section 2.13 – Change Orders).

2.12 Construction Draws

Minnesota Housing reviews and approves all monthly draws for HOME and NHTF prior to disbursement of any funds. Minnesota Housing cannot approve a draw or disburse HOME or

NHTF funds if a property is out of compliance with program obligations during the construction period. This may include, but is not limited to, failure to provide labor information and reports, Uniform Relocation Act (URA) reports and Section 3 documentation.

Draws may be withheld until compliance with program obligations, loan terms and the Written Agreement is met, and in cases where compliance cannot be achieved, Minnesota Housing may pursue all available remedies as outlined in the loan documents.

2.13 Change Orders

All change orders and other contract modifications will be in accordance with Minnesota Housing's Architect's Guide and Contractor's Guide.

2.14 Inspections – Initial and Construction

- All projects funded through HOME and NHTF must have a scope of work and bid specifications prepared by an architect licensed to practice in Minnesota. Initial property inspections performed by the project team must be in accordance with Minnesota Housing's Rental Housing Design/Construction Standards.
- In addition, both programs require an initial property inspection for rehabilitation projects to identify any UPCS deficiencies (effective 10/1/2023, UPCS will be replaced by NSPIRE). This inspection is completed by Minnesota Housing staff or by an entity or person contracted by Minnesota Housing.
- Violations discovered during the initial inspection deemed an emergency will be required to be remedied within 24 hours. The remaining violations and findings, including those categorized as routine maintenance, will then need to be integrated into the scope of work.
- Improvements that are identified as routine maintenance may, at Minnesota Housing's discretion, be included in the scope of work or completed separately by the owner. If the owner chooses to complete the maintenance work separate from the project's scope of work, the maintenance must be completed prior to the final project closeout inspection and must meet all applicable Minnesota Housing Rental Housing Design/Construction Standards.
- Minnesota Housing will attend the draw meetings and perform property inspections during construction.
- A final project closeout inspection must be completed by Minnesota Housing staff or by an entity or person contracted by Minnesota Housing after project construction is complete. All violations, including those categorized as routine maintenance, from all earlier inspections must be corrected prior to the project closeout inspection.

2.15 Project Completion

Project completion for projects funded with HOME or NHTF is defined to mean that:

- All necessary title transfer requirements and construction work have been performed
- The project complies with the requirements of program regulations, including property standards
- The final drawdown of funds has been disbursed for the project
- The project completion information has been entered into HUD's Integrated Disbursement and Information System (IDIS)

HOME

HOME assisted rental units must be occupied by income-eligible households within 18 months of project completion; for units that remain vacant six months following completion, an enhanced marketing plan and report will be required to be submitted to HUD [24 CFR Part 92.252].

NHTF

The project completion date must ensure timely occupancy of NHTF units.

The NHTF Program requires the completion of a final cost certification performed by a certified public accountant for each assisted project. This final cost certification must be completed and submitted as part of NHTF project closeout.

NOTE: To help ensure that new construction properties fully comply with HUD's HOME and/or NHTF project completion requirements, Minnesota Housing will withhold the final HOME and/or NHTF draw until all federally assisted units are occupied by income-eligible households and all federal project close-out due diligence has been reviewed and approved. Reference 24 CFR Parts 92.251 and 92.502(d) for HOME and 24 CFR Parts 93.2, 93.301, and 93.402(d) for NHTF.

While project completion in the HOME (24 CFR Part 92.2) and NHTF (24 CFR Part 93.2) regulations occurs upon completion of construction and before occupancy, Minnesota Housing requires that all federally assisted units be initially occupied prior to project completion to avoid any issues with the lease-up requirements for the HOME and NHTF programs.

Chapter 3 – Underwriting Considerations

All projects funded through the HOME and NHTF programs must follow Minnesota Housing's Multifamily Underwriting Standards. These standards include requirements for debt coverage ratio and loan to value.

Minnesota Housing will provide technical assistance to facilitate commitment of HOME and NHTF funds and will assist owners with understanding their compliance obligations.

3.01 Underwriting for New Construction

Projects undergoing new construction have unique differences that include, but are not limited to, site and neighborhood standards, occupancy and marketing approaches, operating costs, energy efficiency and fair housing and accessibility. These requirements are outlined throughout this guide, the Multifamily Underwriting Standards, the Architect's Guide and the Minnesota Housing Rental Housing Design/Construction Standards.

3.02 Underwriting for Rehabilitation

Projects undergoing acquisition and rehabilitation have unique differences that include, but are not limited to, market demand, occupancy and marketing approaches, operating costs, energy efficiency, relocation and fair housing and accessibility. These requirements are outlined throughout the Multifamily Underwriting Standards, the Architect's Guide, and the Minnesota Housing Rental Housing Design/Construction Standards.

3.03 Written Agreement – Commitment of Funds to a Project

Written Agreements are required for:

- HOME capital funds
- HOME CHDO set-aside funds
- NHTF capital funds
- NHTF OCAR funds

The owner and Minnesota Housing must sign and date the applicable Written Agreement in order to receive federal funds. For capital funds, the Written Agreement must be signed prior to construction activities. The Written Agreement may be signed in advance of, or concurrent with, loan closing as long as all HOME Program and NHTF Program and Written Agreement requirements have been satisfied.

Each Written Agreement outlines the minimum responsibilities and expectations that must be met prior to signing the Written Agreement and throughout the term of the affordability period. Minnesota Housing reserves the right to include additional requirements.

All projects using these federal sources for capital expenses must demonstrate the ability to begin construction within 12 months from the date of the signed Written Agreement.

The commitment deadline for HOME funds is currently suspended. NHTF funds have a commitment deadline of 24 months from the date the HUD Grant Agreement is executed.

NOTE: If funds are not committed via execution of the Written Agreement by their commitment deadline, HUD will recapture the federal funds from a project.

Even if the Written Agreement is signed in advance of loan closing, absolutely no site work can begin until after loan closing. Any costs associated with site work done prior to loan closing cannot be reimbursed.

3.04 Loan Terms

HOME and NHTF funding can be provided in the form of a construction loan or an end loan.

- 0% interest rate
- Payment is due in full the earlier of 30 years from the date of the signed mortgage or the occurrence of one or more of the following:
    - Failure of the owner to accept a renewal or extension of federal rental assistance
    - Failure of the federal government to offer to renew or extend federal rental assistance due to actions of the owner or condition of the property
    - An event of default occurrence described in the mortgage and related loan documents
- The minimum amount of HOME and NHTF program assistance is $1,000 per unit or $100,000 per project
- The interest rate may be adjusted in order to allow these funds to be utilized with other sources of funding, such as federal Low-Income Housing Tax Credits
- The loan term may be adjusted based on requirements and conditions of other federal assistance or funding sources
- Loans will generally be full recourse; however, Minnesota Housing, at its sole discretion, may allow non-recourse debt to single asset entities
- Principal and interest, if any, will generally be due and payable at the end of the loan term, which is typically 30 years; however, Minnesota Housing may, at its sole discretion, require provisions necessitating 20% of cash flow in excess of $50,000 be repaid annually

3.05 Reserves

If the useful remaining life of one or more major system(s) is less than the applicable affordability period, the system(s) must be either included in the scope of work, or a replacement reserve must be established and monthly deposits to the reserve account must be made to adequately repair or replace the systems as needed.

NHTF

Operating Cost Assistance Reserves (OCAR)

- Operating cost assistance reserves may be funded for the amount estimated to be necessary for 15 years from the start of the affordability period.
- Minnesota Housing will determine funding levels and underwrite for these reserves based on the needs of the project and eligible uses.
- The reserve will be held by Minnesota Housing. The owner must annually submit an audit along with the payment request for the eligible expenses incurred during the previous year.
- If the property fails to meet the affordability requirements or is terminated or in default for any reason, all funds must be repaid and any balance in a reserve account will be applied to the balance owed.

3.06 Limit on Governmental Assistance – Subsidy Layering Review

As part of the underwriting process, Minnesota Housing is required to conduct a subsidy layering review to ensure that the sources and uses of funds (including OCAR for NHTF) for the project are reasonable and only the necessary amount of program funds are invested in the housing project.

Minnesota Housing will refer to its Underwriting Standards as a guide for conducting the subsidy layering review analysis of reasonable project costs.

For the purposes of the subsidy layering review, governmental assistance includes any loan, grants (including a Community Development Block Grant), guarantee, insurance, payment, rebate, subsidy, tax credit benefit, OCAR (NHTF), or any other form of direct or indirect assistance from the federal, state or local government for use in, or in connection with, a specific housing project.

To complete the analysis, Minnesota Housing will review all sources and uses of funds. Minnesota Housing will confirm that all costs are reasonable. The reasonableness of the project's costs is determined by reviewing the project's quality, construction costs, architectural and engineering fees and consulting fees.

Minnesota Housing's staff architect and underwriter review the cost estimates, costs of comparable projects in the same geographic area, qualifications of the cost estimates for various budget line items, comparable costs published by recognized industry cost index services, and the comparable bids obtained.

The reasonableness of the rate of return on the applicant's equity investment is assessed through a review of the pro forma during the underwriting process.

3.07 Market Analysis

The programs require an assessment of market demand. The purpose of this requirement is to help ensure that there will be adequate market demand for a project before committing federal funds. To comply with the regulatory obligations, Minnesota Housing requires a developer to follow the protocols outlined in its RFP guide and Underwriting Standards. Because HUD has indicated that additional guidance will be provided in the future, this requirement may be updated to reflect changes.

An assessment must include, at a minimum, the current market demand in the neighborhood in which the project will be located, the experience of the owner/developer, the financial capacity of the owner/developer, and firm written financial commitments for the project.

If a project is also receiving housing tax credits, the market study will be used to assess the market.

3.08 Site and Neighborhood Standards

Minnesota Housing will administer HOME and NHTF in a manner that provides housing that is suitable from the standpoint of facilitating and furthering full compliance of fair housing laws and regulations and promotes greater choice of housing opportunities.

In carrying out the site and neighborhood requirements with respect to new construction of rental housing, Minnesota Housing will review the information to ensure that the proposed site for new construction meets the requirements in 24 CFR Part 983.57(e)(2).

Project records must illustrate that a site and neighborhood standards review was conducted for each project that included new construction of rental housing assisted to determine that the site meets the requirements of 24 CFR Part 92.202 for HOME and 24 CFR Part 93.150 for NHTF.

As with the HOME Program, HUD is not applying specific site and neighborhood standards to rehabilitation projects under NHTF; however, if project-based vouchers are used in an NHTF rehabilitation unit, the site and neighborhood standards for project-based vouchers will apply.

In addition, the requirements of 24 CFR Part 8 (which implements Section 504 of the Rehabilitation Act of 1973) apply to the NHTF Program and specifically address the site selection with respect to accessibility for persons with disabilities.

Both HOME and NHTF require that the property comply with 24 CFR Part 983.57(e)(2) and (e)(3):

(e) New construction site and neighborhood standards. A site for newly constructed housing must meet the following site and neighborhood standards:

(2) The site must not be located in an area of minority concentration, except as permitted

under paragraph (e)(3) of this section and must not be located in a racially mixed area if the project will cause a significant increase in the proportion of minority to non-minority residents in the area.

(3) A project may be located in an area of minority concentration only if:

(i) Sufficient, comparable opportunities exist for housing for minority families in the income range to be served by the proposed project outside areas of minority concentration (refer to paragraph (e)(3)(iii), (iv), and (v) of this section for further guidance on this criterion); or

(ii) The project is necessary to meet overriding housing needs that cannot be met in that housing market area (refer to paragraph (e)(3)(vi) of this section for further guidance on this criterion).

(iii) As used in paragraph (e)(3)(i) of this section, “sufficient” does not require that in every locality there be an equal number of assisted units within and outside of areas of minority concentration. Rather, application of this standard should produce a reasonable distribution of assisted units each year that, over a period of several years, will approach an appropriate balance of housing choices within and outside areas of minority concentration. An appropriate balance in any jurisdiction must be determined in light of local conditions affecting the range of housing choices available for low-income minority families and in relation to the racial mix of the locality's population.

(iv) Units may be considered “comparable opportunities,” as used in paragraph (e)(3)(i) of this section, if they have the same household type (elderly, disabled, family, large family) and tenure type (owner/renter); require approximately the same tenant contribution toward rent; serve the same income group; are located in the same housing market; and are in standard condition.

(v) Application of this sufficient, comparable opportunities standard involves assessing the overall impact of HUD assisted housing on the availability of housing choices for low-income minority families in and outside areas of minority concentration, and must take into account the extent to which the following factors are present, along with other factors relevant to housing choice:

(A) A significant number of assisted housing units are available outside areas of minority concentration

(B) There is significant integration of assisted housing projects constructed or rehabilitated in the past 10 years, relative to the racial mix of the eligible population

(C) There are racially integrated neighborhoods in the locality

(D) Programs are operated by the locality to assist minority families that wish to find housing outside areas of minority concentration

(E) Minority families have benefited from local activities (e.g., acquisition and write-down of sites, tax relief programs for homeowners, acquisitions of units for use as assisted housing units) undertaken to expand choice for minority families outside of areas of minority concentration

(F) A significant proportion of minority households has been successful in finding units in non-minority areas under the tenant-based rental assistance programs

(G) Comparable housing opportunities have been made available outside areas of minority concentration through other programs

(vi) Application of the "overriding housing needs" criterion, for example, permits approval of sites that are an integral part of an overall local strategy for the preservation or restoration of the immediate neighborhood and of sites in a neighborhood experiencing significant private investment that is demonstrably improving the economic character of the area (a "revitalizing area"). An "overriding housing need," however, may not serve as the basis for determining that a site is acceptable, if the only reason the need cannot otherwise be feasibly met is that discrimination on the basis of race, color, religion, sex, national origin, age, familial status, or disability renders sites outside areas of minority concentration unavailable or if the use of this standard in recent years has had the effect of circumventing the obligation to provide housing choice.

3.09 Unit Comparability Analysis and Cost Allocation

Minnesota Housing will perform a unit comparability analysis on all units in the project. Minnesota Housing will use this information and the eligible project costs to determine the maximum amount of HOME or NHTF funds that the project may receive and the required number of federally assisted units.

Minnesota Housing will work with the owner to determine if the federally assisted units will be designated as fixed or floating. The federal funding must only pay the share of project eligible costs proportionate to the number of federally assisted units. Assisted units must be evenly distributed among the different unit types.

Minnesota Housing will determine the estimated number of federally assisted units as required under the HOME or NHTF programs. The final number and type of units to be assisted will be determined prior to signing the Written Agreement. If there are any changes to loan amounts or eligible costs during construction, the number of federally assisted units and maximum funding will be recalculated. This recalculation may result in revising the number of federally assisted units and/or the affordability period.

Fixed Units

- Comparable Units:
  - When all units in the project (separated by the number of bedrooms), are satisfactorily demonstrated to be comparable (in terms of size, features, configuration, and number of bedrooms), the owner and Minnesota Housing will

determine whether or not the federally assisted units should be fixed or floating.

- When federally assisted units are fixed, the units remain the same during the affordability period. Units designated as fixed **must** be occupied by tenants that meet the income and rent restrictions of the specified program for the duration of the affordability period.

- Non-comparable Units:
  - When the units are determined to be non-comparable, the federally assisted units must be fixed.
  - The eligible costs must be prorated such that funding is only used for the federally assisted units plus a share of the common area costs.
  - Projects with project-based rental assistance will have HOME/NHTF units fixed on the units with rental assistance whenever possible.

Floating Units

- Comparable Units:
  - To designate the federally assisted units as floating they must be comparable to the non-assisted units.
  - When federally assisted units are floating, the units may change during the affordability period so long as both of the following apply:
    - The total number of federally assisted units in the project remains the same, and
    - Any newly designated units must be comparable and maintain the applicable unit mix.

If the project is receiving HOME funds from another participating jurisdiction, the owner must ensure that the other participating jurisdiction's HOME assisted units are separate from the designated Minnesota Housing HOME assisted units.

If a low HOME unit receives a federal or state project-based rental subsidy, and the tenant pays as a contribution toward rent not more than 30% of the tenant's adjusted income, the maximum rent is the rent allowable under the federal or state project-based rental subsidy program.

In HOME properties, a unit set at a low HOME rent (including a subsidized unit set at the rent allowable under the project-based rental subsidy) must be occupied by a tenant at or below 50% of AMI for the term of the affordability period. If the units are fixed and a tenant's income in a low HOME unit increases above 50% of AMI, the unit no longer qualifies as a low HOME unit. The allowance to use the higher Project-based Rental Assistance (PBRA) rent no longer applies.

If that unit were going to remain a HOME unit, the rent would need to be changed to the high

HOME rent. The unit could still receive project-based rental assistance, but not in an amount that exceeds the high HOME rent.

If the units are floating and a tenant's income in a low HOME unit increases above 50% of AMI, the unit would be in temporary noncompliance, and the owner could float the HOME designation to another comparable unit.

Refer to section 6.03 of this guide for more information on HOME rent limits and Minnesota Housing's Multifamily HOME Programs and National Housing Trust Fund Programs Compliance Guide for more information and compliance requirements during the affordability period, including Chapter 2, Maintaining the Unit Mix.

3.10 Secured Financing

Projects cannot receive federal funds, or have them committed to the project, until proof of due diligence is provided to show all financing for the project has been secured.

3.11 Capital Needs and Major Systems

Minnesota Housing must underwrite all projects to ensure that each project is financially sustainable over its affordability period. Capital needs will be evaluated during underwriting to plan for major systems repairs. The scope of rehabilitation work and replacement reserves deposits must be sufficient to ensure the useful life of essential building components throughout the affordability period [HOME 24 CFR part 92.251(b)(ii) and (viii)] [NHTF 24 CFR part 93.301].

After construction has been completed and as part of the project closeout, the owner must provide an updated capital needs assessment that will document the property's needs for the term of the affordability period. A Minnesota Housing architect reviews and approves the assessment before the project starts its affordability period. Handling of reserves during the affordability period can be found in Chapter 6 of this guide.

3.12 Black, Indigenous and People of Color-owned Business Enterprises/ Women-owned Business Enterprises

It is the policy of Minnesota Housing that Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise[2] (BIPOCBE/WBE) have equal access to business opportunities resulting from Minnesota Housing financed projects, and that the workforces on the projects that Minnesota Housing finances are demographically representative of the area where the projects are located. When reviewing bid information, Minnesota Housing will examine:

- The owner's and general contractor's certification to determine compliance with laws

[2] Minnesota Housing has adopted Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise (BIPOCBE/WBE), which is also known as Minority-owned and Women-owned Business Enterprise (MBE/WBE) when in reference to certain state and federal programs as well as statutory language.

prohibiting discrimination in employment and that they hire affirmatively

- The extent to which bids from BIPOCBE/WBEs are solicited; such solicitations and results must be documented
- The demographic make-up of the contractor and subcontractor's workforces

State and federal regulations direct that all affirmative steps be taken to ensure that BIPOCBE/WBEs are used when possible. Outreach to Black, Indigenous, and people of color and women must be conducted and documented, and that documentation must be provided to Minnesota Housing for contracts in excess of $25,000.

To demonstrate compliance with Minnesota Housing's affirmative contract compliance requirements, owners must identify contracts bid on by Black, Indigenous, and people of color-owned and women-owned businesses using the Minnesota Housing Contractor Compliance Activity Report. This Minnesota Housing report is a data collection tool to be included in bidding documents. All contractors and sub-contractors providing bids must complete and submit this form.

Minnesota Housing reserves the right to require that work is rebid affirmatively if the agency determines there is insufficient solicitation from Black, Indigenous, and people of color and women contractors. Refer to the Multifamily Division Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise Compliance Guide for more information, including hiring goals for specific geographic areas.

