Meetings Scheduled for NOVEMBER

Date: 11/19/2026, 1 p.m.

Hybrid Options Available

In person: Minnesota Housing, Lake Superior Conference Room, 400 Wabasha Street N. Suite 400 St. Paul, MN 55102

GoTo Webinar Link: https://attendee.gotowebinar.com/register/3333503110691674969

Livestream link: https://www.youtube.com/@MinnesotaHousing/streams

Note

The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, November 19, 2026.

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

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

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Agenda: Minnesota Housing Board Meeting

Date: 11/19/2026, 1 p.m.

Our Mission and Vision

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

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

1. Call to Order

2. Roll Call

3. Agenda Review

4. Approval of Minutes

A. (page 7) Regular meeting of October 22, 2026

5. Reports

- Chair
- Commissioner
- Committee

6. Consent Agenda

A. (page 13) Approval, Amendments to the HOME American Rescue Plan Program Guide
B. (page 17) Reallocation Amendments: 2025-2027 Homeownership Education, Counseling and Training (HECAT)
C. (page 23) Approval, Amendments to the Housing Tax Credit Compliance Guide

D. (page 269) Approval, Amendments to the HOME Investment Partnership Act and the National Housing Trust Fund Compliance Guide
E. (page 433) Approval, 2027 Minnesota Housing Board Meeting Schedule

7. Action Items

A. (page 435) Approval, Commitment, Bridge Loan — Albert Lea Family Housing, D8586, Albert Lea
B. (page 465) Adoption, Series Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2026 G (Albert Lea Family Housing)
C. (page 485) Commitment, Low and Moderate Income Rental Loan and Bridge Loan — Henry Hill Apartments, D0603, Granite Falls
D. (page 509) Adoption, Series Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2026 H (Henry Hill Apartments)
E. (page 537) Approval, 12-month Extension of Investment Banking/Underwriting Team
F. (page 547) Approval, Modification, Housing Infrastructure Bond Loan and Forgiveness and Preservation Affordable Rental Income Fund Program Loan — Bickham Court (fka Perspectives), D5230, St. Louis Park
G. (page 575) Approval, Amendments to the High-Rise Sprinkler System Program Guide
H. (page 605) Approval, Housing Tax Credit Reallocation — Leech Lake IX, D8773, Cass Lake
I. (page 613) Approval, Housing Tax Credit Supplemental 9% Housing Tax Credit Allocation — White Oak Apartments, D8696, Deer River
J. (page 619) Approval, Bring It Home Rental Assistance Unserved Areas Funding Recommendations

8. Discussion Items

None.

9. Information Items

A. (page 627) Fourth Quarter 2026 Progress Report: 2024-2027 Strategic Plan and 2026-2027 Affordable Housing Plan
B. (page 635) 2026 Cost Containment Report
C. (page 657) Post Sale Report, State Appropriated Housing Infrastructure Bonds (HIB), Series 2026 AB
D. (page 667) Post Sale Report, Residential Housing Finance Bonds, Series 2026 OPQ

10. Other Business

None.

11. Adjournment

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DRAFT Meeting Minutes: Minnesota Housing Board Meeting

Date: Thursday, October 22, 2026, at 1 p.m.

1. Call Attendance

Chair DeCramer called to order the regular meeting of the board of Minnesota Housing Finance Agency at 1:02 p.m.

2. Roll Call

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

Minnesota Housing staff present via hybrid: Tom Anderson, Tal Anderson, Takara Archer, Ryan Baumtrog, Mariah Becerra-Giese, Abigail Behl, Jennifer Bergman, Judd Berthiaume, Laura Bolstad-Grafstrom, Cassandra Busch, Deran Cadotte, Alex Curwick, Nicole DeMario, Jessica DeWolfe, Cindy Diel, Matt Dieveney, Sam Dyer, Diane Elias, Jennifer Finnesgard, Shannon Fortune, Jessica Fowler, Rachel Franco, Terese Fritchman, Emily Fulton-Foley, Vanessa Haight, Jody Hanson, Amanda Hedlund, Darryl Henchen, Kang Her, Adam Himmel, Jennifer Ho, Karin Holmstrand, William Jensen-Kowski, Summer Jefferson, Dylan Johnson, Karen Johnson, Jen Judas, Erin Karkula-Peterson, Tiffany Kibwota, Margaret King, Katey Kinley, Dan Kitzberger, Greg Kline, Debbie Krajsa, Laurie Krivitz, Sue Ladehoff, Ben Landwehr, Janine Langsjoen, Song Lee, James Lehnhoff, Ed LeTourneau, Dylan Mato, Eric Mattson, Jill Mazullo, Don McCabe, Jeff McDonald, David McGee, Colleen Meier, Amy Melmer, Benjamin Miles, Kelli Minnerath, Kristen Mortenson, Judi Mortenson, Andrew Orth, Tate Pashibin, John Patterson, Andy Pratt, Ann Provo, Annie Reierson, Cassi Reissmann-Doring, Rob Reintjes, Brittany Rice, Lael Robertson, Dani Salus, Joel Salzer, Katie Seipel-Anderson, J'onice Smith, Maria Steele, Lauren Stelter, Rachael Sterling, Corey Strong, Kim Stuart, Michele Suggs, Jodell Swenson, Monica Tucker, Ayo Universe, Dave Vang, Kayla Vang, Teresa Vaplon, Nicola Viana, Amanda Welliver, and Lakisha Whitson.