3.13 Section 3 Requirements

Properties that have work completed using federal funds are subject to the requirements of Section 3 of the Housing and Urban Development (HUD) Act of 1968 (12 USC 1701u), as amended. These requirements are described in 24 CFR Part 75. Recipients are evaluated according to how well they meet the HUD defined benchmarks with respect to the percentage of the total number of labor hours worked by Section 3 Workers and by Targeted Section 3 Workers compared to the total number of labor hours worked on a Section 3 project. Minnesota Housing requires certain documentation and tracking information be provided to verify compliance with these benchmarks.

To demonstrate compliance with Section 3 compliance requirements, owners, contractors, and subcontractors must identify and certify all eligible Section 3 Workers and Targeted Section 3 Workers that will work on a Section 3 project. Their labor hours and the total labor hours worked on the Section 3 project must be tracked as well. The owner, contractor, and subcontractors must also report on the qualitative nature of their activities undertaken to target employment and training opportunities to Section 3 Workers and contracting opportunities to Section 3 Business Concerns. Noncompliance with HUD's Section 3 regulations may result in sanctions and debarment or suspension from future Section 3 covered Contracts.

It is the owner's responsibility to ensure that bid packages include all applicable Section 3 information and forms. It is recommended that the owner deem any bid submitted without the required information as incomplete and not valid. The Section 3 Compliance Guide includes all goals that the owner must meet when working on a project that is funded with HOME or NHTF funds. Contact the Federal Programs Manager with questions.

Construction and professional service (general contractor, environmental remediation, relocation, etc.) contracts must include Minnesota Housing's Section 3 Clause along with all applicable labor standards documents. The owner/developer is responsible for ensuring that Minnesota Housing reviews bid packages before they are released.

Refer to the Section 3 Compliance Guide for more information.

3.14 Federal Labor Standards for HOME Funded Projects

Owners agree to abide by and ensure compliance with the federal labor standards laws and regulatory requirements. The three laws that apply to HOME funded projects are:

- Davis-Bacon Act: Requires workers receive not less than the prevailing wages being paid for similar work in the locality. Prevailing wages are computed by the U.S. Department of Labor (DOL) and are issued in the form of federal wage decisions for each classification of work.
- Copeland "Anti-kickback" Act: Workers must be paid at least once a week without any deductions or rebates except permissible deductions, which include taxes, deductions the worker authorized and those required by court processes. The act also requires that contractors maintain payroll records and submit weekly payrolls and statements of compliance to the contracting agency.
- Contract Work Hours and Safety Standards Act: Workers must receive overtime compensation at a rate 1 ½ times their regular wage after they have worked 40 hours in one week.

Refer to the U. S. Department of Housing and Urban Development Office of Labor Relations for additional information about the laws outlined above.

3.15 Davis Bacon Act for HOME Funded Projects

NOTE: This section applies to the HOME Program. The NHTF statute authorizing the program did not make the labor standards of Davis-Bacon and Related Acts applicable to NHTF.

Each HOME assisted project that contains 12 or more HOME assisted units must pay all laborers and mechanics employed in the project an hourly rate not less than the minimum rate specified in the applicable wage decision issued by the DOL for each particular project. When combining HOME assistance with other federal sources, follow the Davis-Bacon standards of the program that applies the standards to the fewest number of units.

Owners must require all of the following:

- All contractors pay employees weekly
- All contractors must, on a weekly basis, enter their certified weekly payroll reports with all applicable documentation into HUD's LCPtracker (Labor Compliance Software; also refer to Section 6.13 and 6.14 of this document)

The completion and submission of all documentation for conformance with federal labor standards requirements is a condition for the release of HOME funds.

Minnesota Housing will conduct periodic interviews with persons who are working on site to ensure compliance with Davis Bacon and Related Acts. Errors or discrepancies in labor rates and payrolls will result in possible restitution to the person affected.

3.16 Wage Determination – Home Funded Projects

Each project with 12 or more HOME assisted units must obtain a wage decision from the DOL website. The owner's architect is responsible for obtaining the wage decision and ensuring it is included in all bid documents.

The owner must have a formal construction contract with the selected general contractor, and an owner who is also the licensed general contractor must have formal construction contracts with all individual sub-contractors. All construction contracts must contain Davis-Bacon language binding the contractor to Davis-Bacon requirements (HUD 4010).

The general contractor must ensure that all contracts with subcontractors contain all applicable labor standards and Section 3 documentation.

A Minnesota Housing-approved wage decision must be included in all bid specifications, bid documents and contracts. Failure to include a wage decision or the use of a wrong wage decision in bid specifications, bid documents and contracts will not relieve the contractor or owner from potential enforcement action and may make costs ineligible for payment with HOME funds.

Wage determinations may be modified by the DOL at any time, but most changes occur weekly on Fridays. The contract award date or the date on which a wage decision is considered locked in is as follows:

- For competitively bid contracts, the wage decision is considered locked in when the bids are opened, provided the contract is awarded within 90 days of the bid opening.
- The project that negotiates the general contractor's contract will lock in the wage decision when the contract is signed. **NOTE:** If the general contractor's contract is negotiated, all of the subcontractor's work must be competitively bid.
- For projects that are Federal Housing Administration (FHA) insured, the wage decision is locked in on the date that the mortgage is initially endorsed by HUD, provided that construction starts within 90 days.

NOTE: Work closely with the Federal Programs Manager to determine when your project's wage decision is locked in.

All of the following documents must be included in bid specifications and bid documents:

- Applicable Davis Bacon wage decision
- HUD Form 4010: Federal Labor Standards Provisions
- Completed and signed Minnesota Housing Equal Employment Opportunity (EEO) Policy Statement
- Section 3 Compliance Guide and all applicable attachments
- Multifamily Division Black, Indigenous, and People of Color-owned Business Enterprise and Women-owned Business Enterprise Compliance Guide and all applicable attachments

Minnesota Housing must be given a copy of the bid specifications and bid documents before they are released for bid. The Federal Programs Manager will approve the bid package before it is released for bid with the understanding that the wage decision may have to be updated before the contract is signed.

The construction contract, relocation contract, if applicable, any environmental remediation contracts outside of the construction contract, if applicable, and subcontractor contracts must include all of the following:

- Applicable Davis Bacon wage decision
- HUD Form 4010: Federal Labor Standards Provisions
- Completed and signed Minnesota Housing EEO Policy Statement
- Signed BIPOCBE/WBE Compliance Guide Certification
- Signed Section 3 Compliance Guide Certification
- Section 3 Clause

The architect contract must include the following:

- Completed and signed Minnesota Housing EEO Policy Statement
- Signed BIPOCBE/WBE Compliance Guide Certification

3.17 Notices for Job Site – HOME Funded Projects

Minnesota Housing will make one or more site visits to determine that the applicable notices related to wage and labor requirements are posted at the site.

Posting at the work site must include a copy of:

- Applicable Davis Bacon wage decision
- HUD Form 4010: Federal Labor Standards Provision
- Employees Rights under the Davis Bacon Act Notice Poster
- Any additional classification information

These documents must be posted at the work site in a location that employees can easily access and must be protected from the weather for the duration of the contract work.

3.18 Required Submittals to Minnesota Housing – HOME Funded Projects

Before the loan closing, the general contractor must submit a complete list of all contractors and subcontractors to be employed. This list must be updated as additional subcontractors are determined.

The general contractor must, at a minimum, report weekly in LCPtracker the following records:

- A list showing all contractors and subcontractors working on the project during the work week and documentation showing that the subcontractors are not on HUD's Limited Denial of Participation (LDP) list or listed as debarred in the SAM system. **NOTE:** This documentation only needs to be provided once per project and must be submitted before the subcontractor starts working on the project.
- A contractor and subcontractor profile for every contractor working on the project
- The certified weekly payroll report for each contractor and subcontractor that includes employees working at any time during the week
- Proof of employee approval of all other deductions

These submittals must be made no later than seven days following the reporting period covered. **Incomplete or incorrect payroll reports will delay payment.**

3.19 Subordination to Declaration of Covenants, Conditions and Restrictions

Minnesota Housing requires all lenders in a senior position to agree to subordinate their mortgage to the HOME or NHTF Declaration of Covenants, Conditions and Restrictions. The subordination to the HOME or NHTF Declaration of Covenants, Conditions and Restrictions does not affect lien priority; rather, it ensures that applicable rent, income and occupancy requirements run with the property for the duration of the affordability period regardless of any change of ownership, full payment of the loan or event of default.

Borrowers should begin talking to senior lien holders as soon as possible to determine if they are willing to execute the subordination. If a lender is not able to meet this requirement, Minnesota Housing may elect to not fund the loan.

3.20 Monitoring and Reporting Requirements

During Underwriting

Both programs require regular reporting throughout the underwriting period for certain activities. These include:

- Uniform Relocation Act (URA) requirements
- Tenant vacancy status and eligibility
- Section 3: Before construction begins, Section 3 Workers and Targeted Section 3 Workers must be identified and certified.
- BIPOCBE/WBE: Before closing, the Contractor Compliance Activity Report and BIPOCBE/WBE Contracts and Procurement Report must be completed and submitted.

During Construction

Both programs require regular reporting throughout the construction period for certain activities. These include:

- Uniform Relocation Act (URA) requirements
- Tenant vacancy status and eligibility
- Section 3: Project labor hours for Section 3 Workers and Targeted Section 3 Workers must be documented either weekly in LCPtracker if Davis Bacon applies to the project, or monthly during draw requests if Davis Bacon does not apply to the project. Qualitative efforts to provide employment and training opportunities to Section 3 Workers and contracts to Section 3 Business Concerns must be documented.
- BIPOCBE/WBE: An updated Contractor Compliance Activity Report must be completed and submitted indicating any new subcontractors awarded a contract during construction.

The HOME Program also requires reporting for labor standards (Davis Bacon) during the period of construction. These requirements are described earlier in this chapter.

During the Affordability Period

- Both HOME and NHTF require regular reporting during the affordability period.
- HOME affordability periods are based on specifics details of the project and can range from five to 20 years.
- NHTF affordability period is 30 years for all projects that receive NHTF funds.
- Annual reporting must include:
    - Household composition and demographic data, annual income, and rent
    - Annual owner certifications
    - Financial records to conduct financial oversight

- Financial: Minnesota Housing's Asset Management staff will annually review the Capital Needs Assessment (CNA)/Physical Needs Assessment (PNA) for the following:
    - Balance of replacement reserves at the beginning of the fiscal year
    - Capital expenditures during the fiscal year
    - Adjust above referenced PNA as needed
    - Ensure reserves balance remains positive through affordability date

During the affordability period, Minnesota Housing must annually examine the financial condition of the project and must take action where feasible to correct problems that threaten a project's financial viability [HOME 24 CFR part 92.504(d)(2)] [NHTF 24 CFR part 93.404].

3.21 Affordability Period

The affordability period marks the time during which the assisted units must remain in compliance with specific program guidelines.

Minnesota Housing reserves the right to require a longer affordability period as a condition of funding. The affordability period begins within 15 days of final disbursement of all project funds to the owner. The final disbursement occurs after project completion and submission of all required documentation. After the final disbursement is completed, an Affordability Period Certificate will be executed by the owner and Minnesota Housing and then filed in the respective county's records.

HOME Acquisition and Rehabilitation Affordability Periods:

- Five-year affordability period for loans less than $15,000 per HOME assisted unit
- Ten-year affordability period for loans between $15,000 and $40,000 per HOME assisted unit
- Fifteen-year affordability period for loans over $40,000 per HOME assisted unit

HOME New Construction Affordability Period:

- Twenty-year affordability period for all new construction

NHTF Affordability Period Term:

- Thirty-year affordability period for all loans regardless of amount or number of units

Chapter 4 – Fees

Certain fees and costs are eligible to be charged and paid for using federal funds.

- Costs to process and settle the financing for a project, such as:
    - Private lender origination fees
    - Credit reports
    - Fees for title evidence
    - Fees for recording and filing of legal documents
    - Building permits, attorneys' fees
    - Private appraisal fees
    - Fees for an independent cost estimate
    - Builders' or developers' fees
- Costs for both new construction and rehabilitation, such as:
    - Architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups. The costs may be paid if they were incurred not more than 24 months before the date that funds are committed to the project and the grantee expressly permits funds to be used to pay the costs in the Written Agreement committing the funds
    - Costs to process and settle the financing for a project, such as private lender origination fees, credit reports, fees for title evidence, fees for recording and filing of legal documents, building permits, attorneys' fees, private appraisal fees and fees for an independent cost estimate and builders' or developers' fees
    - Costs of a project audit, including certification of costs performed by a certified public accountant, which Minnesota Housing may require with respect to the development of the project
    - Costs to provide information services such as affirmative marketing and fair housing information to prospective homeowners and tenants as required by 24 CFR Part 93.350
    - Payment of impact fees that are charged for all projects within a jurisdiction

Chapter 5 – Applying for Funds

Funds are available through Minnesota Housing's Multifamily Consolidated RFP, dependent on federal appropriations.

Minnesota Housing's Multifamily Consolidated RFP takes place annually. Notification is posted with resources and requirements for program eligibility at www.mnhousing.gov. Technical assistance and web training are made available prior to the date applications are due.

All program selections must be approved by Minnesota Housing's board. The projects will also be approved by Minnesota Housing's Clearinghouse Committee prior to commitment of funds (signing of the Written Agreement) and by Minnesota Housing's Mortgage Credit Committee prior to loan closing.

- The pro forma should include tax benefits and other assumptions used in calculating the project's cash flow.
- The pro forma should represent, at a minimum, the term of the HOME or NHTF Program affordability requirements (refer to Section 3.21 of this guide).

If Minnesota Housing determines that the total amount of federal funds and other governmental assistance exceeds the amount necessary to make the project feasible (e.g., costs are unreasonable or the projected rate of return is too high), Minnesota Housing will pursue one or more of the following remedies:

- Reduce the amount of federal program funds by reducing the project budget
- Increase the borrower's contribution or non-public funding
- Make other adjustments, such as lowering the rents, increasing the replacement reserves or analyzing expenses
- Deny federal program assistance if the applicant refuses to make reasonable adjustments or refuses to limit the rate of return and/or profit

Chapter 6 – Compliance

All standards contained in this chapter must be met at project completion and throughout the affordability period. Properties will be monitored for compliance with affordability and property standards for the duration of the affordability period.

The federal HOME Program and NHTF Program establish specific compliance responsibilities prior to, during and after project completion for the duration of the affordability period and the term of the loan. For information on compliance using HOME or NHTF funds, refer to applicable regulations for each program as referenced throughout this guide.

6.01 Financial Reporting and Reserves

HOME

For projects that receive HOME funds, Minnesota Housing may require the owner to establish a replacement cost reserve account any time prior to repayment of the HOME loan. The replacement cost reserve account will be held and maintained by either Minnesota Housing or a depository designated by Minnesota Housing.

If, during the HOME affordability period, the owner has a previously established replacement cost reserve account with a lender other than Minnesota Housing, the owner is required to furnish to Minnesota Housing evidence of the spending activity of the replacement cost reserve account. Evidence must include, but is not limited to, the current balance, deposits and disbursements made from the account, purpose of the disbursements and any other information as Minnesota Housing may request.

If the owner has established a replacement cost reserve account that is not held by a lender, then during the affordability period (as defined herein), the owner must, within 10 business days, furnish to Minnesota Housing or the lender, as may be requested from time to time, evidence of the spending activity of the replacement cost reserve account in a form acceptable to Minnesota Housing or the lender. Evidence must include the current balance, deposits and disbursements made from the account, purpose for which disbursements were made and any other information as the lender may request.

NHTF

Properties with 10 or more NHTF assisted units will be required to follow the financial oversight obligations of 24 CFR Part 93 and 24 CFR Part 93.404 and as detailed in this guide.

HOME and NHTF Financial Oversight (as applicable)

Requests from reserves will be reviewed and approved annually by Minnesota Housing upon receipt of audited financial statements. Owners must submit annual operating data, audited financial statements and annual updated PNA data for review by the assigned housing management officer (HMO). If you have questions regarding financial oversight, contact Eric Thiewes, Multifamily Portfolio Manager, at eric.thiewes@state.mn.us or 651.296.6527. The following provides a more detailed description of requirements.

PNA/CNA

The owner must submit a post rehabilitation capital expenditure that includes capital projections through the end of the affordability period. Minnesota Housing architects will review the plan using the completed rehabilitation capital expenditure to ensure appropriate useful remaining life and needed expenditures are included. The Asset Management program supervisor will annually:

- Review the balance of replacement reserves at the beginning of the fiscal year
- Review capital expenditures during the fiscal year
- Adjust the above referenced PNA/CNA as needed
- Ensure reserves balance remains positive through the affordability date
- Financial reporting: Use the annual Federal Reporting Tool to submit annual operating data. This information will be used to assist in evaluating the long-term financial viability of the project. It is similar to the Minnesota Housing reporting tool that owners and agents currently use to report first mortgage oversight operating data except for the following:
    - Only one report needs to be submitted 30 days from the project's fiscal year end.
    - The report will include all reserves balances and loan amounts from outside entities (if not held by Minnesota Housing).
    - This report will be in place of an annual budget and will reflect actual annual financial viability.

6.02 Ongoing Property Inspections and Property Standards

Ongoing property inspections are required during the affordability period as noted in 24 CFR Part 92.251 and 24 CFR Parts 93.301 and 93.404.

Minnesota Housing's inspections schedule for HOME and NHTF can be found in Chapter 5 of Minnesota Housing's Multifamily HOME Programs and National Housing Trust Fund Program Compliance Guide. The first monitoring inspection will be conducted in conjunction with project completion.

6.03 Income and Rent Limits

HOME and NHTF rent and income limits are published by HUD on an annual basis. Minnesota Housing issues an eNews to owners and managers and posts the new rent and income limits on its website when they are released. In the event rent limits decrease for an area, or utility allowances increase, an owner may be required to reduce the rent charged but will not be required to lower rents below those in effect at the time of project commitment.

The HOME and NHTF programs require annual review and approval of rents for the assisted units. Minnesota Housing's Multifamily HOME Programs and National Housing Trust Fund Program Compliance Guide describes this process.

HOME Income
Very low-income (VLI) families means low-income families whose annual incomes do not exceed 50% of the median family income for the area, as determined by HUD, with adjustments for smaller and larger families.

Low-income (LI) families means families whose annual incomes do not exceed 80% of the median income for the area, as determined by HUD, with adjustments for smaller and larger families.

NHTF Income
Extremely low-income (ELI) families means low-income families whose annual incomes do not exceed 30% of the median family income of a geographic area, as determined by HUD, with adjustments for smaller and larger families.

Very low-income (VLI) renter households means a household whose income is in excess of 30%, but not greater than 50% of the area median income, with adjustments for smaller and larger families, as determined by HUD.

Very low-income (VLI) families means low-income families whose annual incomes are in excess of 30%, but not greater than 50% of the median family income of a geographic area, as determined by HUD, with adjustments for smaller and larger families.

Refer to 24 CFR Part 92.2 and 24 CFR Part 93.2 for a more detailed definition for each program.

HOME Rents
Every HOME assisted unit is subject to maximum allowable rents based on bedroom size for the county in which the property is located. These maximum rents are referred to as HOME rents. There are two HOME rents established for properties; high and low HOME rents represent the maximum that owners can charge for rent, including an allowance for tenant-paid utilities. Rent limits and rent increases must be determined and verified in accordance with the requirements of Minnesota Housing's Multifamily HOME Programs and National Housing Trust Fund Program Compliance Guide.