Others present via hybrid: Michele Adams, Kutak Rock; Ramona Advani, Office of the State Auditor; Taylor Durry, Dakota County Mutual Aid; Sommer Green, Pohlad Family Foundation; Ann Peterson, Dakota County Mutual Aid; Ellen Sahli, Family Housing Fund; Deidre Schmidt, CommonBond Communities; Anne Smetak, Housing Justice Center.

3. Agenda Review

None.

4. Approval

A. Regular Meeting Minutes of September 24, 2026

Motion: Stephanie Klinzing moved approval of the September 24, 2026, Regular Meeting Minutes. Seconded by Eric Cooperstein. Roll call was taken. Terri Thao abstained. Motion carries 6-0. All were in favor.

5. Reports

Chair

None.

Commissioner

Commissioner Ho shared the following with the board:

- Welcome New Employees
- Meetings/Events
- Division Updates

Committee

6. Consent Agenda

A. Approval, Housing In Action Service Area Change

B. Approval, Amendment to the Policy for Carpenter Wage Rate for Low-Income Housing Tax Credit Only Projects

C. Approval, Amendment to Family Homeless Prevention and Assistance Program FY2027-29 Program Guide

D. Approval, Selection, and Commitment, Community Stabilization Distressed Multifamily Rental Building Program

Motion: Terri Thao moved the Consent Agenda A, B and D items. Seconded by Eric Cooperstein. Roll call was taken. Motion carries 7-0. All were in favor.

Motion: Stephanie Klinzing moved the Consent Agenda C. Seconded by Auditor Blaha. Roll call was taken. Motion carries 7-0. All were in favor.

7. Action Items

A. Commitment, Low and Moderate Income Rental Loan and Bridge Loan – Trotter Haven Apartments, D8306, Rochester

Benjamin Miles presented to the board a request for adoption of the following resolutions:

1. Adoption of a resolution authorizing the issuance of a LMIR program commitment in the amount of up to $1,468,000; and
2. Adoption of a resolution authorizing the issuance of a BL commitment not to exceed $5,270,000.

Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Eric Cooperstein moved Commitment, Low and Moderate Income Rental Loan and Bridge Loan – Trotter Haven Apartments, D8306, Rochester. Seconded by Terri Thao. Roll call was taken. Motion carries 7-0. All were in favor.

B. Adoption, Series Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2026 E (Trotter Haven)

Matt Dieveney presented to the board a request for authorization to issue fixed-rate bonds under the existing Rental Housing Bond Resolution to finance construction of Trotter Haven, a 36-unit multifamily development in Rochester. Michelle Adams, Kutak Rock, joined the meeting to review the resolution. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Auditor Blaha moved Adoption, Series Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2026 E. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 7-0. All were in favor.

C. Adoption, Series Resolution Authorizing the Issuance and Sale of Fixed Rate Residential Housing Finance Bonds

Matt Dieveney presented to the board a request for approval of a resolution authorizing additional fixed-rate RHFB bonds in an amount up to $800 million through December 31, 2028. Michelle Adams, Kutak Rock, reviewed the resolution. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Eric Cooperstein moved Adoption, Series Resolution Authorizing the Issuance and Sale of Fixed Rate Residential Housing Finance Bonds. Seconded by Stephen Spears. Roll call was taken. Motion carries 7-0. All were in favor.

D. Adoption, Series Resolution Authorizing the Issuance and Sale of Variable Rate Residential Housing Finance Bonds

Matt Dieveney presented to the board a request for approval of a resolution authorizing additional variable-rate Residential Housing Finance Bonds in an amount up to $200 million through December 31, 2028. Michelle Adams, Kutak Rock, reviewed the resolution. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Terri Thao moved Adoption, Series Resolution Authorizing the Issuance and Sale of Variable Rate Residential Housing Finance Bonds**.** Seconded by Auditor Blaha. Roll call was taken. Motion carries 7-0. All were in favor.

E. Approval, Minnesota Housing Infrastructure Grant Programs Guide Revisions

Colleen Meier presented to the board a request for approval of the Minnesota Housing Infrastructure Grant Programs Guide revisions. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Stephanie Klinzing moved Approval, Minnesota Housing Infrastructure Grant Programs Guide Revisions. Seconded by Eric Cooperstein. Roll call was taken. Motion carries 7-0. All were in favor.