Assisted units subject to low HOME rents must have gross rents (contract rent plus tenant paid utilities) that do not exceed 30% of the annual income of a family whose income equals 50% of the median income for the area, as determined by HUD.

Assisted units subject to high HOME rents must have gross rents (contract rent plus tenant paid utilities) that are the lesser of the fair market rent for existing housing for comparable units in the area as established by HUD or a rent that does not exceed 30% of the adjusted income of a family whose annual income equals 65% of the median income for the area, as determined by

HUD.

Properties Receiving Project-based Rental Assistance and HOME:

- If a HOME assisted unit receives federal or state project-based rental assistance and the unit is occupied by a very low-income (50% of AMI) household who pays not more than 30% of the household's adjusted income for rent, the maximum rent (tenant contribution plus the project-based rental subsidy) is the rent allowable under the federal project-based rental subsidy program.
    - Because the rent under the federal or state rental assistance program will typically be higher than allowable HOME Program rents, this will provide the owner the highest possible rent.
- Adjustments to HOME rents: The rent charged for HOME assisted units must be adjusted to comply with the low HOME rents at a time when/if federal project-based assistance is no longer available.
- Rents also must be adjusted if a household's income at annual recertification exceeds 50% of AMI. Refer to Chapter 2: *Maintaining the Unit Mix*, of Minnesota Housing's Multifamily HOME Programs and National Housing Trust Fund Program Compliance Guide.

NHTF Rents

For tenants who are extremely low-income (ELI), their rent plus utilities must not exceed the greater of 30% of the federal poverty line or 30% of the income of a family whose annual income equals 30% of AMI for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit. Note that when total NHTF funds available nationally are less than $1 billion, 100% of NHTF funded rental units must meet this standard.

When units are approved for tenants who are very-low income (VLI), their rent plus utilities must not exceed 30% of the income of a family whose annual income equals 50% of AMI for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit.

If the unit receives a federal or state project-based rental subsidy, and the tenant pays as a contribution toward rent not more than 30% of the tenant's adjusted income, the maximum rent is the rent allowable under the federal or state project-based rental subsidy program.

- Units funded with NHTF Operating Cost Assistance Reserves (OCAR) cannot have any subsidy attached to those units. The OCAR is used to fund operating shortfalls with the tenants paying no more than 30% of their income toward rent.
- For NHTF units funded with NHTF capital (and not covered with OCAR), the maximum rent allowable is the rent allowable under the federal or state project-based rental subsidy program.

Housing Support (fka GRH or Group Residential Housing). Properties receiving Housing Support and HOME or NHTF:

- When using current rent limits and taking into consideration the current Housing Support room and board rate, the amount of rent being charged for assisted units that are also subsidized with Housing Support is within applicable rent limits provided that the project is in compliance with 24 CFR Part 92.214(b)(3) and 24 CFR Part 93.204(b)(4).
  - Owners are prohibited from charging fees that are not customarily charged in rental housing.
  - Owners may charge fees for meals, as long as the services are voluntary.
  - Receipt of the board rate is optional for units with Housing Support in order to remain in compliance with applicable program regulations.

6.04 Rent and Income Eligibility During Occupancy

HOME

All HOME assisted units in a rental housing project must be occupied by households that are eligible as low-income families, with the following additional requirements.

Properties with five or more HOME assisted units:

Initial occupancy at project completion:

- At least 90% of all HOME assisted units must be initially occupied by families with annual gross incomes at or below 60% of AMI, with rents at or below the high HOME rent limit.
- At least 20% of the HOME assisted units must be initially occupied by very low-income households with incomes at or below 50% of AMI, with rents at or below the low HOME rent limit, unless a greater percentage is specified in the Declaration.
- The remainder of the HOME assisted rental units must be initially occupied by families with annual gross incomes at or below 80% of AMI, with rents at or below the High HOME rent limits.

Subsequent to initial occupancy:

- The minimum percent of the HOME assisted units designated in the Declaration must continue to be occupied by families with annual gross incomes at or below 50% of AMI, with rents at or below the Low HOME rent limit. The remaining HOME assisted units must be occupied by families with annual gross incomes at or below 80% of AMI, with rents at or below the High HOME rent limit.

Properties with fewer than five HOME assisted units:

Initial occupancy at project completion:

- All HOME assisted units must be initially occupied by families with annual gross incomes at or below 60% of AMI, with rents at or below the High HOME rent limit.

Subsequent to initial occupancy:

- All HOME assisted units must continue to be occupied by families with gross annual incomes at or below 80% of AMI, with rents at or below the High HOME rent limit.

The following chart illustrates the income targeting requirements by the number of HOME assisted units. **NOTE:** More restrictive requirements may be required based on project underwriting.

Number of HOME Units		Income Requirements At Initial Certification	Income Requirements After Initial Certification	Rent Requirements
5 +	Very Low Income/Low HOME Rent	At least 20% of the units must be occupied by very low-income households at 50% of AMI or less	At least 20% of the units must be occupied by very low-income households at 50% of AMI or less	At least 20% of the units must pay the lower of FMR, 50% rent limit (Low HOME Rent), or 30% of the family's adjusted income
	Low Income/High HOME Rent	*Up to 10% of the units may be occupied by households above 60% of AMI (up to 80% of AMI)	*The remaining 80% of the units may be occupied by households above 60% of AMI (up to 80% of AMI)	The remainder of the units may pay the lower of FMR or 65% rent limit (High HOME Rent)
1 – 4		All HOME assisted units must be occupied by households with incomes at or below 60% of AMI	All HOME assisted units must be occupied by households with incomes at or below 80% of AMI	Lower of FMR or 65% rent limit (High HOME Rent)

NOTE: You must have at least 10 HOME assisted units to qualify for one unit with a household at 80% of AMI.

NHTF

The income and rent determination provisions provided in this guide are those that HUD uses in its HOME Program rule. The breakdown of occupied units and income and rent requirements for NHTF are different and are specific to serving populations that are extremely low-income (ELI).

6.05 Utility Allowances

The HOME statute and the regulations at 24 CFR Part 92 establish gross rent limits for HOME assisted rental units. Gross rent limits include the contract rent plus a utility allowance (UA) for any tenant-paid utilities. Owners are required to establish maximum monthly allowances for utilities and services (excluding telephone) and update these annually.

The HOME Rule requires all owners to use a project-specific UA. For a list and description of the methodologies that can be used to calculate a project-specific UA and that will meet the HOME regulatory requirements for a project-specific UA, refer to Section 1.08 of the Multifamily HOME Programs and National Housing Trust Fund Program Compliance Guide. The certification and utility grids must be submitted to Minnesota Housing along with supporting documentation prior to closing of the HOME loan. Owners are permitted to switch methodologies only after approval by Minnesota Housing.

For the NHTF program, owners may continue to use the public housing authority's (PHA) established utility allowance that is also used for the tenant-based Section 8 Housing Choice Voucher program for that local area.

6.06 Lease Terms and Tenant Selection Policies

Leases for HOME and NHTF assisted units must be for a period of at least one year, unless a shorter term is agreed upon by the owner and tenant. Per federal regulation, leases must exclude certain provisions (refer below for a listing of prohibited lease provisions). Additionally, owners must adopt written tenant selection policies and criteria and make these available to Minnesota Housing upon request.

Tenant selection policies and other prohibited activities:

- Tenant selection plans must be consistent with the purposes of providing housing for low- and very low-income families, and housing must be limited to income-eligible families.
- Tenant selection plans must provide for selection of tenants from an existing written waiting list in the chronological order of their application, insofar as is practicable.
- Tenant selection plans must allow for prompt written notification to any rejected application of the grounds for rejection.
- Tenant selection plans must be reasonably related to the applicants' ability to perform the obligations of the lease (e.g., to pay the rent, not to damage the housing; not to interfere with the rights and quiet enjoyment of other tenants).
- Owners should comply with the Fair Housing Act, applicable provisions of 24 CFR Part 5, and any applicable HUD guidance.

In addition, projects selected for HOME and/or NHTF funding must follow Minnesota Housing's Tenant Selection Plan (TSP) guidelines as well. Refer to the Minnesota Housing website for more information on these guidelines.

6.07 Mandatory Lease Terms

HOME and NHTF both require written leases. Leases must be for a period of one year unless the tenant and the owner mutually agree to a shorter time.

All leases must contain the following provisions:

- **Tenant Income Certification:**
  - On an annual basis, the tenant must certify the household's income and composition by completing and signing a tenant income certification form that is provided by owner.
  - The owner may terminate the lease or refuse to renew the lease of a household for failure to supply the completed and signed tenant income certification form within 30 days of the request.
- **Third Party Income Verifications:**
  - The tenant must sign consents to third-party income verification as reasonably requested by owner.
  - The owner may terminate the lease or refuse to renew the lease of a household for failure to supply the consent to third party income verification within 30 days of the request.
- **Right of Access:**
  - The tenant must sign an acknowledgement that the owner, or their duly authorized agents, employees or representatives, upon reasonable notice to the household, must have the right of access to the dwelling unit for the purpose of examining the condition thereof and for making improvements and repairs, and for the purpose of showing the dwelling unit for re- rental.
- **Lease:**
  - The tenant and owner must sign an acknowledgement that the lease between a tenant and an owner of rental housing assisted with HOME or NHTF funds must be for not less than one year, unless by mutual agreement between the tenant and the owner.
- **Lease Addendum:**
  - Minnesota Housing provides the owner with a lease addendum that must be signed and retained in the tenant's file. This addendum includes the prohibited lease terms.

6.08 Prohibited Lease Terms

HOME and NHTF prohibit the following terms within tenant leases for HOME or NHTF assisted tenants:

- **Agreement to be sued**: The lease cannot contain a tenant agreement to be sued, admit guilt, or accept a judgment in favor of the property owner in a lawsuit brought in connection with the lease

- **Treatment of property**: The lease cannot contain a tenant agreement that the property owner may take, hold or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant regarding disposition of personal property remaining in the housing unit after the tenant has moved out. The property owner may dispose of this personal property in accordance with state law.
- **Excusing the property owner from responsibility**: The lease cannot contain a tenant agreement not to hold the property owner or the property owner's agents legally responsible for actions or failure to act, whether intentional or negligent.
- **Waiver of notice**: The lease cannot contain a tenant agreement that the property owner may institute a lawsuit without notice to the tenant.
- **Waiver of legal proceedings:** The lease cannot contain a tenant agreement that the property owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties.
- **Waiver of jury trial**: The lease cannot contain a tenant agreement to waive any right to a jury trial.
- **Waiver of right to appeal court decision**: The lease cannot contain a tenant agreement to waive the right to appeal or to otherwise challenge in court a decision in connection with the lease.
- **Tenant chargeable with the cost of legal actions regardless of outcome**: The lease cannot contain a tenant agreement to pay attorney fees or other legal costs even if the tenant wins a court proceeding by the property owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.
- **Mandatory Supportive Services**: In NHTF units, the lease cannot require the tenant, as a condition of occupancy, to participate in or agree to accept supportive services that are offered. In HOME units, the lease cannot require the tenant to accept supportive services that are offered (other than a tenant in transitional housing).

6.09 Termination of Tenancy

The owner must comply with program requirements related to evictions as well as state law regarding eviction procedures. The owner must serve written notice upon the tenant specifying the grounds for the action and providing a specific period for vacating that is consistent with federal, state or local law(s).

Under the HOME Program, tenancy may be terminated for any of the following:

- Serious or repeated violation of the terms and conditions of the lease

- Violation of applicable federal, state or local law(s)
- Completion of the tenancy period for transitional housing
- Other good cause

Under the NHTF Program, tenancy may be terminated for any of the following:

- Serious or repeated violation of the terms and conditions of the lease
- Violation of applicable federal, state or local law(s)
- Other good cause

NOTE: Good cause does not include an increase in tenant income.

6.10 Violence Against Women Reauthorization Act

On November 16, 2016, HUD issued its final rule implementing housing protections authorized in the Violence Against Women Reauthorization Act of 2013 (VAWA). Unique monitoring and implementation dates apply to HOME and NHTF. Compliance with VAWA regulatory requirements under the final rule is required for all HOME and NHTF projects. Written agreement provisions and lease addendums will be updated to include current regulatory language for these projects. In addition, for these HOME and NHTF projects, Minnesota Housing will create an external emergency transfer plan and provide an internal emergency transfer plan model, along with a Notice of Occupancy Rights and Certification form to owners for distribution to tenants.

One of the key elements of VAWA 2013's housing protections implemented in the rule is the emergency transfer plan, which allows for survivors to move to another safe and available unit if they fear for their life and safety. In addition to emergency transfer plans, the rule includes notification and documentation requirements by owners and a series of new forms. Owners must be familiar with regulatory requirements impacting their developments and should consult with their legal counsel as needed.

Refer to the Minnesota Housing compliance page at www.mnhousing.gov for more information, including required forms and documentation.

For more information on fair housing, refer to the Minnesota Housing Multifamily HOME Programs and National Housing Trust Fund Program Compliance Guide.

6.11 Affirmative Action

Minnesota Housing works affirmatively to ensure that all persons, regardless of race, color, creed, national origin, sex, religion, marital status, age, status with regard to receipt of public assistance, disability, sexual orientation, or familial status will be treated fairly and equally in employment or program participation.

All programs financed or administered through Minnesota Housing will contain equal opportunity/affirmative action requirements in the contracts or procedural guides or manuals, regardless of whether or not federal funding is involved.

6.12 Equal Economic and Employment Opportunity

Employers with federally assisted construction contracts must not discriminate in employment practices. Whenever contracts involving HOME assistance consist of more than $10,000, an equal opportunity clause, as detailed by Executive Order 11246, must be incorporated into all construction contracts. Executive Order 11246 was amended in 2015 to also prohibit discrimination on the basis of sexual orientation and gender identity. Sixteen specific equal employment and affirmative action steps are outlined in Executive Order 11246 to establish a good faith effort (these examples are not, however, the only options available to meet affirmative marketing and action requirements). Refer to Minnesota Housing's Equal Employment Opportunity Policy Statement.

6.13 Disputes Concerning Labor Standards and Payment of Wages for HOME Funded Projects

Disputes arising out of labor standard provisions must be resolved in accordance with the policies and procedures listed below. This includes disputes between the contractor or subcontractor and Minnesota Housing, HUD, the Department of Labor or the employees and their representatives.

The purpose of these procedures is to establish a uniform method of receiving, resolving and documenting, complaints and investigations or disputes where Davis-Bacon labor standards apply.

The following procedures must be followed to reach a resolution to labor standard disputes:

- The Minnesota Housing construction compliance officer (CCO) is responsible for resolving any complaints and conducting all investigations received where Davis-Bacon labor standards apply.
- All complaints received must be referred to the Minnesota Housing CCO for investigation within 10 days of receiving the complaint
- The Minnesota Housing CCO will investigate and review complaints, request additional information if necessary and issue a written notice of findings to all parties within 30 days of receiving all information required to make a decision.

If a contractor or subcontractor disagrees with the findings of the Minnesota Housing CCO concerning the complaint, the contractor or subcontractor can appeal any findings by submitting a written request to the Minnesota Housing CCO. The contractor or subcontractor must provide an explanation (along with supporting documentation) within 30 days of the original notification of findings.

The Minnesota Housing CCO and the Multifamily assistant commissioner will review the original findings and the information submitted appealing the findings to determine if the disagreement is justified. The contractor or subcontractor will be notified in writing within 30 days of receiving the written appeal.

If the contractor or subcontractor is not satisfied with Minnesota Housing's determination, they may request that the case be referred to HUD and/or the federal Department of Labor (DOL) for reconsideration. Such disputes must be resolved in accordance with the procedures of DOL set forth in 29 CFR Parts 5, 6, and 7.

Additional classification: A request for DOL reconsideration of a work classification and wage rate must be submitted in writing to DOL within 30 days of the decision and must be accompanied by a full statement and supporting data or information.

The information introduced in this section is not intended as a full or complete description of labor standards, responsibilities, and obligations. It is important to develop a working knowledge of HUD labor standards. If you are not well versed in labor standards issues and compliance, you may want to consider hiring an experienced consultant to ensure full compliance.

6.14 Owner's Letter Certifying Compliance for HOME Funded Projects

Upon completion, the owner must submit a letter to Minnesota Housing certifying compliance with all Davis-Bacon labor standards requirements.

Chapter 7 – Uniform Relocation Act

The purpose of the Uniform Relocation Act (URA) is to provide displaced persons or businesses with fair, equitable treatment and protection from disproportionate injury by projects designed to benefit the public. The owner/developer must adhere to URA requirements. If the borrowing entity will be displacing or temporarily relocating residential or nonresidential tenants, an experienced relocation specialist must manage the entire process. This section covers basic URA requirements. For lower income residents displaced as a direct result of demolition and conversions in HOME assisted projects, Section 104(d) of the Housing and Community Development Act of 1974 may also apply. Minnesota Housing has a Residential Anti-displacement and Relocation Assistance Plan (RARAP) that covers procedures under these circumstances. For a complete recital of relocation requirements for HUD funded projects, refer to HUD Handbook 1378: Tenant Assistance, Relocation and Real Property Acquisition.

Minnesota Housing, at its sole discretion, retains the right to request additional compliance measures.

7.01 Displacement, Temporary Relocation, Non-displacement

Displacement occurs when a person or business is displaced as a direct result (as defined under federal regulation) of a federally assisted acquisition, demolition, or rehabilitation project. The term displaced person means any tenant, regardless of income, who is forced to move from the property permanently as a direct result of rehabilitation, demolition, or acquisition of a HOME or NHTF assisted project. This includes, but is not limited to, physical displacement caused by overcrowding, loss of a unit or economic displacement due to an increase in rents.

Temporary relocation occurs when a residential or nonresidential tenant is required to move temporarily, either within the project or to an offsite location, in order to accommodate a federally assisted acquisition, demolition or rehabilitation. Relocation is only considered temporary if the residential or nonresidential tenant's relocation is for 12 months or less. If the relocation exceeds 12 months, it is considered displacement under URA regulations, and relocation benefits must be paid.

Non-displacement occurs when a residential or nonresidential tenant is not moved from their unit as a result of a federally assisted acquisition, demolition or rehabilitation.

Once the ION occurs, the owner/developer will review the scope of work and determine if there will be any displacement, non-displacement, or temporary relocation.

7.02 Tenant Relocation Plan

A residential or nonresidential tenant relocation plan that conforms to all URA requirements is required for all federally assisted projects involving rehabilitation or acquisition. The plan must include an outline of how the residential or nonresidential tenants will be accommodated during construction, an overview of construction activities, a project timeline, an estimated budget, and whether or not the scope of work will require temporary or permanent relocation, including:

- A description of who is developing the plan
- A description of the project and scope of work
- A list of all sources of funds and whether multiple federal fund sources will be used
- If **temporary relocation** is anticipated for anything exceeding 24 hours, describe:
    - How many tenants will be affected
    - How long the temporary relocation will last for an individual tenant
        - How many tenants will need to be out during business hours vs. overnight or extended time periods
    - Estimated schedule of construction and relocation
    - Where temporarily relocated tenants will be housed (e.g., a vacant unit, nearby hotel)
    - Plans for food and entertainment costs if relocation will be during business hours only
    - Transportation considerations
    - Moving companies available
    - Americans with Disabilities Act (ADA) accommodations
    - Budget of estimated costs and source information for the numbers
- If **permanent displacement** is anticipated, describe:
    - How many tenants will be affected
    - Estimated schedule of construction and relocation
    - How the owner/developer plans to find comparable replacement dwellings
    - How tenants who may be hard to house will be assisted
    - Transportation considerations
    - Moving companies available
    - Americans with Disabilities Act (ADA) accommodations
    - Budget of estimated costs and source information for the numbers
- How the owner/developer plans to accommodate any special needs of the tenants and how needs assessment interviews will be conducted
- What other social services may need to be used
- Relocation budget contingency for unexpected issues (e.g., a tenant is allergic to dust so they are not able to return home after business hours as expected). Minnesota Housing requires a minimum of $5,000 for the relocation budget.

NOTE: This list is intended as a guide and is not all inclusive.

7.03 Notices

The URA regulations require several notices to be delivered to all residential or nonresidential tenants and/or potential tenants of the property receiving federal funds. Each notice must be written in plain, understandable language. Persons who are unable to read and understand the notice (e.g., due to lack of literacy, limited English proficiency, disability) must be provided with appropriate translation or interpretation services in accordance with HUD limited English proficiency guidance, alternative formats, and/or counseling. Each notice must indicate the name and telephone number (including the telecommunication device for the deaf [TDD] number, if applicable) of a person who may be contacted for answers to questions or other needed help.

Minnesota Housing provides templates of all notices on its website except for the Ninety-Day Notice, which should be developed by the owner/developer. The templates include instructions on how to tailor the notices to the specific project. Minnesota Housing requires drafts of all notices to be submitted as due diligence for review and approval. Once the drafts are approved, the owner/developer must deliver applicable notices to the tenants. All notices must be delivered (minimally) to all adult leaseholders.

Tenant notices should be delivered in one of the following ways:

- Hand delivery
- Certified return receipt (USPS)

Other forms of delivery must receive prior approval from Minnesota Housing. The owner/ developer must be able to provide proof of delivery.

HUD Information Brochure: A copy of HUD's brochure must be provided to tenants, homeowners, and businesses who will be permanently displaced. English and Spanish versions can be found on HUD's website.

General Information Notice (GIN): The GIN informs tenants of the receipt of federal funds for acquisition and/or rehab. Tenants residing in the property at the time of the Initiation of Negotiations (ION) must be provided a GIN ***within 30 days,*** or adhere to another timeline that Minnesota Housing, in its sole discretion, agrees upon. It is imperative that the GIN is disbursed in a timely manner. Any tenants who move in or out before the GINs are disbursed will be eligible for URA benefits. There are two versions of the GIN, and the owner/developer should work with the federal programs team at Minnesota Housing to determine which version of the notice (displacement, non-displacement or a combination) should be used.

Notice of Non-displacement: This notice informs tenants who will remain in the project after completion of the assisted activity of their rights and of the terms and conditions for remaining at the property during construction. This is a separate notice and requirement from the GIN;

however, the GIN and the Notice of Non-displacement can be delivered at the same time.

Move-in Notices: Tenants who move into the project after the ION must sign a Move-in Notice prior to signing the lease. This notice informs new tenants that they may be displaced and that they will not be entitled to relocation assistance under URA.

Notice of Eligibility (NOE): The NOE informs tenants who will be permanently displaced of the available relocation assistance, the estimated amount of assistance based on the displaced person's individual circumstances and needs, and the procedures for obtaining assistance. This notice must be specific to the person and their situation so that they will have a clear understanding of the type and number of payments, along with the amount of each payment, and/or other assistance they may be entitled to. The NOE must be signed by the tenant(s).

Before an NOE can be provided, a relocation needs assessment interview needs to take place. The development team must also complete form HUD-40061. This form must be retained in the tenant URA file for purposes of monitoring by Minnesota Housing.

Ninety-day Notice: Owners/developers will develop their own vacate notices, which must be provided to tenants who will be displaced, at least 90 days prior to their move out. The notice must not be given before they receive a notice of relocation eligibility (or NOE) for relocation assistance. The date provided in this notice may be different for each person or group of persons in a project based on whether or not the project will be phased, the location of the occupied building(s), or the project schedule.

Additional Notice Requirements – Tenant Track Down: If an owner/developer fails to provide the GIN notices required and occupants vacate the project before being appropriately advised of their eligibility or ineligibility for URA, the owner/developer must initiate all reasonable procedures to locate all former occupants who should have received proper notice. Efforts to locate former occupants may include: appropriate notice in a local newspaper (for at least 30 days); posting notice in an appropriate project location; checking with the local post office for a forwarding address; checking project records for employment or other contact telephone numbers; checking with local utility companies, school districts, churches, or community organizations; hiring a "finding service" available in the local area or over the internet; and/or other appropriate methods. Each occupant's file must be documented with all attempts to make contact and the results. The owner/developer will need to determine the eligibility or ineligibility for relocation assistance for each former occupant who is located and assist the former occupant to access appropriate advisory services and applicable relocation payments.

7.04 Relocation Needs Assessment Interviews

Providing a written notice or series of notices, along with the HUD information brochure, is not sufficient to ensure that a person who is affected by the project understands his/her rights and responsibilities. As soon as feasible, the owner/developer must contact each person who is affected by the project to discuss his/her needs, preferences, and concerns. Whenever feasible, contact should be in person.

The development team must complete form HUD-40061. This form must be retained in the tenant URA file for purposes of monitoring by Minnesota Housing.

7.05 Claim Forms

HUD provides claim forms on their website to use when calculating benefits.

Each URA file for residential tenants who are **displaced** requires:

- Form HUD-40058 Claim for Rental Assistance or Down Payment Assistance
- Form HUD-40054 Residential Claim for Moving and Related Expenses

Each URA file for residential tenants who are **temporarily relocated** requires:

- Form HUD-40058 Claim for Rental Assistance or Down Payment Assistance
- Form HUD-40030 Claim for Temporary Relocation Expenses (residential moves).

Each URA file for nonresidential tenants who are **displaced or temporarily relocated** requires:

- Form HUD-40055 Claim for Actual Reasonable Moving and Related Expenses – Nonresidential
- Form HUD-40056 Claim for Fixed Payment in Lieu of Payment for Actual Nonresidential Moving and Related Expenses

7.06 Appeals

Tenants have the right to appeal the claim amount they have been provided. The Tenant Relocation Plan must include details of the appeals process consistent with 49 CFR Part 24.10. Owners/developers must track all appeals submitted and the outcome of each decision. Written responses to tenants must include information regarding the tenant's ability to appeal the decision. Refer to HUD Handbook 1378: Tenant Assistance, Relocation and Real Property Acquisition for more information on the appeals process.

7.07 Reporting

The development team will be required to send the month's rent roll(s) and any Move-In Notices to Minnesota Housing by the last business day of the month for Minnesota Housing to review.

Construction draws are contingent on Minnesota Housing having current and accurate URA information.

7.08 Monitoring

Minnesota Housing will monitor URA files at project closeout for both temporary relocation and permanent displacement. The file should, at a minimum, contain the following:

- All applicable notices
- All applicable claim forms
- Copies of all checks and proof tenants received them (e.g., signed check, certified mail signatures)
- Proof the appropriate HUD Information Brochure was delivered
- Any applicable communication
- Any appeals information, if applicable
- For residential tenants who were displaced, the file should contain:
  - Selection of Most Representative Comparable Replacement Dwelling for Computing Replacement Housing Payment
  - Replacement housing rent and utility costs
  - Proof that the replacement dwelling is decent, safe and sanitary. A dwelling occupied in connection with a rental assistance program that is subject to HUD Housing Quality Standards (HQS) (24 CFR part 982.401), must be deemed to be in compliance with URA decent, safe and sanitary standards if it meets the applicable HQS.

7.09 Records Retention

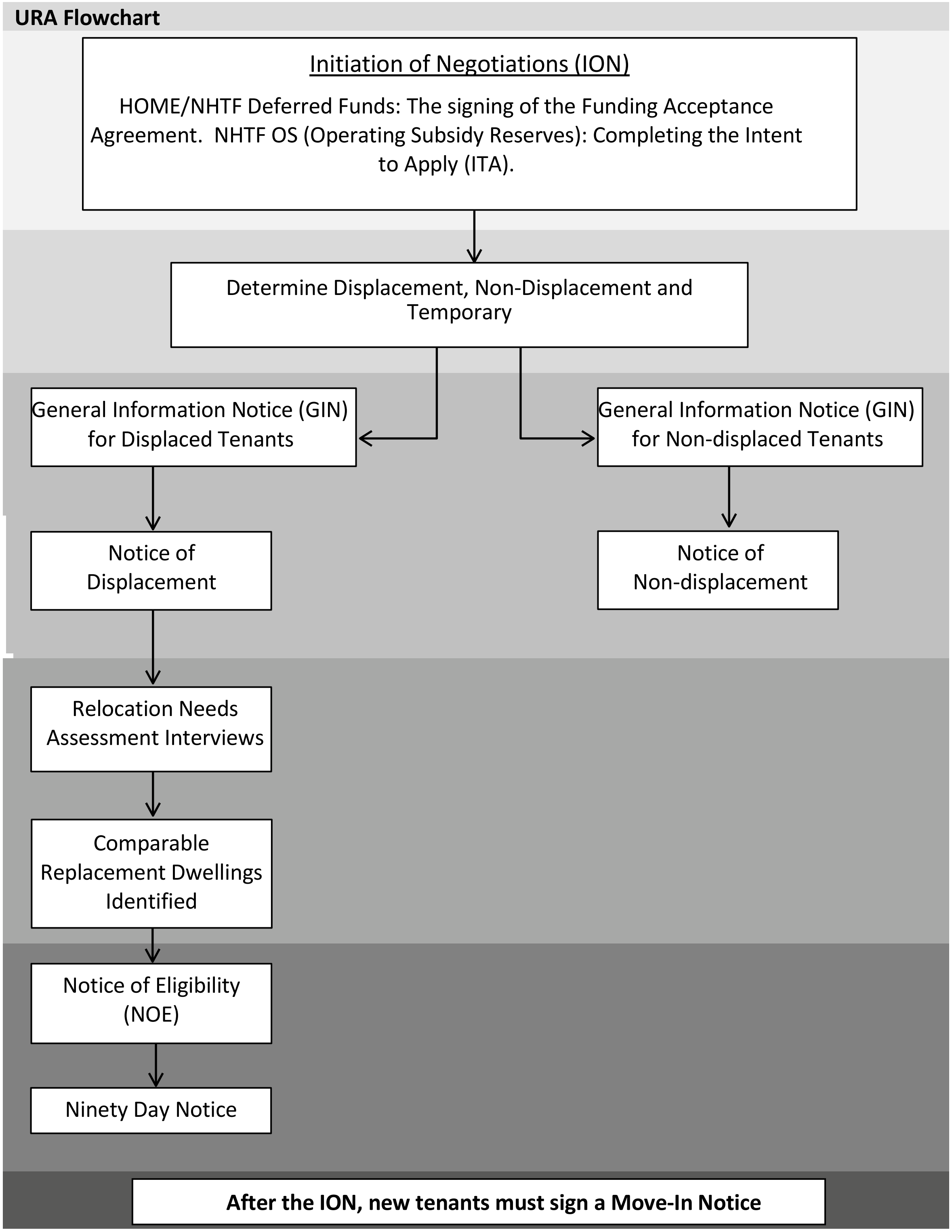
Owners/developers must have a URA file for all tenants. The owner/developer will be responsible for retaining all documentation pertaining to URA, including rent rolls, tenant files, notices, claims, etc. All records must be retained for five years after the final claim payment has been made.

7.10 Guiding Statutes, Regulations and Reference Materials

Applicable statutes and regulations pertaining to displacement include:

- The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 that applies to displacement resulting from acquisition, demolition, or rehabilitation for HUD assisted projects carried out by public agencies, nonprofit organizations, private developers or others and real property acquisition for HUD assisted projects (whether publicly or privately undertaken)
- Section 104(d) of the Housing and Community Development Act of 1974
- HOME Program regulations found in 24 CRF Part 92
- NHTF Program regulations found at 24 CFR Part 93
- HUD Handbook 1378: Tenant Assistance, Relocation and Real Property Acquisition, as updated, consolidates relocation requirements for all HUD programs in one document and provides instructions for compliance.

7.11 URA Flowchart



Chapter 8 – Rural Development and Preservation Activities

8.01 Rural Development Special Considerations

Below are the initial steps you must take when applying for funds to rehabilitate a Rural Development (RD) property:

- Contact the local RD office prior to submitting an application to Minnesota Housing for funding to discuss RD's procedure for applying for federal loans
- Ensure that the RD's construction analyst or architect has inspected the site and assisted with the scope of work

The owner is required to demonstrate that the RD's construction analyst or architect has inspected the site and assisted with the scope of work.

Minnesota Housing will allow a maximum of 80% of the units to be financed with HOME assistance when the RD note rate rents exceed the applicable HOME Program rent limits.

Example: If you have 10 units, only a maximum of eight units may receive HOME assistance (10 x 80% = 8).

Units assisted with HOME or NHTF funds must comply with the income and rent restrictions applicable to those programs, which is discussed in depth in other sections of this guide.

8.02 Application and Approval for Commitment

Minnesota Housing requires that all RD properties obtain approval for acquisition prior to submitting an application for funding. If Minnesota Housing receives an application without the necessary RD approvals, the application will be returned. This provision ensures that the maximum funds can be used in the most timely and effective manner.

Prior to closing, Minnesota Housing will send an executed Notice of Default form to the appropriate RD office, along with a request for junior lien approval.

NOTE: Minnesota Housing will not issue a loan commitment until it has received written consent from the RD office for junior lien approval.

Chapter 9 – 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 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 the Minnesota Human Rights Act. Housing providers 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.

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 terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- 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;
- 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 housing providers 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 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.

Chapter 10 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting

10.01 Fraud

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

Any person or entity (including its employees and affiliates) that enters into an agreement 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 ways described in Section 10.05.

10.02 Misuse of Funds

A loan or grant agreement is a legal contract between Minnesota Housing and the borrower or grantee. The borrower or grantee 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 borrower or grantee to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the borrower or grantee must use Minnesota Housing funds as agreed, and the borrower or grantee 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 borrower or grantee; or (2) A borrower or grantee cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the loan or grant agreement.

Any borrower or grantee (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 ways described in Section 10.05.

10.03 Conflict of Interest

A conflict of interest, actual, potential, or perceived, 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 or perceived conflict of interest exists even if no unethical, improper or illegal act results from it.

An individual conflict of interest is 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 friend, relative, acquaintance or business or organization with which they are involved.

Organizational conflicts of interest occur when:

- A contracting party is unable or potentially unable to render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties
- A contracting party's objectivity in carrying out the award is or might be otherwise impaired due to competing duties or loyalties
- A contracting party has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors

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 an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual, perceived or potential conflicts of interest through one of the ways described in Section 10.05.

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

10.04 Suspension

By entering into any agreement 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 agreement) has not been suspended from doing business with Minnesota Housing. Refer to Minnesota Housing's website for a list of suspended individuals and organizations.

10.05 Disclosure and Reporting

Minnesota Housing promotes a "speak-up, see something, say something" culture whereby internal staff, external business partners (e.g., grantees, borrowers) and the general public are encouraged to report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation. You may report wrongdoing or other concerns by contacting:

- Minnesota Housing's Chief Risk Officer at 651.296.7608 or 800.657.3769;

- Any member of 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).

2024-2025 Housing Tax Credit Qualified Allocation Plan

Revised: 11/2022

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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 (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;
3. Projects in Qualified Census Tracts (QCTs) that are part of a concerted community revitalization plan.

This document, and all forms and attachments, along with the Self-Scoring Worksheet, are a part of 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 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 notify the IRS of any noncompliance with the requirements of Section 42 of which it becomes aware.

[1] Minn. Stat §§ 462A.221 to 462A.225
[2] Section 42(m) of the Internal Revenue Code

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 HTCs from Minnesota Housing and may not be relied upon in structuring or investing in specific transactions, compliance with the IRC, IRS Treasury Regulations, or any other laws or regulations governing HTCs. Interested parties should consult with a knowledgeable tax professional prior to entering into any commitment concerning the use and claim of HTCs.

Minnesota Housing maintains the right not to award or allocate HTCs for any project if it determines, in its sole discretion, that an award or allocation 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).

Federally Assisted Building: The term "Federally Assisted Building" as defined by Section 42 of the Internal Revenue Code (Section 42) 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).

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

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 HTCs in Minnesota.

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

B. Geographic Distribution

The state of Minnesota is divided into two general geographic pools: (1) the Metropolitan Pool, as defined in Chapter 2.A.; and (2) the Greater Minnesota Pool, which consists of the balance of the state. 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 § 462A.222, Subdivision 1a.

Under Minnesota Statutes § 462A.222, certain cities and counties have been designated as suballocators to allocate and monitor 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 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. § 462A.222, Subdivision 4. The Greater Minnesota distribution will be as follows: (1) 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 the nonprofit set-aside (refer to Chapter 2.C.), which is administered by Minnesota Housing.

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 the nonprofit set-aside (refer to Chapter 2.C.), which is administered by Minnesota Housing.

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 QAP based upon updated demographic data in early 2023 and 2024, 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 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). On an annual basis, Minnesota Housing and suballocators may reserve an additional 5% 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 funds 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 federal requirement in Round 2, at Minnesota Housing's sole discretion, the project will have priority over other applicants in Round 2.

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 must own an interest in the project and materially participate in the ownership, development, and operation of the low-income project through the term of the LURA.

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 identity 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 acting to represent any for-profit member of the project team who controls or influences the decisions of the nonprofit.

If there is an identity of interest, affiliation, or conflict, as determined by Minnesota Housing, Minnesota Housing may disqualify the nonprofit from receiving HTCs from the 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
4. The nonprofit's degree of financial strength for completion and operation of the project during the term of the LURA
5. The relationship of the principals involved in the formation 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:
    a. Having more than a 25% share of common board members; 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 HTCs 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 small projects. The amount of HTCs reserved to the RD/Small Project set-aside for 2024 and 2025 is $425,000. Eligible projects must either:

1. Have an RD financing commitment, or
2. A small project located in a Rural/Tribal Designated Area as defined in the Rural/Tribal Methodology in the Methodology Guide and consisting 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 set-aside funds 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. Applications for HTCs in association with tax-exempt volume limited bonds are accepted year-round on a pipeline basis.

Round 1

Round 1 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 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. Nonprofit applicants may apply to the Minnesota Housing nonprofit set-aside or the suballocator individually or concurrently. Any unused HTCs are returned 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 with projects located within the jurisdiction of a suballocator may apply for HTCs from Minnesota Housing, but only in the nonprofit set-aside. Nonprofit developers with projects located in the allocating jurisdiction of a suballocator may apply simultaneously to the suballocator and to the Minnesota Housing nonprofit set-aside. Nonprofit developments not located in the allocating jurisdiction of a 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-asides[3]. Additionally, Round 2 establishes a waiting list for HTCs that may be returned. In Round 2, all projects located in suballocator jurisdictions may apply directly to Minnesota Housing. Projects that have previously received HTCs from Minnesota Housing or a suballocator and have an annual HTC shortfall of at least 5%, but not more than 33.33% of the total qualified annual HTC amount, 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.

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

F. Suballocator Procedures

A city or county is eligible to receive a reserved portion of the state ceiling under this subdivision 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.

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 award HTCs prior to the application closing date for Round 1.

Before the application deadline for Round 2, the 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 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

[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.

Housing to be reallocated. If the HTCs for which the project is no longer eligible are from the current year's annual 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 suballocating agency, if all the suballocator's HTCs have been committed or allocated. 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 which the selection 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. In instances where both a suballocator and Minnesota Housing have allocated HTCs to a project, the Allocating Agency that first allocated HTCs to the project will prepare the IRS Form 8609.