F. Approval, Funding Modification, Touchstone Mental Health Housing Trust Fund Rental Assistance Program

Deran Cadotte presented to the board a request for approval of the proposed $50,000 funding modification to Touchstone Mental Health's Housing Trust Fund Rental Assistance grant. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Terri Thao moved Approval, Funding Modification, Touchstone Mental Health Housing Trust Fund Rental Assistance Program. Seconded by Eric Cooperstein. Roll call was taken. Motion carries 7-0. All were in favor.

G. Homeless Response System Supplemental Resources Program Guide

Margaret King presented to the board a request for approval of the Homeless Response System Supplemental Resources Program Guide. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Eric Cooperstein moved Homeless Response System Supplemental Resources Program Guide. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 7-0. All were in favor.

H. Approval, Selection and Commitment, Homeless Response System Supplemental Resources Program

Margaret King presented to the board a request for approval of $269,219 in funding for four eligible entities via five Grant Contract Agreements from the Homeless Response System Supplemental

Resources Program. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Eric Cooperstein moved Approval, Selection and Commitment, Homeless Response System Supplemental Resources Program. Seconded by Terri Thao. Roll call was taken. Motion carries 7-0. All were in favor.

8. Discussion Items

None.

9. Information Items

A. Post Sale Report, Residential Housing Finance Bonds, Series 2026 KLMN

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 2:10 p.m.

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John DeCramer, Chair

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Item: Approval, Amendments to the HOME American Rescue Plan Program Guide

Consent Item: 6.A
Date: 11/19/2026
Staff Contacts: Cindy Diel, 651.539. 9655, cindy.diel@state.mn.us
Summer Jefferson, 651.539.9908, summer.jefferson@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff recommends approval of amendments to the HOME American Rescue Plan (HOME ARP) Program Guide.

Fiscal Impact

The HOME ARP Program is funded by federal appropriations. Up to 15% of the HOME ARP allocation to Minnesota Housing can be used for administration and planning. This funding does not earn interest for the Agency.

Agency Priorities

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

Attachments

- Background
- HOME ARP Program Guide (redline)

Background

Authorized by the American Rescue Plan Act of 2021, the HOME ARP Program was created to provide $5 billion in one-time funding across the nation to support affordable housing initiatives. Under the HOME ARP Program, funds were allocated to states and local jurisdictions based on a formula that considered various factors such as population size, poverty rates and housing needs. Minnesota Housing was allotted $31,137,836. The HOME ARP Program provides financing to help preserve or increase the supply of decent, safe and sanitary affordable housing. HOME ARP Program funds are intended to benefit specific "Qualifying Populations" and Low-Income households.

Definitions and other relevant materials may be found here: HOME ARP | Minnesota Housing. The board approved the HOME ARP Allocation Plan on March 23, 2023. The HOME ARP Program Guide was approved by board on October 23, 2025.

The HOME ARP Request for Proposal (RFP) closed on May 5, 2026. The board approved selecting two projects on August 27, 2026, under Resolution No. MHFA 26-052.

The projects selected in the HOME ARP RFP have attributes that could allow the Agency to consider loan forgiveness after the end of the compliance period as an option. The projects are 100% supportive housing and do not contain other federal assistance or funding sources. We are proposing to update the HOME ARP Program Guide to allow loans to be structured as forgivable or repayable at maturity. The proposed amendments to the language are reflected in the redline below.

Existing HOME ARP Program Guide

2.06 Eligible Forms of Assistance

HOME ARP Program funding can be provided in the form of a construction loan or an end loan. Features of these loans include:

- 0% interest rate
- The full loan amount, including any principal and interest, is due at the end of the loan term — a minimum of 15 years, or longer depending on other funding sources and requirements. However, payment may be triggered earlier because of 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 ARP Program assistance is $1,000 per HOME ARP Program Assisted Unit in the 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 (HTCs)

- 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

Proposed Amendments to HOME ARP Program Guide with Track Changes

2.06 Eligible Forms of Assistance

HOME ARP Program funding can be provided in the form of a construction loan or an end loan. Features of these loans include:

- 0% interest rate deferred payment loan
- 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 (HTCs)
- The loan term is a minimum of 15 years. The loan term may be adjusted based on requirements and conditions of other federal assistance or funding sources
- The loans can be forgivable or repayable at maturity.
- For repayable loans, ~~T~~the full loan amount, including any principal and interest, is due at the end of the loan term. ~~— a minimum of 15 years, or longer depending on other funding sources and requirements. However,~~ pPayment may be triggered earlier because of 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 ARP Program assistance is $1,000 per HOME ARP Program Assisted Unit in the 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 (HTCs)~~
- ~~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

The structure and terms of the loan, as well as any subsequent changes, will be at Minnesota Housing's sole discretion. Refer to Minnesota Housing's HOME ARP Program Underwriting Standards for more information on HOME ARP Program funding.

There are no other proposed edits in the Program Guide~~.~~

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Item: Reallocation Amendments: 2025-2027 Homeownership Education, Counseling and Training (HECAT)

Consent Item: 6.B
Date: 11/19/2026
Staff Contacts: Abigail Behl, 651.539.9603, Abigail.Behl@state.mn.us
Melissa Pugh, 651.296.6559 Melissa.Pugh@state.mn.us
Request Type: Approval, Resolution

Request Summary

Reallocate $599,999 of HECAT program dollars to meet community need, ensure equitable distribution of program funds and provide full-cycle homeownership services.

Fiscal Impact

HECAT reallocation recommendations include remaining funds from the 2023-2025 and 2025-2027 HECAT Request for Proposal (RFP) cycles, cancelled commitments from unused funds by program administrators and the 2026 HECAT legislative appropriation.

The recommendations outlined in the background section of this report were made in conjunction with our HECAT funding partner, the Minnesota Homeownership Center, following the RFP evaluation process used at the time of initial selections.

Agency Priorities

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

Attachments

- Background
- Resolution

Background:

HECAT, authorized under Minnesota Statute 462A.209, provides financial support to eligible organizations to deliver full-cycle homeownership services, including homebuyer education, 1:1 homebuyer services (financial wellness and homebuyer advising), home equity conversion mortgage counseling and foreclosure prevention assistance. Funds are awarded on a competitive basis.

In September 2025, Minnesota Housing and its funding partner, the Minnesota Homeownership Center, awarded $2,761,688 in competitive grant funds to 28 HECAT grantees for the 2025-2027 grant period. Since the time of award, three grantees have rescinded their awards resulting in $166,181 in unallocated funds. Additionally, closeout reconciliation of the 2023-2025 HECAT awards identified an unspent balance of $194,747, and accounting identified a HECAT balance of $89,071 in cancelled commitments of unused funds by administrators. In May 2026, Minnesota Housing received an additional $150,000 HECAT appropriation, authorized under Minnesota Laws 2026, chapter 100, article 1, section 2(a)(6), to be awarded to existing grantees. Together, these amounts create the pool of funds available for reallocation. Table 1 highlights the sources of funds and amounts. Action from the Minnesota Housing board of directors is needed to approve the reallocation of HECAT dollars to address community need and ensure continued access to full-cycle homeownership services.

Table 1: Funds available for Reallocation

Source	Amount
Remaining Funds from 2023-2025 HECAT	$194,747
Remaining Funds from 2025-2027 HECAT	$166,181
Cancelled commitments of unused funds by administrators	$89,071
2026 Legislative Appropriation	$150,000
Total	**$599,999**

Reallocating funds through grant contract amendments is an efficient way to award available funds to existing grantees. This method is allowable with the funding sources identified above and is supported by the 2025-2027 HECAT Grant Contract Agreement, which allows grant awards to be increased and grant contracts to be amended, at the sole discretion of Minnesota Housing.

Reallocation Recommendations

Minnesota Housing and the Minnesota Homeownership Center worked in partnership to determine recommendations for grantee reallocations and award amounts. Recommendations are made using the 2025-2027 RFP competitive criteria and funding priorities. As in the initial RFP selection process, the reallocation review process weighed grantees organizational capacity, delivery plan feasibility, community need and geographic coverage.

To determine recommended grantees, Minnesota Housing and the Homeownership Center staff replicated initial RFP review actions, assessing their proposed goals, communities served, language

accessibility, geographic coverage, past performance and monitoring results. Staff also reviewed grantees' original request amount, the amount they were initially awarded, and their progress in spending down the award, which ends September 2027. To determine recommended additional award amounts, staff applied the funding model used with the initial RFP as recommended by the Minnesota Homeownership Center, which acts as the statewide coordinator of the HECAT provider network. Funding allocation was based on grantees' proposed goals and service delivery type (1:1 advising, homebuyer education), past performance outcomes and their application score. Given limited resources and the desire to provide impactful award increases for grantees, staff set a minimum amendment threshold of $15,000. Grantees that have not fully expended their initial advancement were not considered for additional funding. Analysis yielded 14 grantees with the collective ability to provide statewide coverage.

Table 2 highlights the amount originally requested by each grantee recommended for an award increase, its initial award amount, the additional recommended funding, and total resulting award amount.