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

1. A copy of all Reservation/Binding Agreements, an original of the Carryover Agreement, and copies of all IRS Form 8609s, completed and issued to all (including tax-exempt) projects selected since February 28 of the preceding calendar year
2. A completed HTC application form (Multifamily Workbook) for each development receiving an allocation or award through a reservation, carryover, or issuance of 8609 for HTCs issued from volume cap and in connection with tax-exempt volume limited bonds
3. A completed IRS Form 8610 Schedule A for each development receiving a carryover allocation
4. A Suballocator Compliance Activity Report containing the results of inspection activity conducted during each monitoring year with copies of any forms 8823 filed with the IRS
5. Any other information requested by Minnesota Housing necessary to meet federal and state reporting purposes

Suballocators are responsible for monitoring HTC projects for the term of the LURA, including requirements imposed if Minnesota Housing apportions additional HTCs to a suballocator, in accordance with 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 or its monitoring agent. Projects that receive HTCs from Minnesota Housing that are apportioned to a suballocating agency must incorporate Minnesota

Housing restrictions that are a condition of the HTC award (e.g., nonprofit set-aside, homeless households).

Before January 31, suballocators will submit to Minnesota Housing compliance staff a comprehensive updated 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 numbers (BIN)
4. Ownership entity and tax 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
9. Other information as needed

In addition, suballocators will submit a list of the projects that have been in noncompliance, the 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. 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, the per-developer or general partner HTC limit is the greater of the amount representing 10% of the state's per capita volume limit in HTCs or the amount needed to support two developments in the case that two developments selected are being developed by the same developer or general partner. Such projects are subject to a development limit of no more than $1,700,000 in 2024 and 2025 in cumulative HTCs allocated to any one development.

At the sole discretion of Minnesota Housing, these limits may be waived. 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.

1. Developer Limit
    a. 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
    b. 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.
    c. Minnesota Housing may also waive these limits during Round 2 if there are excess HTCs at year-end.

2. Development Limit
    a. 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.
    b. Minnesota Housing may also waive these limits during Round 2 if there are excess HTCs 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 transfer of title of a selected project or transfer of more than a 50% interest in a general partner or member, or change in a nonprofit partner, will be considered a material change in the project and will be subject to Minnesota Housing's approval prior to the transfer of ownership.

Owners wishing to change or transfer ownership must submit a completed Request for Action Form (RFA), Transfer Agreement, a transfer of ownership fee (refer to Chapter 8) and/or an RFA processing fee (refer to Servicing Fee on Minnesota Housing's website), and any other documentation that Minnesota Housing deems necessary.

J. Unacceptable Practices

Transfer of Ownership

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:

   a. First transfer (negative 20 points on each application submittal)
   b. 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.

Displacement of Section 8 Tenants

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 negative25 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.

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 negative35 points.

Late 8609 Application Submissions Resulting in the Loss of HTC Authority to the State

When Minnesota Housing becomes aware that a late submission of a complete and acceptable 8609 application package by a development's owner/agent 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.

Filing of Non-Agency Approved 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.

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 failure to comply with Minnesota Housing's Fair Housing policies 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.

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 may be considered an unacceptable practice and result in negative points or ineligibility to receive an award or allocation of HTCs.

1. On the date of submission of an application for an award or allocation of HTCs, 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 negative35 points under Unacceptable Practices.
    a. Failed minimum set-aside
    b. Any Exigent Health and Safety violation under Uniform Physical Conditions Standards
    c. Owner is charging rent on any HTC unit that exceeds the allowable rent limit or has violated Minnesota Housing's policy limiting rent increases to once annually (as stated in Section 5.01 of the Housing Tax Credit Compliance Guide).
    d. HTC unit rented to an ineligible household (e.g., household not properly certified, over income at initial occupancy, or ineligible full-time student)
    e. Project not available to the general public
    f. Owner failed to respond to Minnesota Housing request for inspection
    g. Other compliance violations as determined by Minnesota Housing

2. On the date of submission of an application for an award or allocation of HTCs, if the applicant or development, 1) has been reported to IRS by Minnesota Housing or a suballocator as no longer in compliance, nor participating in Section 42 program as indicated on line 11p of IRS 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) 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 negative35 points or be deemed ineligible to receive an award or allocation of HTCs.

K. Minimum Underwriting Standards

A development selected for a reservation or preliminary determination of 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 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. **Minnesota Housing will not allow any significant adjustments to these standards without prior approval.** Not complying with these standards could lead to the revocation of the HTC allocation.

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, 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, 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
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% present value HTC amount, Minnesota Housing may not allocate 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
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 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 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 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 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 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 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 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 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 same evaluation process described above, 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 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
2. Re-signed and re-dated Multifamily Workbook (all changes from the initial application must be clearly identified)
3. Any new or revised documentation obtained since the previous application
4. An updated and revised Self-Scoring Worksheet, including all documentation that clearly supports the points claimed
5. Any requested documentation Minnesota Housing deems necessary
6. 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.

1. **Qualified Census Tracts (QCTs)** designated by HUD in which 50% of the population has an income of less than 60% of the area median or has a poverty rate of at least 25%; where such areas do not comprise more than 20% of the overall population (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). 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.
2. **Difficult Development Areas (DDAs)** 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. 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.

3. **State Designated Basis Boost**. For projects requesting HTCs 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).

   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 basis boost for HTC developments on a building-by-building basis to obtain financial feasibility.

   a. The development must meet at least one of the following selection criteria requirements:

      i. 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.

      ii. Preservation: Projects that serve existing federally assisted housing or other critical affordable housing projects must be eligible under the Preservation selection criterion.

      iii. 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 entities, or tribal corporate entities.

   b. The application must demonstrate that without the basis boost, a significant funding gap will remain for the proposed development and 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.

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 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 requesting HTCs from the state's HTC volume cap can request an appeal. 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 submit in writing evidence supporting their position 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 appeal must be written in letter form containing a signature and stating that the communication is an appeal under Chapter 2.S. of this QAP. The appeal letter may 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 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 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 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. 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 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 (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 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
2. The carryover basis 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 November 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 (i) that they be able to return the original allocation of HTC and (ii) 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 HTCs or other deferred funding from Minnesota Housing.
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 so 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 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

Except for carryover allocations, no allocation of HTCs 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 HTCs is determined when the project is placed in service.

Final allocations (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 via issuance of 8609 must be obtained prior to year-end of the allocation year for which the reservation was issued. For an 8609 to be issued by Minnesota Housing prior to year-end, the HTC application for issuance of such 8609s must be submitted to Minnesota Housing on or before November 1 of that year.

A project that has neither received a carryover allocation nor has been placed in service and issued appropriate 8609s before December 31 of the year of allocation will lose its entire allocation of HTCs.

The HTC amount that will be allocated 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 may be reduced to comply with federal law based on the final review of the project.

Prior to final allocation, 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 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 whether or not the property complies with the restrictions and/or set-asides under which the HTCs were allocated. 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 physical inspection using HUD's Uniform Physical Conditions Standards, 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 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 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. 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 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 monitoring of HTCs.

AB. 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 of HTCs that would not otherwise be awarded, 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 for any allocation 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 HTCs 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 to one or more low-income units or substantially benefit 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% 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 federal 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
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.

H. Federal Subsidy Layering Review

Section 911 of the Housing and Community Development Act of 1992 requires that specific procedures be followed for subsidy laying 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:

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

I. 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. 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 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 it 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(s) 8609 are filed with the Internal Revenue Service, 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 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.

J. 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 rental 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 HUD, for Minnesota counties are described in the Rent and Income tables found in the Multifamily Common Application Reference Materials section.

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
    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 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.

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 Compliance Guide for Completing Form 8823, Low-Income Housing Credit Agency's Report of Noncompliance or Building Disposition, for additional guidance.

L. 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.
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 for an increase in allowable basis.

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 eligible basis multiplied by the applicable fraction.

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; 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.

O. 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.).

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 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 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 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 requirements placed upon the building at the time of reservation. Non-compliance with these additional conditions 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. At its sole discretion, Minnesota Housing reserves the right to waive any criteria or requirement not required by law.

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 42(i)(3)(c).

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.

S. State Volume Limits

Each state is limited to the amount of HTCs it may allocate annually. An estimate of Minnesota's annual per capita volume limit is published 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 (refer to Chapter 7 for further details).

T. Recapture

Minnesota Housing reserves the right to recapture HTCs from 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 allocation.

Part of the HTCs will also be recaptured 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.

U. Market Study

IRC Section 42(m)(1)(A)(iii) requires that all HTC projects conduct a comprehensive market study. 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).

V. Eventual Tenant Ownership

Minnesota Housing will review projects incorporating eventual tenant ownership (ETO) provisions in accordance with Sec. 42 (h)(6), IRS Revenue Ruling 95-49, and Minnesota Housing's requirements. Projects that include eventual tenant ownership will receive a preference during the selection process when reviewing tie breakers (refer to Chapter 5. C.).

The LURA will contain provisions ensuring compliance with these ETO commitments by the owner, including a right of first refusal 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-, and women-owned businesses have equal access to business opportunities on Minnesota Housing financed projects and to encourage the presence of Black, Indigenous, People of Color, and women at all levels, including on the staffs of the program participants having contractual agreements with 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.

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.

Sanctions
Minnesota Housing has the contractual authority to demand full payment of any loan or grant, stop proceeding with any project at any stage, and cease to do business with any entity or individual that fails to follow its affirmative action policies or fails to meet its/his/her contractual equal opportunity obligations.

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 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 the Minnesota Human Rights Act. Housing providers 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.

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 terms, conditions, or privileges of the rental of a dwelling unit or services or facilities;
- 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;
- 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;
- 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 to make reasonable accommodations and to allow people 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.

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, 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. Projects must also comply with any occupancy limitations imposed by any additional source of 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 persons under the Fair Housing Act and the Minnesota Human Rights Act.

Chapter 4 – Development Standards

All applications to Minnesota Housing for HTCs 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.

Minnesota Housing will use its predictive cost model to test cost reasonableness for all projects. The model uses cost data from HTC properties, industry cost data from RSMeans, and regression analysis to predict total project costs. Based on a project's characteristics (building type, building characteristics, project size, project location, population served, financing, etc.), the model predicts the total development costs.

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 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 HTCs.

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, or any ownership interest, 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

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. **Minnesota Housing will not allow any significant adjustments to these standards without prior approval.**

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 462A.222 Subdivision 3 (e) requires that all applications statewide applying for a portion of the state's HTC volume cap 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 will be secured by 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.
   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 § 245.462, Subdivision 20, paragraph (c);
   b. With a developmental disability as defined in United States Code, 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 § 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 § 254A.02, Subdivision 2;
   d. With a brain injury as defined in Minnesota Statutes § 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 1340.

4. 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.
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, 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 chapter 474A are the highest strategic priority for tax credits in accordance with Minn. Stat. 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 and Preference Criteria required by Section 42 and Minnesota Housing.

To be eligible for HTCs from the state's volume cap 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, Minnesota Housing will first rank proposals. The highest-ranking proposals will then be reviewed in accordance with the following Project Selection requirements described in sections D through J 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 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 HTCs to the next ranking application that can use the balance of the HTCs (refer to Chapter 5.I.).

Selection Criteria consist of the following:

a. Large Family Housing
b. Senior Housing
c. Permanent Supportive Housing for High Priority Homeless
d. People with Disabilities

e. Need for More Affordable Housing Options
f. Workforce Housing Communities
g. Transit and Walkability
h. Community Development Initiative
i. Equitable Development
j. Rural/Tribal
k. Multifamily Award History
l. Black, Indigenous and People of Color-owned/Women-owned Business Enterprise (BIPOCBE/WBE)
m. Preservation
n. Financial Readiness to Proceed/Leveraged Funds
o. Other Contributions
p. Intermediary Costs
q. Universal Design
r. Smoke free Buildings
s. Enhanced Sustainability
t. Sponsor Characteristics – Non-scoring selection criteria
u. Public Housing waiting lists – Non-scoring selection criteria

Preference Criteria consist of the following:

a. Serves Lowest Income Tenants/Rents Reduction
b. Rental Assistance
c. Long Term Affordability
d. QCT/Community Revitalization, Tribal Equivalent Areas, and Opportunity Zones
e. 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 volume cap 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 will be 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:

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.
3. The experience of the development team in developing and managing similar residential housing.

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 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 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
6. Asbestos and lead-based paint

Minnesota Housing may, at its sole discretion, reject applications or recapture HTCs 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.

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 will be evaluated for financial feasibility as required by IRS Treasury Regulation 1.42-17(a)(3) and Chapter 2.O. 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 Application Instructions: Consolidated RFP and HTC Round 1 and 2 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 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 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, 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 partnerships, 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 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. 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 (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) such withdrawal or termination materially adversely impacts the financial feasibility of the project; (iii) alternative funding is unavailable; and (iv) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota

Housing to eliminate its requirements for the affected 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), (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 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, for a particular PWD Unit(s), the necessary tenant support services funding is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) alternative funding or an alternative service provider 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 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) and (ii) 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 Minnesota Housing, at any time thereafter, 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, 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 such PWD Unit tenant support services funding is obtained, 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. 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, 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, and if such HPH Unit Subsidy is obtained, 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 (FRRA 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 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 Further Restricted Units.

If, for a particular unit meeting, the criteria and receiving points under the Rental Assistance selection criterion for Further Restricted Rental Assisted Units (FRRA Unit(s)), the necessary rental assistance or operating support (collectively FRRA Unit Subsidy) is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) such withdrawal or termination materially adversely impacts the financial feasibility of the project; (iii) alternative funding is unavailable; and (iv) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to eliminate its requirements for the affected FRRA 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 FRRA Unit(s) as FRRA 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 an FRRA 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 allocation, and would permit the FRRA Unit(s) to again serve 30% income households, then at Minnesota Housing's request, the owner shall promptly apply for such FRRA Unit Subsidy for the FRRA Unit(s), upon terms reasonably acceptable to such owner, and if such FRRA Unit Subsidy is obtained, shall again set aside such FRRA 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 1 (or the next calendar business day if November 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.

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.

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 HTCs 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 HTCs 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 submit an IRS Form 8609 fee based upon the requested annual HTC amount (refer to Chapter 8).

A Minnesota Housing approved 8609 form must contain the signature of the authorized Minnesota Housing representative. Minnesota Housing will 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 Form 8609 must not be created by any other entity. The owner/agent must not file a Form 8609 with the IRS in advance of the owner/agent's receipt of the Minnesota Housing signed version of the approved Form 8609. In addition, the owner/agent must not electronically file a Form 8609 with the IRS that does not accurately reflect the information contained on the Minnesota Housing signed version of the approved 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 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.

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 (refer to Chapter 2.J.).

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 HTCs, 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 HTCs 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 HTCs allocated 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.

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.[4]

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% financial structure through a previous Minnesota Housing Consolidated RFP, and satisfied pointing and related requirements applicable to that 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 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. § 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 for this determination 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.**

The threshold requirements in Chapter 5 do not apply to projects not receiving HTCs counted in the HTC volume cap for the state.

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[4] 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.

In order 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.

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 for per unit costs in excess of an allowable threshold of which board action may be required. 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)(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:

- Multifamily Workbook
- Self-Scoring Worksheet – Corresponding with the year in which bond issuance is anticipated
- 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 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
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 for the buildings.

Based upon the submission of documents, 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. 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.

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 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).

A Minnesota Housing approved Form 8609 must contain the signature of the authorized Minnesota Housing representative. Minnesota Housing will 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 Form 8609 must not be created by any other entity. The owner/agent must not file a Form 8609 with the IRS in advance of the owner/agent’s receipt of the Minnesota Housing signed version of the approved 8609. In addition, the owner/agent must not electronically file a Form 8609 with the IRS that does not accurately reflect the information contained on Minnesota Housing's signed version of the approved Form 8609 or information contained in the preliminary determination. (Also refer to Chapter 2.J. Unacceptable Practices.)

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 HTCs 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 HTCs awarded to the building did not exceed the maximum HTCs 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 Fee Schedule and Remittance Form. **All fees are non-refundable** and will not be adjusted if the final HTC amount is reduced, 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, 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. Allocation Late Fee

Developers submitting a carryover package, or, if an owner has elected not to request a carryover, an 8609 package prior to the end of the year of allocation for which the reservation was issued who:

1. Do not submit a carryover/8609 application by the established due date and time; or
2. Submit a substantially incomplete carryover/8609 application by the established due date and time; or
3. Do not submit the carryover CPA final certification by the established due date and time

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 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

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, 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, owners must submit an RFA non-refundable processing 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.

B. Previous Year's Allocation of HTCs

Placed in Service Allocation: 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

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 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.

2024-2025 Self-Scoring Worksheet

Housing Tax Credit and Deferred Projects[1]

Updated November 2022

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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% 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 to be eligible for points. 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 Consolidated RFP, Minnesota Housing considers the total amount of points achieved in conjunction with such factors as feasibility, amount of total funding requested, available resources, 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 chapter 474A are the highest strategic priority for tax credits in accordance with Minn. Stat. 462A.222, subd. 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 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 commitments by the owner, including a right of first refusal allowing tenants to purchase their units.

☐ The project will have an Eventual Tenant Ownership component.

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.[2] The 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 1[3]

Application Guidance for Innovative Construction Techniques will be posted on Minnesota Housing's website.

D. Minimum Point Requirements

1. Request for Minnesota Housing administered HTCs from the state's HTC volume cap must demonstrate the project is eligible for no fewer than 80 points, excluding projects funded through the Rural Development/Small Projects set-aside.
2. Request for 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 Qualified Allocation Plan (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 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.

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[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).

F. Documentation of Points

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 HTCs from the state's HTC volume cap 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 §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision 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, 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., 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 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 for Minnesota Housing deferred financing or Minnesota Housing administered HTCs from the state's total volume cap or in association with tax-exempt volume limited bonds must include at least 2% of the total units, with a minimum number of one unit, with 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.

   Number of Units: _____

2. Request for Minnesota Housing deferred financing or Minnesota Housing administered HTCs from the state's total volume cap or in association with tax-exempt volume limited bonds must include at least 3% of the total units, with a minimum number of one unit, with 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.

   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: _____

Round 1 – Minimum Threshold Requirements

In accordance with Minnesota Statutes § 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:

In the Metropolitan Area

A. In the Metropolitan Area[4]

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, **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.

People with Disabilities

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**:

1. With a serious and persistent mental illness as defined in Minnesota Statutes § 245.462, Subdivision 20, paragraph (c);
2. With a developmental disability as defined in the United States Code, Title 42, Section 6001, paragraph (8), as amended;
3. Who have been assessed as drug dependent persons as defined in Minnesota Statutes § 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 § 254A.02, Subdivision 2;
4. With a brain injury as defined in Minnesota Statutes § 256B.093, Subdivision 4, paragraph (a); **OR**

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[4] As set out in Minn. Stat. 473.121, subd. 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.

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.

   NOTE: Minnesota Housing considers accessible units to be Type A and/or Type B units as identified in the referenced Chapter 1340, 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

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

1. ☐ Projects financed by Rural Development, which meet statewide distribution goals.

GREATEST NEED TENANT TARGETING

1. Greatest Need Tenant Targeting

Large Family Housing

A. Large Family Housing (12 to 15 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

B. Senior Housing (3 to 7 points)

1. **Senior Housing:** The proposal is for a project that provides housing that is restricted to persons 55 years of age or older. Select all that apply:

   a. ☐ 100% of the total assisted units will be restricted and marketed to seniors 55 years of age or older **(3 points)**

   Number of Units: _____

   b. Projects eligible under 1.a. above that agree to further restrict the units' incomes to the county 30% MTSP income limit.

[5] Assisted is defined as HTC units for HTC applications and affordable units for deferred funding.

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. cannot be claimed for units that are claimed under the Rental Assistance selection criterion 2.B.2.