Table 2: Recommended Reallocation Awards

Organization	Amount Requested	25-27 Initial Award	Recommended Additional Award	Total Award
Lutheran Social Service of Minnesota	$700,000	$448,395	$200,175	$648,570
PRG, Inc.	$400,000	$236,205	$73,842	$320,392
Community Neighborhood Housing Services dba NeighborWorks Home Partners	$300,000	$185,964	$54,809	$248,316
Neighborhood Development Alliance, Inc.	$220,000	$156,322	$43,749	$206,054
Project for Pride in Living, Inc.	$300,000	$136,929	$36,539	$178,385
One Roof Community Housing	$300,000	$126,122	$31,717	$162,527
THREE RIVERS COMMUNITY ACTION, INC.	$240,000	$113,913	$27,652	$145,401
Washington County Community Development Agency	$180,000	$113,613	$27,069	$144,754
MODEL CITIES OF ST. PAUL, INC.	$160,000	$93,313	$19,317	$115,603
KOOTASCA Community Action Inc.	$123,000	$82,978	$17,850	$103,466
Anoka County Community Action Program, Inc.	$125,000	$88,871	$17,635	$109,155
Arrowhead Economic Opportunity Agency, Inc.	$226,598	$83,143	$17,207	$100,350
CAPI USA	$200,000	$84,713	$16,601	$101,314
Scott County Community Development Agency	$100,000	$59,436	$15,837	$75,273
		Total	**$599,999**	

Collectively, the recommended grantees have shown progress across key advising segments, have no identified monitoring issues and are well-positioned to serve clients statewide.

Providing additional funds to these grantees aligns resources with demonstrated capacity, geographic reach and overall advising demand. This investment will strengthen the HECAT network's ability to deliver comprehensive, accessible and equitable full-cycle homeownership services.

MINNESOTA HOUSING FINANCE AGENCY

400 Wabasha Street North, Suite 400

St. Paul, MN 55102

RESOLUTION NO. MHFA 26-XXX

RESOLUTION APPROVING CONTRACT AMENDMENTS FOR GRANT FUNDS FOR THE HOMEOWNERSHIP EDUCATION, COUNSELING AND TRAINING FUND

WHEREAS, the Minnesota Housing Finance Agency (Agency) board adopted Resolution No. MHFA 25-066 approving the Housing Education, Counseling and Training Fund (HECAT) selections and subsequently modified by Resolutions 26-002 and 26-003; and WHEREAS, the Agency received additional appropriations for the HECAT program and identified additional funds from prior appropriations (together, Additional Funds) that could be awarded to existing grantees; and

WHEREAS, it is the desire of the Board to amend the grant contract agreements with fourteen grantees to allocate the Additional Funds to be used for housing education, counseling and training activities;

WHEREAS, Agency staff has determined that the grant contract amendments are in compliance under the Agency's rules, regulations and policies; and that the grant contract amendments will assist in fulfilling the purpose of the program.

NOW THEREFORE, BE IT RESOLVED:

That the board hereby authorizes Agency staff:

1. To enter into grant contract amendments with the grantees set forth below to increase the grant amounts as set forth below; subject to the terms and conditions contained herein and in the respective grant agreements:

Grantee	Additional Award	Total Funding Amount
Lutheran Social Service of Minnesota	$200,175	$648,570
PRG, Inc.	$73,842	$320,392
Community Neighborhood Housing Services dba NeighborWorks Home Partners	$54,809	$248,316
Neighborhood Development Alliance, Inc.	$43,749	$206,054
Project for Pride in Living, Inc.	$36,539	$178,385
One Roof Community Housing	$31,717	$162,527

Grantee	Additional Award	Total Funding Amount
THREE RIVERS COMMUNITY ACTION, INC.	$27,652	$145,401
Washington County Community Development Agency	$27,069	$144,754
MODEL CITIES OF ST. PAUL, INC.	$19,317	$115,603
KOOTASCA Community Action Inc.	$17,850	$103,466
Anoka County Community Action Program, Inc.	$17,635	$109,155
Arrowhead Economic Opportunity Agency, Inc.	$17,207	$100,350
CAPI USA	$16,601	$101,314
Scott County Community Development Agency	$15,837	$75,273
Total	**$599,999**	

2. This approval is contingent on Homeownership Education, Counseling and Training Fund appropriations in sufficient amounts to fund the awards; and
3. To include in the Grant Contract Amendment Agreements that funding is contingent on availability of funds; and
4. The issuance of Grant Contract Amendment Agreements in form and substance acceptable to Agency staff, and the execution of Grant Contract Amendment Agreements shall occur no later than six months from the adoption date of this Resolution; and
5. The sponsors and such other parties shall provide such information and execute all such documents relating to said Grant Contract Amendment Agreements as the Agency, in its sole discretion, deems necessary.

Adopted this 19th day of November 2026

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CHAIRMAN

MINNESOTA HOUSING

Item: Approval, Amendments to the Housing Tax Credit Compliance Guide

Consent Item: 6.C
Date: November 19, 2026
Staff Contacts: Renee Dickinson, 651.539.9871, renee.dickinson@state.mn.us
Eric Thiewes, 651.539.9694, eric.thiewes@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff request approval of amendments to the Housing Tax Credit (HTC) Program Compliance Guide.

Fiscal Impact

The Agency collects annual monitoring fees from properties with HTCs to help offset the cost of administering the program.

Agency Priorities

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

Attachments

- Background
- Housing Tax Credit Program Compliance Guide (with red lines)
- Housing Tax Credit Program Compliance Guide (clean copy)

Background

26 U.S. Code Section 42 (Section 42) requires allocating agencies to include in their Qualified Allocation Plan (QAP) a procedure to monitor all Housing Tax Credit (HTC) projects for compliance with the requirements of Section 42. The purpose of the Housing Tax Credit Program Compliance Guide (HTC Compliance Guide) is to set forth the procedures to be followed by Minnesota Housing and the owners of HTC projects to comply with the requirements of Section 42 and the associated Treasury Regulations. The HTC Compliance Guide only applies to the federal HTC program and not the State Housing Tax Credit program.

The board last approved program guide updates on May 22, 2025.

New updates are necessary due to a variety of factors. The U.S. Department of Housing and Urban Development (HUD) delayed required implementation for changes to tenant income certification relating to the Housing Opportunities Through Modernization Act (HOTMA). HUD issued updated guidance on the treatment of student financial aid. The Agency has been unable to engage with the U.S. Department of Agriculture's (USDA) Rural Development office on an updated memorandum of understanding for sharing HTC inspection data. We received informal guidance from the Internal Revenue Service (IRS) on the timing for advance notice of inspection.

The updates are also necessary to reference new forms for utility submetering and billing, a combined asset management and compliance pre-inspection form, remove redundancies and add clarifying language, fix broken hyperlinks, and other non-substantive changes. None of the updates reflect material changes in Agency policy.

Below is a summary of proposed changes to the HTC Compliance Guide (this list does not include formatting or non-substantive changes):

1. Updated Minnesota Housing's Values Statement.
2. Simplified reference to amended monitoring regulations in Background and Overview and added a link to 26 CFR 1.42-5.
3. Removed references to HUD's July 1, 2026, required HOTMA implementation date throughout. HUD changed the required implementation date several times since the guide was last updated and recently changed again. Therefore, the guide now refers to the date on which HUD will require full implementation.
4. Removed reference to Memorandum of Understanding (MOU) with USDA Rural Development throughout due to inability to execute an updated MOU with Rural Development.
5. Section 2.03, page 14 – Clarified owners' responsibility to complete, record and submit to Minnesota Housing the Declaration of Land Use Restrictive Covenants (LURA).
6. Section 4.02, page 20 – Clarified when the first annual owner certification is due.

7. Section 4.03, page 22, Section 4.04, page 23 – Replaced references to IRS' limit of a 15-day notice period for inspections to 28-calendar day notice, per email conversation with Internal Revenue Service's Program Analyst and consultation with Agency legal counsel.
8. Section 4.04, page 23 – Replaced references and links to the former Compliance Review Information and Administrative Records form with a new Pre-Inspection form that is now used by both Asset Management and Compliance teams.
9. Section 4.04, page 25 – Removed redundant text regarding HUD's National Standards for Physical Inspection of Real Estate (NSPIRE) affirmative habitability requirements.
10. Section 5.01, page 28 – Removed reference to Minnesota Housing's definition of separate fee for tenant facilities included in eligible basis. In accordance with IRS' requirements, this means any charge for tenant facilities, the cost of which was included in a project's eligible basis, is noncompliance regardless of whether the fee, when added to the rent, does not cause the total to exceed the applicable rent limit. Clarified that pre-lease deposits must be returned to applicants if a lease is not entered into for any reason.
11. Section 5.01, page 29 – Clarified that the *actual* amount of pet rent, renter's insurance and meal services must be included in the rent computation when they are required as a condition of occupancy.
12. Section 5.01, page 30 – Added language that fees or charges for maintenance of common areas or exterior property or for other landlord responsibilities are included in rent
13. Section 5.05, pages 37, 38 and Section 5.06, page 40 – Added requirement for an Owner's Certification of Compliance with Submetering and Billing for any submetered utility. The form is currently in use; it is now being referenced in the guide.
14. Section 5.05, page 38 – Clarified that a completed Utility Allowance Information form must be completed for all Utility Allowance (UA) types, and that Minnesota Housing will accept a copy of the UA as approved by the Section 8 Contract Administrator in lieu of completing the grid section of the form, where applicable.
15. Section 5.05, page 38 – For supporting documentation for compliance with third party-billing in submetered utility arrangements, added a requirement for owner to provide a copy of a recent utility bill from the utility supplier for each building's primary meter(s), a copy of a bill from the billing company to a resident for the same billing period, and a detailed description of how the charges on the resident's bill were calculated.
16. Section 5.08, page 42 – Replaced link to HUD's Fair Housing Accessibility First website, which is no longer available with a link to HUD's Fair Housing Act Design Manual. Removed redundant text now found in the Legal Addendum.
17. Section 5.09, page 43 – Clarified that vacant units not timely prepared for occupancy are not counted as a qualifying low-income unit.
18. Section 6.01, page 53 – Relocated paragraph regarding noncompliance resulting from late tenant income certifications to, "Addressing Noncompliance due to Late Certification or Insufficient Documentation in Tenant Files."