<u>Permanent Supportive Housing for High Priority Homeless</u>

C. Permanent Supportive Housing for High Priority Homeless (HPH)[6] (7 to 30 points)

1. A minimum of 5% of the total units, but no fewer than four units, are set aside and rented to High Priority Homeless who are households prioritized for permanent supportive housing by the Coordinated Entry System[7] (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.

   The applicant 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 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: _____

[6] **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.

[7] 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.

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 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.

Please also note the following requirements depending on the project classification:

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

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 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 may be recorded with the property.

__People with Disabilities__

D. People with Disabilities (PWD) (7 to 13 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 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:

   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 Section 811 Project-based Rental Assistance (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 units, are set aside and rented to people with a disability as defined below. Th applicant agrees that the units are restricted to households with incomes at or below the county 30% MTSP income limit.

   The applicant must **provide the required 811 PRA Pre-Application prior to the application 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. Minnesota Housing will further evaluate the feasibility of the 811 PRA units during the formal application review process and reserves the right not to award the PWD points for 811 PRA units.

Select the number of units set aside for People with Disabilities that will use 811 PRA. The total number of 811 PRA units **cannot** exceed 11 units. 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.

a. ☐ 15% to 25% of the total units, but no fewer than ten units **(13 points)**

Number of Units: _____

b. ☐ 10% to 14.99% of the total units, but no fewer than seven units **(11 points)**

Number of Units: _____

c. ☐ 5% to 9.99% of the total units, but no fewer than five units **(9 points)**

Number of Units: _____

A percentage of the units are set aside and rented to persons with any of the following disabilities[8]:

1. A serious and persistent mental illness as defined in Minn. Stat. § 245.462, subdivision 20, paragraph (c);
2. A developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended;
3. Assessed as drug dependent as defined in Minn. Stat. § 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. § 254A.02, Subdivision 2;
4. A brain injury as defined in Minn. Stat. § 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 1340.

NOTE:

- Projects that meet Round 1 Minimum Threshold C.5. (persons with physical disabilities), as well as 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, 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.

[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.

NOTE: The Permanent Supportive Housing for High Priority Homeless (C.) and People with Disabilities (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 (D.).

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. 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 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 (A.). Projects with new rental assistance that has been in place for less than 15 years can only take points under Rental Assistance (B.). The Serves Lowest Income selection criterion (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.

<u>**Preservation**</u>

A. Preservation (15 to 40 points)

Thresholds:
Applicants seeking Preservation 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, and 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**

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 the following conclusions:

i. Identified scope of critical physical needs exceeds the available reserves by at least $5,000 per unit, as evidenced by the Year Critical Needs Model submitted with the application.

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;

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

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:

1. **Tier1 - Existing Federal Assistance – projects with existing project based rental assistance (15 to 40 points)**

   Any housing receiving project-based rental assistance or operating subsidies under a U.S. Department of Housing and Urban Development (HUD), U.S. Department of Agriculture Rural Development (RD), 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. 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 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.

   a. Existing Federally Assisted Units:

      i. ☐ 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: _____

iv. ☐ 25.01% to 50% 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 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. Rental assistance under the Rental Assistance Demonstration Program (components I or II) or the Public Housing Program are also not eligible. Any public housing repositioning 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 –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 – Tier 2 (15 points)**

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% MTSP limit (or utilizes another rent limitation whose current maximum is at or below the 50% MTSP limit) without long-term project based rental assistance. This may include units funded with Low-Income Housing Tax Credits, RAD Component 1, existing public housing units, RD units without Rental Assistance, other existing federal assistance not described above, or a loan funded by federal, state, local or intermediary sources. Applicants who claim these points must agree to continue limit the rents to at or below 50% MTSP for the term of the deferred declaration or the LURA.

For eligible projects, fifteen (15) or more years 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.

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 –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.

<u>**Rental Assistance**</u>

B. Rental Assistance (6 to 26 points)

1. Priority is given to an owner who submits with the application a **project-specific, fully executed binding commitment** (i.e., binding Resolution/binding Letter of Approval from the governing body) for project-based rental assistance, which is effectively project-based by written contract or for project-based vouchers (PBVs) awarded in accordance with 24 CFR Ch. 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.

   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 household income, program structure, goals, and population served.

   - 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 Support[9] and awards of project-based McKinney Vento Continuum of Care funding will be considered project-based rental assistance.
   - Privately funded 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.
   - A current request for Minnesota Housing rental assistance is not eligible to claim this category. A past award of existing rental assistance will be counted toward meeting the required percentages.

   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

[9] Formerly known as Group Residential Housing.

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[10].

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**
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-year period[11]. 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: _____

[10] **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.

[11] **Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion for Further Restricted Rental Assisted Units ("FRRA 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.

NOTE: The Rental Assistance 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. Rental assistance under the Rental Assistance Demonstration Program (Components I or II) or the Public Housing Program are also not eligible. Any public housing repositioning 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 People with Disabilities – Tier 2 –811 PRA (1.D.2.), Preservation – Tier 1 – Existing Federal Assistance (2.A.1.), and 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 for the project area in which the project is located for the full compliance and extended use period of the HTCs.

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)

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 gross rent level, including utilities. Rents must 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).

   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: _____

c. ☐ Projects that are eligible for 1.a. or 1.b. above and agree to further restrict units to the county 30% MTSP rent limit:

i. ☐ 30% to 40% of the total units **(7 points)**

Number of Units: _____

ii. ☐ 20% to 29.99% of the total units **(6 points)**

Number of Units: _____

iii. ☐ 10% to 19.99% of the total units **(5 points)**

Number of Units: _____

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 People with Disabilities – Tier 2 –811 PRA (1.D.2.), Preservation – Tier 1 – Existing Federal Assistance (2.A.1.), and 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).

<u>Long-Term Affordability</u>

D. Long-Term Affordability (8 to 9 points)

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 §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision 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 Choice

Need for More Affordable Housing Options

A. Need for More Affordable Housing Options (8 to 10 points)

1. Projects located in communities with a need for more affordable housing options because either there is a low share of affordable rental housing compared to all housing options in a community or a large share of renters are cost burdened by their rent. Select one:
   a. ☐ **Tier 1 Tracts or Cities, and Tribal Reservations**: Those in the 80th percentile or higher in the highest share of cost burdened renters or in the lowest share of affordable rental housing relative to the community type. Tribal reservations are also considered Tier 1 for having a need for more affordable housing options **(10 points)**
   b. ☐ **Tier 2 Tracts or Cities**: Those in the 50th to 79th percentile in the highest share of cost burdened renters or in the lowest share of affordable housing relative to the community type **(8 points)**

Workforce Housing Communities

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). 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) 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)

Metropolitan Area

1. For projects in the **Metropolitan Area**, indicate if the project is located in a community with transportation and access to transit.

   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 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 defined as those with service from 6 a.m. to 7 p.m. and has a frequency of 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 **(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 **(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 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 **(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.

Greater Minnesota Urbanized Area

2. For projects in **Greater Minnesota**, choose from **urbanized areas** and **rural and small urban areas**. Urbanized areas, according to the U.S. Census, are places with populations greater than 50,000 and are defined by the Minnesota Department of Transportation (MnDOT) (Greater Minnesota Transit Investment Plan: [http://minnesotago.org/index.php?cID=435)](http://minnesotago.org/index.php?cID=435) 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):

      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 to determine points):

         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 planned stop of route must be available daily, Monday through Friday, and provide service every 60 minutes for a minimum of 10 hours per day. **(7 points)**

         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 planned stop of route must be available daily, Monday through Friday, and provide service every 60 minutes for a minimum of 10 hours per day.

            OR

            Located less than one-half mile from an express bus route stop or park-and-ride lot. **(4 points)**

      ii. Walkability: To claim walkability, a project in a Greater Minnesota urbanized area must be (Select one):

         1. ☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com **(2 points)**

         2. ☐ Located in an area with a Walk Score between 50 and 69 according to www.walkscore.com **(1 point)**

<u>Greater Minnesota Rural and Small Urban Areas</u>

   b. **Rural and Small Urban Areas** (population 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”).

i. Access to Transit: To claim access to transit, a project in a Greater Minnesota rural and small urban area must be (Select one):

   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 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)**

   2. ☐ Served by demand response/dial-a-ride with prior day or greater notice needed and is available daily, Monday through Friday **(4 points)**

ii. Walkability: To claim walkability, a project in a Greater Minnesota rural and small urban area must be (Select one):

   1. ☐ Located in an area with a Walk Score of 50 or more according to www.walkscore.com **(2 points)**

   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)

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 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 active implementation of the Community Development Initiative. A full copy of all referenced plans or initiatives must be submitted.

Table 1: Project Requirements

REQUIRED	REQUIRED DOCUMENTATION	DESCRIPTION OF REQUIREMENT
a. Targeted Geographic Area and Map	Yes	A Targeted Geographic Area and map of the 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 Area must be small enough that one municipality or county (or a small conglomerate of municipalities or counties) can exercise jurisdiction over it.

REQUIRED	REQUIRED DOCUMENTATION	DESCRIPTION OF REQUIREMENT
b. Current implementation plan with goals or outcomes specific to the need identified by the initiative	Yes	Include milestones or steps of the plan that have been: 1. Completed 2. Underway 3. Planned
c. Affordable housing as a key strategy	Yes	Affordable housing is identified as a key strategy of the initiative.
d. Stakeholder list and role	Yes	Provide a list of local stakeholders involved and a description of their role in the active implementation of the initiative.

REQUIRED	REQUIRED DOCUMENTATION	DESCRIPTION OF REQUIREMENT
ADDITIONAL REQUIREMENTS FOR PROJECTS IN A QCT		
a. Public or Private Investment (non-housing)	Required if the project is in a QCT	Demonstrated 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 • Transit-oriented development or transit initiatives

Equitable Development

B. Equitable Development (3 points)

1. ☐ To receive Equitable Development points, there must be evidence that the project attempts to address the needs of a Community Most Impacted (CMI) by housing disparities and that a Qualified Stakeholder Group, with meaningful participation from that community, 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:

- 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 demonstrate meaningful and inclusive representation and participation of a CMI.
- 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 may initiate or convene a Qualified Stakeholder Group, 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.
- 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

To be eligible for Equitable Development, submit documentation into the Multifamily Customer Portal that meets *all* the following threshold criteria:

1. Threshold Criteria:
    a. Housing Disparity Addressed by the project.
        i. Identity which CMI(s) is/are this project proposal focused on serving. If the project is focused on serving multiple populations, select the CMI(s) participating in the Qualified Stakeholder Group that has a significant role in the proposal.
            a. Lowest Income (e.g., <= 30% of MTSP)
            b. People of Color
            c. Indigenous People
            d. LGBTQ+ People
            e. People Experiencing Homelessness
            f. People with Disabilities
            g. Immigrants
            h. Large Families
            i. Seniors
            j. Families with Children

b. Meaningful participation of Communities Most Impacted: A Qualified Stakeholder Group must have meaningful participation of the CMI that is the focus of the project proposal as documented in the narrative.

   i. Describe the Qualified Stakeholder Group's mission, and purpose in elevating the voices of the identified CMI.

   ii. Identify and describe what leadership and/or advisory roles people belonging to the identified CMI have in the Qualified Stakeholder Group, including one or more of the following:

      a. A paid leadership position; list position (if applicable)
      b. A member of the board (if applicable)
      c. A paid staff position (if applicable)
      d. A member role, such as serving on an advisory committee
      e. Other meaningful role, such as a volunteer (describe)

   iii. Provide a list of the Qualified Stakeholder Group'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 and why.

c. Meaningful Engagement with the identified CMI through the Qualified Stakeholder Group: The development team must evidence that the Qualified Stakeholder Group and specifically the CMI participants have been meaningfully engaged in the project concept by conducting, at minimum, two meetings with the group prior to submission of the current application. Documentation must be provided to evidence engagement and may include meeting minutes, notes, survey results, etc.

   NOTE: Any in-process engagement with the Qualified Stakeholder Group must include a detailed timeline for work done to-date, next steps, and future completion.

d. Significant involvement of the Qualified Stakeholder Group: The developer partnered with the Qualified Stakeholder Group and the identified CMI to develop the project proposal. Identify and submit a narrative explaining how the Qualified Stakeholder Group was involved in 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:

   i. Design

   ii. Services

   iii. Community Benefits: An agreement, between the developer and local community, to provide a benefit as identified by Community(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.)

   iv. Other (describe in the narrative)

e. Provide a signed letter from the Qualified Stakeholder Group. The letter must be signed by group participants who are willing to sign the document.

The letter must address each of the following questions:

i. How has the developer engaged with the Qualified Stakeholder Group and the identified Communities Most Impacted to create a project responsive to the vision of the group and needs of the CMI?

ii. How will this project help in fulfilling a need in your community?

iii. How often did the Qualified Stakeholder Group meet with the developer and what were those meetings like?

iv. How has the project changed in response to the input from the Qualified Stakeholder Group?

v. If the development is selected, what are your expectations for the Qualified Stakeholder Group's continued involvement in the project?

Rural/Tribal

C. Rural/Tribal (6 points)

1. Projects located in Rural/Tribal Designated Areas outside of the Metropolitan Area as defined by the 2024-2025 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. Select one:

a. ☐ Tier 1: The project is located in a Rural/Tribal Designated Area that is outside of the Metropolitan Area and has a population less than 5,000. **(6 points)**

b. ☐ Tier 2: The project is located in a Rural/Tribal Designated Area outside of the Metropolitan Area and has a population at or greater than 5,000. **(4 points)**

Qualified Census Tracts/Community Revitalization, Tribal Equivalent Areas, and Opportunity Zones

D. Qualified Census Tracts (QCT)/Community Revitalization, Tribal Equivalent Areas, and Opportunity Zones (3 points)

1. ☐ The proposed housing is located in a 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.

Multifamily Award History

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 source of funding 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)**

Black-, Indigenous-, People of Color-, and Women-owned Business Enterprises

F. Black-, Indigenous-, People of Color-, and Women-owned Business Enterprises (1 to 19 points)

1. A Black-, Indigenous-,- People of Color[12]-- or Women-owned Business Enterprise is a tribe or tribally-designated housing entity, tribal corporate entity, or other entity which is at least 51% owned by an individual(s) that is(are) Black, Indigenous, a Person of Color, or a woman. This includes nonprofits and governmental entities where the executive director or equivalent where the individual is Black, Indigenous, a Person of Color, or a woman. The individual must also control and manage the daily business operations. Provide documentation demonstrating that the entity meets the definition. This could include a signed and dated certification statement, qualification forms, ownership documentation, or third-party verification.

   a. Ownership/Sponsorship (Select one)

      i. ☐ The project owner/sponsor is a tribe or tribally designated housing entity, tribal corporate entity or a for-profit Black-, Indigenous-, People of Color-owned Business Enterprise **(8 points)**

      ii. ☐ The project owner/sponsor is a for-profit Women-owned Business Enterprise **(5 points)**

      iii. ☐ The project owner/sponsor is a nonprofit Black-, Indigenous-, People of Color-, - or Women-owned Business Enterprise **(4 points)**

   b. Development Team
   The developer, general contractor, architect, service provider, or management agent is a Black-, Indigenous-, People of Color-,- or Women-owned Business Enterprise. Select one.

      i. ☐ Two or more entities are a Black-, Indigenous-, People of Color-owned Business Enterprise **(7 points)**

      ii. ☐ Two or more entities are Women-owned Business Enterprises or a combination of Black-, Indigenous-, People of Color-, or Women-owned Business Enterprise **(4 points)**

[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.

iii. ☐ One entity is a Black, Indigenous, People of Color-owned Business Enterprise/ Women-owned Business Enterprise **(1 point)**

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. 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.

Provide an agreement executed between the partnering entity(ies) that defines the division of specific duties and roles, ownership, profit, and cashflow projection. The agreement should explicitly state the goal of building capacity to develop, manage, construct, design, or own affordable housing in the future. Select one.

i. The project sponsor agrees to partner with a Black, Indigenous, People of Color-owned Business Enterprise /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, cash flow, and voting rights **(4 points)**

ii. The project sponsor agrees to partner with a Black, Indigenous, People of Color-owned Business Enterprise /Women-owned Business Enterprise 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, cash flow, and voting rights **(2 points)**

iii. The project developer, general contractor, architect, service provider, or management agent agrees to partner with a People of Color-owned Business Enterprise/Women-owned Business Enterprise entity to perform a defined portion of the contracted work **(1 point)**

EFFICIENT USE OF SCARCE RESOURCES AND LEVERAGE

5. Efficient Use of Scarce Resources and Leverage

<u>Financial Readiness to Proceed/Leveraged Funds</u>

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 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 committed in a previous funding cycle/round.

   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. 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 days of submission of the application.
   - Monetary grants/donations

- The portion of the amortizing first mortgage supported by payments in lieu of taxes (PILOT)
- 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 debt[13], 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 satisfactory documentation is provided. Commitments cannot be eliminated or reduced. Examples include:
    - GP cash and seller loans
    - 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.
    - Purchase reserves: Provide satisfactory documentation to determine that the reserves are available, 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.

NOTE: The Financial Readiness to Process/Leveraged Funds and Other Contributions selection criteria cannot be claimed for the same sources.

[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.

Other Contributions

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. 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% and above **(10 points)**

   b. ☐ 8.1% to 10.0% **(8 points)**

   c. ☐ 6.1% to 8.0% **(6 points)**

   d. ☐ 3.5% to 6.0% **(4 points)**

   e. ☐ 1.0% to 3.4% **(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. 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.
   - 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.
   - 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.

- Funder commitments to modify existing debt[14], 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. 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.
- Payments in lieu of taxes (PILOT) for properties that cannot support an amortizing first mortgage: 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).

NOTE: The Financial Readiness to Proceed/Leveraged Funds and Other Contributions selection criteria cannot be claimed for the same resources.

Intermediary Costs

C. Intermediary Costs (1 to 6 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):

[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.

a. ☐ 0.0% to 15% **(6 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

Universal Design

A. Universal Design (3 points)

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. Select one:

a. ☐ An elevator building with 100% of the assisted 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 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 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 Tier 1, Tier 2, Tier 3, 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 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 **(1 point)**
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 **(2 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 **(3 points)**
   a. Pathway 1[15] (applicable to new construction and rehabilitation (rehab) projects): The project meets Minnesota B3 Sustainable Building 2030 (SB 2030) Energy Standard
   b. Pathway 2[16] (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

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[15] 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.

[16] Follow 2020 EGCC – Criterion 5.2b Moving to Zero Energy: Near Zero Certification.

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 thresholds:

i. A HERS Index score of 80 or less for properties built in or after 1980

ii. A HERS Index score of 100 or less for properties built before 1980

iii. A post-rehab HERS Index score at least 15% less than the pre-rehab HERS Index 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 **(4 points):**

a. Passive House Institute (PHI) Classic
b. Passive House Institute United States (PHIUS)
c. 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
   vi. Living Building Challenge

UNACCEPTABLE PRACTICES

7. Unacceptable Practices (-1 to -35 points)

Minnesota Housing may impose penalty points for unacceptable practices.

TOTAL POINTS

TOTAL DEVELOPER CLAIMED POINTS: _____

TOTAL MINNESOTA HOUSING AWARDED POINTS: _____

State of Minnesota Citizen Participation Plan

Consolidated Plan for Housing and Community Development

Introduction

Under guidelines established by the U.S. Department of Housing and Urban Development (HUD), the Minnesota Department of Employment and Economic Development, Minnesota Housing Finance Agency and Minnesota Department of Human Services, hereinafter referred to as the "State", must prepare a Consolidated Plan that addresses the housing, community development, and economic development activities that the State will undertake to assist its citizens through HUD's formula grant programs.