19. Section 6.01, page 53 – Relocated paragraph regarding extenuating circumstances for timely signing a tenant income certification.
20. Section 6.01, page 55 – Clarified that Average Income Test noncompliance with the imputed 60% average that is not discovered and corrected within the taxable year that the problem occurs, may not be corrected by retroactively redesignating units for the closed tax year.
21. Section 6.06 – Removed references to and examples for student financial assistance for Section 8 properties, since the Consolidated Appropriations Act, 2026 (H.R. 7148, Public Law 119-75) removed language that made student financial assistance rules different for Section 8 than non-Section 8 units. With this change and HUD's updated HOTMA guidance, all student financial assistance is treated the same.
22. Section 6.06, page 63 – Expanded the list of 479B Higher Education Act programs as updated in July 2024.
23. Section 6.12, page 77 – Clarified that if the total of Non-Necessary Personal Property and Real Property exceeds the amount HUD allows to be self-certified, all assets must be verified.
24. Chapter 9, page 89 – Relocated and reworded guidance on consulting with owners before implementing changes in the extended use period (EUP) to make it more prominent.
25. Section 9.01, page 89 – Removed redundant and unnecessary first paragraph.
26. Section 9.05 – Removed reference to properties with HUD or USDA oversight being exempt from inspections and reporting tenant data in the extended use period (EUP). To fully comply with the Housing and Economic Recovery Act's requirement to submit tenant data to HUD, Minnesota Housing must collect tenant data from all properties in the EUP, and without an MOU with USDA, Minnesota Housing must resume inspecting USDA properties with HTCs. For these reasons, the Agency will also begin collecting monitoring fees from previously exempt properties, beginning with the 2026 monitoring year (fees due February 2027).
27. Added Appendix A, Legal Addendum.



Housing Tax Credit Program

Compliance Guide

Last Updated: ~~May 2025~~November 2026



The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, gender identity, or sexual orientation in the provision of services.

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

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Values Statement

~~All~~Our vision is that all Minnesotans live and thrive in a stable, safe and accessible home they can afford in a community of their choice.

To achieve ~~the concept of One Minnesota where everyone thrives~~this vision, we will reorient how we work and expand who has a voice at the table and who participates in and benefits from our programs and the housing economy.

We acknowledge and understand the intentional harms of the past, how they came to be and persist today, and our responsibility to correct them and remove barriers.

We will:

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

Introduction

~~Minnesota Statute 462A.223~~This guide establishes Minnesota Housing's compliance monitoring procedures for the HTCs allocated or awarded by Minnesota Housing in accordance with U.S. Code title 26, section 42 and other applicable federal and state law. This guide does not apply to the State Housing Tax Credit Program and Contribution Fund (SHTC Contribution Fund). To learn more about that program, visit Minnesota Housing's State Housing Tax Credit Program and Contribution Fund webpage.

Minnesota Statute 462A.223 designates the Minnesota Housing Finance Agency (Minnesota Housing) as the primary federal low-income housing tax credit (HTC) allocating agency in Minnesota. ~~Minnesota Statute~~Minn. Stat. 462A.222, subdivision 1 directs Minnesota Housing to reserve a portion of the state's annual credit ceiling for HTC ~~Suballocators~~suballocators, which ~~currently~~ includes~~:~~ the cities of Duluth, Rochester, St. Cloud, St. Paul, and Minneapolis, and Washington County and Dakota County.

~~The purpose of Minnesota Housing is to ensure the availability of decent, safe, energy efficient and affordable housing to low- and moderate-income households. To achieve its purpose, Minnesota Housing is active in lending and financing, allocating housing grants and subsidies, advocating for affordable housing, establishing state housing policies and providing technical assistance to housing sponsors.~~

~~This guide does not apply to the State Housing Tax Credit Program and Contribution Fund (SHTC Contribution Fund). Learn more about the SHTC Contribution Fund.~~

Foreword

Minnesota Housing shall be under no obligation to undertake an investigation of the accuracy of the information submitted for compliance monitoring. Minnesota Housing's review shall not constitute a warranty of the accuracy of the information, nor of the quality or marketability of the housing to be purchased, constructed, or rehabilitated pursuant to the HTC Program. Developers, potential investors, and interested parties should undertake their own independent evaluation of the feasibility, suitability, and risk of the project. If any information submitted by building owners to Minnesota Housing is later found to be incorrect in any material respect, it is the responsibility of the building owners to inform Minnesota Housing and to request a reexamination of the information. Interested parties should consult with a knowledgeable tax professional prior to entering into any commitment concerning the use and claim of ~~HTC~~HTCs.