DEED is the lead agency responsible for the Consolidated Planning process and the administration of the: Community Development Block Grant funds (CDBG). Minnesota Housing is the lead agency responsible for the Home Investment Partnerships (HOME), Housing Opportunities for Persons with AIDS (HOPWA), and the National Housing Trust Fund (NHTF). DHS is the lead agency responsible for the Emergency Shelter Grants (ESG).

The Consolidated Planning process is intended to more comprehensively fulfill three basic goals: to provide decent housing, to provide a suitable living environment and to expand economic opportunities.

Provision of decent housing may involve assisting homeless persons in obtaining appropriate housing, retaining the affordable housing stock, increasing the availability of permanent affordable housing for low-income households without discrimination or increasing supportive housing to assist persons with special needs. Providing a suitable living environment might entail improving the safety and livability of neighborhoods, including the provision of adequate public facilities; deconcentrating housing opportunities and revitalizing neighborhoods; restoring and preserving natural and physical features with historic, architectural, and aesthetic value; and conserving energy resources. Expanding economic opportunities can involve creation of accessible jobs, providing access resources for community development, and assisting low-income persons in achieving self-sufficiency.

The Consolidated Plan is a three-part planning process required by HUD. It comprises developing a five-year strategic plan, preparing annual action plans and submitting annual performance reports. These three parts are intended to furnish the framework whereby

Minnesota can identify its housing, homeless, community, and economic development needs, identify resources that will be tapped and actions to be taken that will address the needs, as well as look back and evaluate the State's progress toward achieving its strategic goals. Completing these documents on time and in a manner that is acceptable to HUD ensures program funding.

The precursor to the Consolidated Plan is the Citizen Participation Plan (CPP). The objectives of the CPP are to ensure that the citizens of Minnesota, particularly persons of low and moderate income, persons living in slum and blight areas, units of local government, housing agencies and other interested parties, are provided with the opportunity to participate in the planning and preparation of the Consolidated Plan, including amendments to the Consolidated Plan and the Annual Performance Report. In doing so, the CPP sets forth general policies and procedures for implementing and carrying out the Consolidated Planning Process, such as how the Consolidated Plan will be developed, dates and milestones along which the process will proceed, and methods for citizens to offer the State assistance and guidance in the formulation of the Plan. Furthermore, the provisions of the CPP fulfill statutory and regulatory requirements for citizen participation specified in the U.S. Department of Housing and Urban Development's rules for the Consolidated Plan, the HOME, CDBG, ESG, NHTF and HOPWA programs and the Analysis of Impediments to Fair Housing[1]. In Minnesota, the participation process will be developed and monitored by a Consolidated Plan Coordinating Committee consisting of representatives from the Department of Employment and Economic Development (DEED), the Minnesota Housing Finance Agency (Minnesota Housing), and the Minnesota Department of Human Services (DHS).

Purpose of the Citizen Participation Plan

In order to ensure maximum participation in the Consolidated Plan process among all populations and needs groups, and in order to ensure that their issues and concerns are adequately addressed, the State of Minnesota will follow the standards set forth in this Citizen Participation Plan during development of its Consolidated Plan.

The Citizen Participation Plan also provides citizens an opportunity to evaluate and comment on the State’s performance, as reported in the Consolidated Annual Performance and Evaluation Report (CAPER).

Relevant Areas

The term “entitlement areas” refers to cities and counties that qualify to receive one or more formula grants. These areas must complete a Consolidated Plan separately from the State’s to receive funding. For purposes of this Citizen Participation Plan, “non-entitlement” refers to cities

[1] See 24 CFR § 91.115

and towns that do not file Consolidated Plans individually or as part of a consortium and are not eligible to receive formula funding from HUD directly.

Entitlement areas for the CDBG program include: the cities of Bloomington, Coon Rapids, Duluth, Eden Prairie, Mankato, Minneapolis, Minnetonka, Fargo/Moorhead, North Mankato, Plymouth, Rochester, St. Cloud, St. Paul, Woodbury, and the counties of Hennepin, Anoka, Dakota, Ramsey, Washington, and St. Louis.

Entitlement areas for the HOME program include: the cities of Duluth, Minneapolis, and St. Paul, and the counties of Hennepin, Dakota, and St. Louis.

Entitlement areas for the ESG program include: the cities of Duluth, Minneapolis, St. Paul, and the counties of Hennepin, Dakota, Ramsey, and St. Louis.

Individuals wishing to contribute to the Consolidated Planning process in these areas should contact housing and community development specialists in these cities/counties.

Encouraging Citizen Involvement

Public Notice and Outreach

An informed citizenry is critical to effective and responsive housing and community development programs. Efforts to educate residents and empower participation are an ongoing element of the Consolidated Planning process.

As the fundamental means of notifying interested citizens about the Consolidated Plan and related activities, such as the Annual Action Plan or the Consolidated Annual Performance and Evaluation Report, the State will utilize multiple display advertisement notices, which include but are not limited to one or more newspapers of general circulation, press releases, social media, mass emailings, and/or website postings. Written notices will be published at least 14 calendar days prior to public hearings. All notices will be written in plain, simple language and direct efforts will be undertaken to publish and/or post information at locations that will elicit maximum low- and moderate-income and minority participation.

Public education and outreach will be facilitated through the use of public advertisements that describe the Consolidated Planning process, opportunities for citizen participation and available funding through the CDBG, ESG, HOME and HOPWA programs. The State's Consolidated Plan contact list will likely include social service organizations, local jurisdictions, low-income housing consumers, neighborhood groups, previous participants and commentators, and others expected to desire input on the Plan.

The Consolidated Plan will offer many other opportunities for citizen participation. The State will particularly encourage participation of persons with special needs and/or persons who are often underrepresented in public process (low-income, persons of color, non-English speaking persons, persons with disabilities, persons who are homeless). The State will also encourage the participation of statewide and regional institutions and organizations that are involved or affected by the formula grants in the process of developing and implementing the Consolidated Plan. Participation will be solicited and encouraged through the activities discussed below.

Communications sent and posted by the state will encourage input from these parties so they can provide input about priorities and strategies they wish to see as a result of the plan.

Public Hearings and Input Meetings

At least two public input meetings will be held before the publication of the final Consolidated Plan. The primary purpose of the first public hearing is to gather citizen input on housing and community development needs and the proposed Consolidated Plan before it is published for comment. The second public hearing will be held during the Consolidated Plan 30-day public comment period and will be for review and comment on the Consolidated Plan draft. The public hearings will be announced at least two weeks prior to being held. Announcements may be made through the DEED and Minnesota Housing websites and at least one additional method which may include newspaper, social media, mass emails, or written postings.

The public hearings will take place in locations identified in the announcement of the public hearings that are accessible to persons with disabilities. The dates, times and locations for public hearings will be convenient to potential and actual beneficiaries. Non-English speaking persons and those with disabilities will be encouraged to attend. Where a significant number of non-English speaking residents are expected to participate, the State will provide translators when notified of this need prior to the public meetings. Contact information will be provided in all public announcements.

Regional and Interest Area Forums and Focus Groups

In addition to the public hearings, DEED, Minnesota Housing, and DHS may solicit input on housing and community development issues and needs of the homeless population at regional or interest area forums, focus groups, or web-based meetings.

If these types of meetings are conducted, agencies, advocates, statewide and regional institution and organizations and community residents will be informed of the meetings through state agency websites, personal contact, mass emails, media releases, and other methods that the state believes may be productive. All sites selected for the forums or focus groups will be accessible to the physically disabled. The State will work with advocacy groups to determine the need for special accommodations (beyond physical accessibility) of special needs groups and non-English speaking attendees.

The forums will be conducted with the intention of providing Minnesota residents the opportunity to voice their opinions and provide insight into the issues prevalent in their communities. The forums will also provide an opportunity for citizens and interested parties to obtain information about state housing and community development programs, the administering agencies, and funding requirements.

Publication of Consolidated Plan Documents

The State will publish its draft Consolidated Plan documents for public review in a manner that affords citizens, public agencies and other interested parties a reasonable opportunity to examine its contents and submit comments.

The draft Consolidated Plan documents will be available for viewing on Minnesota Housing's website http://www.mnhousing.gov and DEED's website http://www.mn.gov/deed, DHS' website http://www.mn.gov/dhs, or a centralized website or webpage dedicated to the State of Minnesota's Five Year Consolidated Plan. A reasonable number of hard copies of the proposed Consolidated Plan will also be available from DEED and Minnesota Housing during the public comment period.

Citizens or groups that have attended any of the forums or public hearings will be notified by mail or e-mail of the Consolidated Plan's availability for comment.

The draft Consolidated Plan will describe the amount of assistance the State expects to receive and the range of activities that may be undertaken, including the estimated amount that will benefit persons of low- and moderate-income and the plans to minimize displacement of persons and to assist any persons displaced.

The State will openly consider any comments of individuals or groups received verbally or in writing, including e-mail, during the Consolidated Planning process or at public hearings. A summary of the written and public hearing comments will be included in the final Consolidated Plan, along with the state's response to the comments.

Public Comment on the Consolidated Plan Documents

Prior to the adoption of the Consolidated Plan, the State will make available to interested parties the draft Consolidated Plan and Executive Summary for a comment period of no less than 30 days. Notification of the availability of the proposed Consolidated Plan will be provided in at least one media source which may include websites, newspaper, social media, or postings.

Before the State submits a Consolidated Annual Performance and Evaluation Report (CAPER) to HUD, the State will make available to interested parties the proposed CAPER for a comment period of no less than 15 days. Citizens will be notified of the CAPER's availability through newspaper notification, website postings, and/or social media.

The CAPER will be available on Minnesota Housing's and DEED's websites for the full public comment period. Hard copies of the CAPER will be available upon request from DEED and Minnesota Housing during the public comment period. The State will consider any comments of individuals or groups received verbally at public hearings or in writing, including e-mails. A summary of the written and public hearing comments and the State's responses will be included in the final CAPER.

Public Access to Records

The State will provide all interested parties with access to information and records related to the State's Consolidated Plan and the State's use of assistance under all programs covered by the Consolidated Plan during the preceding five years. The public will be provided with reasonable access to housing assistance records, subject to laws regarding privacy and obligations of confidentiality.

Consultation with Organizations and State Agencies

When preparing the Consolidated Plan, the State will actively consult with public and private agencies that provide housing, health and social services in order to ensure that the interests and needs of all groups are being adequately addressed. This consultation may occur through regional and interest area forums, interviews conducted with such organizations (especially those that provide services to special needs populations), surveys, and incorporation of data and reports produced by such organizations into the Consolidated Plan.

Amendments to the Consolidated Plan

Pursuant to HUD regulations, an amendment to the Consolidated Plan is required whenever the jurisdiction determines to:

- Substantially change the allocation priorities or its method of distributing HUD formula grant funds;
- Utilize formula grant funds (including program income) to carry out an activity not previously described in the action plan; or
- Change the purpose, scope, location or beneficiaries of an activity.

Such changes, prior to their implementation, are reviewed under various federal or State requirements. Substantial amendments to the Consolidated Plan are, in addition, subject to a formal citizen participation process. Notice and the opportunity to comment will be given to citizens through public notices in local newspapers or other appropriate means, such as public meetings, social media, or website postings. A public comment period of not less than 30 days will be provided prior to implementing any substantial amendment to the Consolidated Plan. State staff will prepare a summary of all comments received in writing and, in cases where any citizens' views are not accepted, provide reasons for the decision. This documentation will be attached to the substantial amendment, which will be available to the public and submitted to HUD.

Substantial Amendments

Occasionally, public comments or events warrant an amendment to the Consolidated Plan. The criteria for whether to amend are referred to by HUD as Substantial Amendment Criteria. The following is the State’s Substantial Amendment Criterion.

A change in the described method of distributing funds to local governments or nonprofit organization subrecipients to carry out activities. Elements of a “method of distribution” are:

A. Application process for subrecipients;
B. Criteria for selecting subrecipients.

Citizen Participation in the Event of a Substantial Amendment

In the event of a substantial amendment to the Consolidated Plan, the State will comply with the following citizen participation process:

1. The State will notify citizens of the availability of the draft substantial amendments, a minimum 30-day comment period, and, if in the State's judgment a public hearing is desirable, the time and location of the public hearing through website, social media, or newspaper.
2. Depending on which of the formula grant programs is affected, the substantially amended sections of the Consolidated Plan will be made available on either Minnesota Housing's website http://www.mnhousing.gov, DEED's website, http://www.mn.gov/deed or DHS's website, http://www.mn.gov/dhs and hard copies will also be available from the affected state department for the full duration of the public comment period.

Consideration of Public Comments on the Substantially Amended Plan.

In the event of substantial amendments to the Consolidated Plan, the State will openly consider any comments on the substantially amended Consolidated Plan from individuals or groups. Comments must be received in writing, including e-mail, or at public hearings if hearings are conducted. A summary of the comments received on the substantial amendments will be included in the final substantially amended Consolidated Plan. Also included in the final substantially amended Consolidated Plan will be a summary of all comments not accepted and their reasons for dismissal.

Changes in Federal Funding Level

Any changes in federal funding level after the Consolidated Plan's draft comment period has expired and the resulting effect on the distribution of funds will not be considered an amendment or a substantial amendment.

Standard Amendments

"Standard amendments" are those that are not considered substantial in nature and pertain chiefly to minor administrative modifications of the programs. Thus they do not require in-depth citizen participation.

Complaints and Grievances

Citizens, administering agencies and other interested parties may submit complaints regarding violations of this Citizen Participation Plan or federal regulations regarding the preparation of the consolidated plan, amendments to the consolidated plan, or performance reports.

Citizens may also present complaints and grievances orally or in writing at the community meetings and/or public hearing. All public comments, including complaints and grievances, made either orally or in writing within the 30-day public comment period, will be included in the final Consolidated Plan, subject to such limitations of the Minnesota Government Data Practices Act that may apply. Such complaints or grievances shall be directed to the Consolidated Plan representative, Ms. Hillary Friend of DEED at 332 Minnesota St, Ste. E200, St. Paul, MN 55101, or her successor.

Timely Response to Complaints or Grievances

Within 15 calendar days of receiving the complaint, the program manager shall discuss the matter with the department manager, respond to the complainant in writing, and maintain a copy of all related correspondence, which will be subject to State review. A copy of the State's response from the Consolidated Plan representative will be transmitted, concurrently, to the complainant and to the DEED Director. If, due to unusual circumstances, the Consolidated Plan representative finds that it is unable to meet the prescribed time limit, the limit may be extended by written notice to the complainant. The Consolidated Plan representative’s notice must include the reason for the extension and the date on which a response is expected to be generated, which may be based on the nature and complexity of the complaint.

Public review materials and performance reports will include data, as appropriate under confidentiality regulations, on any written complaints received and how each was resolved.

Citizen Participation Requirements for Local Governments Receiving CDBG (Small Cities Development Program) Funds from the State

Units of general local government must provide for and encourage citizen participation as prescribed at 24 CFR 570.486. All Small Cities Program applicants for CDBG funds are required to provide citizen notification and involvement in planning and implementation of the proposed projects through one or more public hearings and other informational efforts. Public hearings must be held at times and in places that are convenient to all community residents, particularly those who will be affected by implementation of the project(s). The needs of persons with disabilities and non-English speaking persons should be considered for the dissemination of information and the location of public hearings and meetings must be accessible to persons with disabilities. In addition, applicants are required to conduct a community development survey to allow for citizen input on the housing and community needs of the jurisdiction.

Availability of the Citizen Participation Plan

Copies of the CPP may be obtained at the Minnesota Housing website (http://www.mnhousing.gov), the DEED website at http://www.mn.gov/deed., or DHS' website, http://www.mn.gov/dhs Upon request, the State will make the Plan available in an alternative format accessible to persons with disabilities.

Outreach Contacts

Copies of the Consolidated Plan will be sent electronically to the following:

Libraries

ALBERT LEA PUBLIC LIBRARY	phavener@selco.info
ANOKA COUNTY LIBRARY	Maggie.Snow@co.anoka.mn.us
ARROWHEAD LIBRARY SYSTEM	Jim.Weikum@alslib.info
AURORA PUBLIC LIBRARY	Paula.Chapman@alslib.info
AUSTIN PUBLIC LIBRARY	ahokanson@selco.info
BABBITT PUBLIC LIBRARY	Lisa.Pennala@alslib.info
BAUDETTE PUBLIC LIBRARY	Kelli.Pelland@alslib.info
BAYPORT PUBLIC LIBRARY	jsmith@ci.bayport.mn.us
BLUE EARTH COMMUNITY LIBRARY	egaydo@tds.lib.mn.us
BLUE EARTH COUNTY LIBRARY	tim.hayes@blueearthcountymn.gov
BOVEY PUBLIC LIBRARY	Tara.Deguiseppi@alslib.info
BROWNS VALLEY PUBLIC LIBRARY	bpiechowski@brownsvalley.lib.mn.us
BROWNSDALE PUBLIC LIBRARY	dsmith@selco.info

BUHL PUBLIC LIBRARY	Dan.Wilde@alslib.info
CALEDONIA PUBLIC LIBRARY	adress@selco.info
CALUMET PUBLIC LIBRARY	Melanie.Lefebvre@alslib.info
CANNON FALLS LIBRARY	jpadgett@selco.info
CARLTON AREA PUBLIC LIBRARY	Jodie.Johnson@alslib.info
CARVER COUNTY LIBRARY SYSTEM	hhoks@co.carver.mn.us
CHATFIELD PUBLIC LIBRARY	monica@selco.info
CHISHOLM PUBLIC LIBRARY	Katie.Christenson@alslib.info
CLARKFIELD PUBLIC LIBRARY	clibrary@mnns.com
CLOQUET PUBLIC LIBRARY	Mary.Lukkarila@alslib.info
COLERAINE PUBLIC LIBRARY	Joanne.Mikulich@alslib.info
COLUMBIA HEIGHTS PUBLIC LIBRARY	renee.dougherty@ci.columbia-heights.mn.us
COMFREY AREA LIBRARY	libtbc1@tds.lib.mn.us
COOK PUBLIC LIBRARY	Crystal.Phillips@alslib.info
CROSBY: JESSIE F. HALLETT MEMORIAL LIBRARY	peggi@hallettlibrary.org
DAKOTA COUNTY LIBRARY	Margaret.Stone@co.dakota.mn.us
DODGE CENTER PUBLIC LIBRARY	iherfindahl@selco.info
DOUGLAS COUNTY LIBRARY	jodland@douglascounty.lib.mn.us
DULUTH PUBLIC LIBRARY	cpowers@duluthmn.gov
EAST CENTRAL REGIONAL LIBRARY	bmisselt@ecrlib.org
EAST GRAND FORKS CAMPBELL LIBRARY	chelgeson@egflibrary.org
EDGERTON PUBLIC LIBRARY	edejager@plumcreeklibrary.net
ELBOW LAKE: THORSON MEM LIBRARY	ghedstrom@elbowlake.lib.mn.us
ELMORE PUBLIC LIBRARY	libtfe@tds.lib.mn.us
ELY PUBLIC LIBRARY	Rachel.Heinrich@alslib.info
EVELETH PUBLIC LIBRARY	MaryBeth.Kafut@alslib.info
FARIBAULT: BUCKHAM MEMORIAL LIBRARY	djames@ci.faribault.mn.us
FERGUS FALLS PUBLIC LIBRARY	esmith@fergusfalls.lib.mn.us
FULDA MEMORIAL LIBRARY	bcuperus@plumcreeklibrary.net
GILBERT PUBLIC LIBRARY	Nicole.Miller@alslib.info
GLENWOOD PUBLIC LIBRARY	lrandall@glenwood.lib.mn.us

GRAND MARAIS PUBLIC LIBRARY	Steve.Harsin@alslib.info
GRAND MEADOW PUBLIC LIBRARY	abaugh@selco.info
GRAND RAPIDS AREA LIBRARY	manderson@ci.grand-rapids.mn.us
GREAT RIVER REGIONAL LIBRARY	karenp@grrl.lib.mn.us
HANCOCK COMMUNITY LIBRARY	pjoos@hancock.lib.mn.us
HANSKA PUBLIC LIBRARY	dnelson@tds.lib.mn.us
HARMONY PUBLIC LIBRARY	ssilvers@selco.info
HENDRICKS: SIVERSON PUBLIC LIBRARY	librarianhendricks@yahoo.com
HENNEPIN COUNTY LIBRARY	lthompson@hclib.org
HIBBING PUBLIC LIBRARY	Coral.Ellshoff@alslib.info
HOKAH PUBLIC LIBRARY	barbb@selco.info
HOUSTON PUBLIC LIBRARY	hpublib@gmail.com
HOYT LAKES PUBLIC LIBRARY	Coral.Ellshoff@alslib.info
INTERNATIONAL FALLS PUBLIC LIBRARY	Diane.Adams@alslib.info
IVANHOE PUBLIC LIBRARY	svizecky@plumcreeklibrary.net
JACKSON COUNTY LIBRARY	terickson@plumcreeklibrary.net
KASSON PUBLIC LIBRARY	atiff@selco.info
KEEWATIN PUBLIC LIBRARY	Paula.Fowler@alslib.info
KENYON PUBLIC LIBRARY	motte@selco.info
KINNEY PUBLIC LIBRARY	k.bragge@mchsi.com
KITCHIGAMI REGIONAL LIBRARY	ridgem@krls.org
LA CRESCENT PUBLIC LIBRARY	lbeach@selco.info
LAKE AGASSIZ REGIONAL LIBRARY	lynchl@larl.org
LAKE BENTON PUBLIC LIBRARY	sfinzen@plumcreeklibrary.net
LAKE CITY PUBLIC LIBRARY	pbross@selco.info
LAKE ELMO PUBLIC LIBRARY	ndeprey@lakeelmo.org
LAMBERTON PUBLIC LIBRARY	cvanmeveren@plumcreeklibrary.net
LANESBORO PUBLIC LIBRARY	tjohnson@selco.info
LE ROY PUBLIC LIBRARY	rbarnes@selco.info
LONSDALE PUBLIC LIBRARY	mmoran@selco.info
MABEL PUBLIC LIBRARY	donnaj@selco.info

MARBLE PUBLIC LIBRARY	Tanja.Smith@alslib.info
MARSHALL-LYON COUNTY LIBRARY	michele.leininger@marshalllyonlibrary.org
MARTIN COUNTY LIBRARY	jjepse@tds.lib.mn.us
METROPOLITAN LIBRARY SERVICE AGENCY (MELSA)	ken@melsa.org
MINNEOTA PUBLIC LIBRARY	mbuysse@plumcreeklibrary.net
MOOSE LAKE PUBLIC LIBRARY	Steven.Devine-Jelinski@alslib.info
MORGAN PUBLIC LIBRARY	morganlibrary@redred.com
MORRIS PUBLIC LIBRARY	myauk@morris.lib.mn.us
MOUNTAIN IRON PUBLIC LIBRARY	Sally.Yuccas@alslib.info
MOUNTAIN LAKE PUBLIC LIBRARY	clehman@plumcreeklibrary.net
NEW ULM PUBLIC LIBRARY	kwiley@tds.lib.mn.us
NEW YORK MILLS PUBLIC LIBRARY	jadams@newyorkmills.lib.mn.us
NOBLES COUNTY LIBRARY	cwolthuizen@plumcreeklibrary.net
NORTH MANKATO TAYLOR LIBRARY	llowry@nmlibrary.org
NORTHFIELD PUBLIC LIBRARY	teresa.jensen@ci.northfield.mn.us
NORTHWEST REGIONAL LIBRARY	hansonk@nwrlib.org
OWATONNA-STEELE COUNTY LIBRARY	marykay@owatonna.info
PELICAN RAPIDS PUBLIC LIBRARY: A MULTICULTURAL LEARNING CENTER	awrigg@pelicanrapids.lib.mn.us
PERHAM AREA PUBLIC LIBRARY	sheusser-ladwig@perham.lib.mn.us
PINE ISLAND: VAN HORN PUBLIC LIBRARY	mkhansen@selco.info
PIONEERLAND LIBRARY SYSTEM	laurie.ortega@pioneerland.lib.mn.us
PIPESTONE: MEINDERS COMMUNITY LIBRARY	jody.wacker@pas.k12.mn.us
PLAINVIEW PUBLIC LIBRARY	ahenderson@selco.info
PLUM CREEK LIBRARY SYSTEM	jtrojanowski@plumcreeklibrary.net
PRESTON PUBLIC LIBRARY	bethand@selco.info
RAMSEY COUNTY LIBRARY	snemitz@ramsey.lib.mn.us
RED WING PUBLIC LIBRARY	jessica.mcgee@ci.red-wing.mn.us
REDWOOD FALLS PUBLIC LIBRARY	tsmith@ci.redwood-falls.mn.us
ROCHESTER PUBLIC LIBRARY	audrey@rochester.lib.mn.us
ROCK COUNTY COMMUNITY LIBRARY	sgutnik@plumcreeklibrary.net
RUSHFORD PUBLIC LIBRARY	shart@selco.info

SAINT PAUL PUBLIC LIBRARY	jane.eastwood@ci.stpaul.mn.us
SCOTT COUNTY LIBRARY	jgrussing@co.scott.mn.us
SIBLEY COUNTY LIBRARY	libtsh@tds.lib.mn.us
SILVER BAY PUBLIC LIBRARY	Julie.Billings@alslib.info
SLAYTON PUBLIC LIBRARY	slarson@plumcreeklibrary.net
SLEEPY EYE: DYCKMAN FREE LIBRARY	akelton@tds.lib.mn.us
SOUTH SAINT PAUL PUBLIC LIBRARY	kathy.halgren@southstpaul.org
SOUTHEASTERN LIBRARIES COOPERATING	ahutton@selco.info
SPRING GROVE PUBLIC LIBRARY	dljohnson@selco.info
SPRING VALLEY PUBLIC LIBRARY	jsimon@selco.info
SPRINGFIELD PUBLIC LIBRARY	lroige@tds.lib.mn.us
ST. CHARLES PUBLIC LIBRARY	sherryg@selco.info
ST. PETER PUBLIC LIBRARY	dougw@saintpetermn.gov
STEWARTVILLE PUBLIC LIBRARY	patj@selco.info
STILLWATER PUBLIC LIBRARY	lynnesb@ci.stillwater.mn.us
TAYLORS FALLS PUBLIC LIBRARY	dianed46@frontier.com
TRACY PUBLIC LIBRARY	vquist@plumcreeklibrary.net
TRAVERSE DES SIOUX LIBRARY COOPERATIVE	rboese@tds.lib.mn.us
TWO HARBORS PUBLIC LIBRARY	Katie.Sundstrom@alslib.info
TYLER PUBLIC LIBRARY	cskjong@plumcreeklibrary.net
VIKING LIBRARY SYSTEM	pwerner@viking.lib.mn.us
VIRGINIA PUBLIC LIBRARY	Nancy.Maxwell@alslib.info
WABASHA PUBLIC LIBRARY	bhall@selco.info
WABASSO PUBLIC LIBRARY	mdaub@plumcreeklibrary.net
WASECA-LE SUEUR REGIONAL LIBRARY	lienemann@tds.lib.mn.us
WASHINGTON COUNTY LIBRARY	keith.ryskoski@co.washington.mn.us
WATONWAN COUNTY LIBRARY	cbjoin@tds.lib.mn.us
WELLS PUBLIC LIBRARY	libtfl@tds.lib.mn.us
WEST CONCORD PUBLIC LIBRARY	sdahms@selco.info
WESTBROOK PUBLIC LIBRARY	kourada@centurytel.net
WHEATON COMMUNITY LIBRARY	tanderson@wheaton.lib.mn.us

WINDOM PUBLIC LIBRARY	daamot@plumcreeklibrary.net
WINNEBAGO: MUIR LIBRARY	hkittl@tds.lib.mn.us
WINONA PUBLIC LIBRARY	cubl@ci.winona.mn.us
ZUMBROTA PUBLIC LIBRARY	jhill@selco.info

Regional Development Commissions

Arrowhead RDC, 221 West 1st, Duluth, info@ardc.org

East Central RDC, 100 South Park Street, Mora, ecrdc@ecrdc.org

Headwaters RDC, P.O. Box 906, Bemidji, hrdc@hrdc.org

Metro Council, 390 North Robert Street St. Paul, public.info@metc.state.mn.us

Mid-Minnesota Development Commission, 333 West Sixth Street, Suite 2, Willmar, mmrdc@mmrdc.org

Northwest RDC, 115 S. Main Ave., Ste. 1, Warren, bsafranski@nwrdc.org

Region Five Development Commission, 611 Iowa Avenue, Staples, despe@regionfive.org

Region Nine Development Commission, P.O. Box 3367, Mankato, nicole@rndc.org

South West RDC, 2401 Broadway Ave., Ste. 1, Slayton, srdc@swrdc.org

Upper Minnesota Valley RDC, 323 West Schlieman, Appleton, info@umvrdc.org

Minnesota Initiative Offices

Initiative Fund, 405 First Street SE, Little Falls, info@ifound.org

Northland Foundation, 202 West Superior, Ste. 610, Duluth, info@northlandfdn.org

Northwest MN Initiative Fund, 722 Paul Bunyan Dr. NW, Bemidji, info@nwmf.org

Southern Minnesota Initiative Foundation, 525 Florence Avenue, Box 695, Owatonna, inquiry@smifoundation.org

Southwest MN Foundation, 15 3rd Avenue NW, Hutchinson, info@swifoundation.org

West Central MN Initiative Fund, 1000 Western Avenue, Fergus Falls, info@wcif.org

Councils, Associations, and Other Locations

Council on Asian Pacific Minnesotans, 658 Cedar Street, 1st Floor, St. Paul, capm@state.mn.us

Centro Cultural Chicano, 1915 Chicago Ave. S., Minneapolis, infocenter@centromn.org

CLUES, 220 S. Robert St., Ste. 103, St. Paul, info@clues.org

Council for Minnesotans of African Heritage, 332 Minnesota Street, Suite E1240, St. Paul, COBM@state.mn.us

Minnesota Coalition for the Homeless, 2233 University Ave W Ste 434, Saint Paul, info@mnhomelesscoalition.org

Minnesota Council on Latino Affairs, One West Water Street, Suite 240 Saint Paul, mcla.desk@state.mn.us

Upper Midwest American Indian Center, 1035 W Broadway Ave, Minneapolis, sn.user@umaicmn.org

Arrowhead Economic Opportunity Agency, 702 3rd Avenue S., Virginia, scott.zahorik@aeoe.org

MICAH, 463 Maria Ave., St. Paul, info@micah.org

COC Regions	COC Coordinator Contact Info	Meeting Schedule
SMAC (Anoka, Carver , Dakota, Scott, and Washington Counties)	Abby Guilford SMAC coordinator 763.458.9790 abby@mesh-mn.org	• Third Friday of the month from 1:00 – 3:00 pm. Please contact Abby for the meeting details.
Hennepin County	Laura A DeRosier Hennepin County 218.391.6734 Laura.DeRosier@hennepin.us	• Please contact Laura for the meeting date/time and location info
Ramsey County	Loni Aadalen Ramsey County Human Services 651.266.4116 loni.Aadalen@CO.RAMSEY.MN.US	• Third Friday of the month from 9:00 – 11:00 a.m.
Central	Tammy Smith Central MN Housing Partnership 320.258.0674 tsmith@cmhp.net	• First Tuesday of the month from 1:00-3:00 p.m. @ Morrison County Government Center, Little Falls
Northeast	Patty Beech Northeast MN CoC Coordinator 218.525.4957 pattybeechconsulting@gmail.com	• June, July, August, September • Contact Patty Beech for locations, dates and times
Northwest	Cory Boushee Northwest MN CoC Coordinator 218.759.2057 coryb@nwmf.org	• Third Thursday of the month from 1:00-3:00 p.m. • Contact Carla for meeting locations
Southeast	Jennifer Prins Three Rivers Community Action	• Third Thursday of the month from 9:30-noon

	507.732.8577 jprins@threeriverscap.org	• Rotates between Rochester, Owatonna and Mankato • Find the meeting schedule and locations at http://threeriverscap.org/continuum-of-care/minutes
Southwest	Justin Vorbach SW Minnesota Housing Partnership 507.530.2942 justinv@swmhp.org	• Second Thursday of the month from 10:00-noon • Odd number months at the Kandiyohi Health and Human Services Building • Even number months at Western Community Action in Marshall
St. Louis County	Will Wilson St. Louis County 218.725.5158 wilsonw@stlouiscountymn.gov	• Fourth Wednesday of the month from 11:00-2:00 p.m. • Cotton Town Hall; locations may vary - contact coordinator to confirm
West Central	Carla Solem West Central MN CoC Coordinator 701.306.1944 h2hcoordinator@gmail.com	• Second Wednesday of the month from 1:00-3:00 p.m. • Contact Carla for meeting locations

MINNESOTA ANNUAL ACTION PLAN FOR HOUSING AND COMMUNITY DEVELOPMENT 2024

AP-10 Consultation

Lead-Based Paint

DEED provides CDBG funding to conduct lead risk assessments and reduction, which has made significant impacts in homes. Lead-based paint issues continue to be an importance for DEED to address and is a requirement to assess in all rental and housing rehabilitation activities. DEED partners and consults with Minnesota Department of Health (MDH) on lead-based paint issues and ensure that Lead Risk Assessors and Managers are in compliance with MDH lead licensing and education requirements. MDH received a HUD Lead Hazard Control Grant that provides support in lead work assessments and reduction in communities within the Small Cities CDBG program.

Minnesota Housing strategic planning engagement includes engagement with Minnesota Department of Health when revising and reviewing building and rehabilitation standards, including lead based paint policies (LBP) and procedures, and we regularly revisit the agency LBP policy, which reflects much of the HUD Lead Safe Housing Rule, the Agency LBP policy (https://www.mnhousing.gov/rental-housing/building-standards.html).

Slum and blight areas with CDBG funds

One of DEED's requirement to meet the federal objective is Slum and Blight used to determine eligibility on an area bases for commercial and public facility streetscape projects. Grantees must have a city resolution certifying that target area meets the HRA definition of slum, blighted, deteriorated or deteriorating area under state or local law; evidence that all buildings rehabilitated are in the selected target area; and evidence that SCDP funds were used for eligible program activities. In addition, required supporting documents must have a map indicating the target building(s) with evidence that the entire building, or certain conditions of the building(s), were determined to be hazardous to public health and safety. Lastly, there must be an evident disaster declaration and that other sources of funding were not available to cover all activity costs from individual owners or local units of government.

Public Housing Agencies

The State consults with Public Housing Agencies (PHAs) regularly to ensure and facilitate public housing preservation, rehabilitation and successful administration of the Section 8 program. Specfiically, the State consults PHAs administering public housing or the Section 8 program on a statewide basis as well as all PHAs that certify consistency with the state's consolidated plan, including participation of residents of public and assisted housing developments (which includes residents of advisory boards, resident councils, and resident management corporations).

Preservation of federally assisted housing is a strategic priority of Minnesota Housing. Coordination of these preservation activities primarily occurs through the Inter-agency stabilization group focusing on housing preservation with partners across the federal, state and local jurisdictions. The ISG has two groups in Minnesota that meet monthly throughout the year, one for Greater MN and one for the Twin Cities metro, and we facilitate and work closely on both of these.

- Section 8: Minnesota Housing is the performance based contract administrator for the majority the State of Minnesota's project based Section 8 portfolio.
- For public housing: As described in this plan, Minnesota Housing will not utilize HOME and National Housing Trust Fund resources for rehabilitation of public housing. Minnesota Housing regularly engages with the Minnesota chapter of the National Association of Housing and Redevelopment Authorities, and utilizes a state bonding resource, the Publicly Owned Housing Program for rehabilitation of the state's public housing stock.

Non-entitlement PHA Certificate of Consistency 5-year plans, HUD 50075 and HUD-50077-CR (Civil Rights Certification), are reviewed and approved by the State. Non-entitlement PHA are required to provide the State their Plan that is consistent with the State Consolidated Plan and state's Analysis of Impediments to Fair Housing (AI). The agency needs to address how they are meeting the Fair Housing issues addressed in the state's AI. The three main public sector impediments for Minnesota are: insufficient outreach & education efforts, lack of sufficient fair housing testing and enforcement and NIMBYism tendencies. Each agency's action has their own priorities from the state and needs to be related to a fair housing action, including, but not limited to outreach or education.

Organizations engaged in narrowing the digital divide

DEED established the Border-to-Border Broadband Development Grant Program created in 2014 through the Minn. Stat. 116J.395 after statewide community outreach efforts among communities and local units of governments across the state, especially in rural communities that lack access to broadband. The legislative focus of this grant program is to provide state resources that help make the financial case for new and existing providers to invest in building broadband infrastructure into unserved and underserved areas of the state.

To further break the digital divide, on March 29, 2019, the Governor issued Executive Order 19-10 continuing the Governor's Task Force on Broadband. A multi-stakeholder body will advise the executive and legislative branches on broadband policy, including strategies for successfully achieving the state broadband goals, comprehensive assessment of digital inclusion issues and gaps, and strategies for unlocking the benefits of universal access to broadband for all communities in Minnesota.

It is a state goal that no later than 2022, all Minnesota businesses and homes have access to high-speed broadband that provides minimum download speeds of at least 25 megabits per second and minimum upload speeds of at least three megabits per second. By 2026, all Minnesota businesses and homes have access to at least one provider of broadband with download speeds of at least 100 megabits per second and upload speeds of at least 20 megabits per second.

Additional broadband related programs have been developed since the Border-to-Border Broadband Developent Grant Program was created. More information on the programs be found here at https://mn.gov/deed/programs-services/broadband/.

Agencies whose primary responsibilities include the management of flood prone areas, public land or water resources

Before committing loan proceeds to a particular use, Minnesota Housing requires an independent environmental assessment company conduct a Phase I Environmental Assessment of the entire property. All applicable federal, state and local regulations shall be adhered to. Agency staff revisit environmental policies annually and consult with appropriate state and federal agencies at that time.

DEED also requires an environmental review to be completed prior to the release of funds and proceed to work, where the administering agency will conduct a part 58.5 Broad-Tiered Level Review that are subject to categorically excluded, or if subject to an Environmental Assessment, then additional evaluation and documentation will be required. Agencies consults with State Historic Preservation Office (SHPO) and FEMA to ensure projects are not impacting public land and water resources. Agency staff continues to monitor environmental policies and procedures to ensure that grantees adhered to federal, state and local regulations.

Emergency Management Services

The State of Minnesota engages with emergency management agencies in response to declared emergencies. For example, Minnesota Housing consults with the state Homeland Security Emergency Management Division within the Minnesota Department of Public Safety throughout the year, but not officially unless there is a declared disaster. This is typically and most frequently related to spring flooding but includes all declared emergencies.

In addition, and more currently, the agencies included in the State of Minnesota's Interagency Council on Homeless (which include all three of our agencies represented in this plan) consulted with FEMA as a result of a federally declared emergency as a result of COVID-19. For example, with regards to homeless response during COVID-19, Minnesota's Homeless Action Team through the SEOC is working with FEMA and consulted with FEMA to develop a plan for homeless response for non-congregate settings.