~~In January 2007, the~~The Internal Revenue Service (IRS) released its Guide for Completing Form 8823, ~~Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition~~the Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition Audit Technique Guide (8823 Guide~~), updated~~) in January 2007, revised it in September 2009 and ~~again in~~ January 2011~~.~~, and reformatted the 8823 Guide in 2024. The 8823 Guide was not intended to change any Section 42 rules or policies, but to ~~provide definitions of~~clarify what the IRS considers "in compliance" and for consistency in reporting "out of compliance," and "back in compliance," on IRS Form 8823.

Minnesota Housing's compliance, monitoring, and reporting ~~policy~~policies and ~~procedure~~procedures are reflective of instructions in the 8823 Guide.

This guide has not been reviewed or approved by the IRS and should not be relied ~~upon~~on for interpretation of federal income tax law or regulations.

Background and Overview

Section 42-(m)(1)(B)(iii) of the Internal Revenue Code (Section 42) requires allocating agencies to include in their ~~qualified allocation plan~~Qualified Allocation Plan (QAP) a procedure to monitor all HTC projects for compliance with the requirements of Section 42 and notify the IRS of any noncompliance of which it becomes aware whether it is corrected or not. Refer to Code of Federal Regulations, title 26, section 1.42-5, as amended, for more information.

~~An allocating agency must have a procedure for monitoring compliance with the provisions of Section 42 and notifying the IRS of any noncompliance of which it becomes aware whether it is corrected or not. The monitoring requirements became effective on January 1, 1992, were amended on January 14, 2000, February 26, 2019, and July 7, 2020, and apply to all HTC projects, even if the projects received an allocation prior to 1992.~~

~~The purpose of this guide is to set forth the procedures to be followed by Minnesota Housing and the owners of HTC projects to comply with the requirements of Section 42 and the associated Treasury Regulations.~~Minnesota Housing's QAP establishes this guide as the source of these procedures. The compliance monitoring requirements are subject to modification by the IRS, and income determination requirements are subject to modification by the U.S. Department of Housing and Urban Development (HUD). Minnesota Housing will revise this guide annually.

Owners should be aware that Treasury Regulations ~~Section~~ 1.42-5 explicitly provides that the credit agency monitoring procedures only address the requirements for allocating agency monitoring and do not address forms and other records that may be required by the IRS on examination or audit.

~~**Projects with Allocations from Multiple Allocating Agencies.**~~ Some HTC projects receive HTCs from both Minnesota Housing and a ~~Suballocator~~suballocator. HTC compliance monitoring for those projects will be done by the entity that first allocated ~~HTC~~HTCs to the project unless the allocators make other arrangements regarding the project.

~~**Tax-exempt Bond Projects.** Minnesota Housing will monitor developments that received their award of HTCs from Minnesota Housing through the issuance of tax-exempt bonds. If a Suballocator makes the award of HTCs, the Suballocator will be responsible for compliance monitoring unless the allocators make other arrangements regarding the project.~~ Tax-exempt bond developments must comply with the same IRS requirements and HTC compliance monitoring procedures as non-tax-exempt bond developments.

~~**Projects Electing the Average Income Test (AIT) Minimum Set-Aside.** On October 12, 2022, IRS published~~On September 30, 2025, the IRS amended ~~Treasury Regulations~~Treas. Reg. 1.42-19, which ~~provide~~provides guidance on the Average Income Test (AIT~~,~~), including how the minimum set-aside is met, the timing for when units must be designated for income and rent limits, unit redesignations, unit

transfer and available unit rules, and correction of noncompliance. ~~Additional temporary provisions under 1.42-19T regarding reporting requirements were also included for further public consideration.~~

Chapter 1 – Program Summary

The following is a summary of the requirements of the HTC ~~program~~Program. It is not intended to be detailed or comprehensive.

1.01 Minimum Set-Aside Election

Three options are available for the minimum set-aside requirement:

1. **20/50 test~~.~~:** No less than 20% of the housing units in a project must be set aside for tenants whose incomes are 50% or less of the Multifamily Tax Subsidy Project income limits (MTSP~~); or~~).
2. **40/60 test~~.~~:** No less than 40% of the housing units in a project must be set aside for tenants whose incomes are 60% or less of MTSP~~; or~~.
3. **Average Income Test (AIT~~).~~):** No less than 40% of the housing units in a project must be set aside for tenants whose income does not exceed the imputed income limitation designated by the owner with respect to the specific unit. The designated imputed income limitation for each unit shall be 20%, 30%, 40%, 50%, 60%, 70~~%~~%, or 80% of MTSP, and the average of the imputed income limitations for the project shall be 60% or less of MTSP.

Each building is considered a separate project under Section 42(g)(3)(D), and the minimum set-aside applies separately to each building, unless the owner elects to treat buildings as a multiple-building project, in which case the minimum set-aside and other project rules apply to the identified project. Owners identify the building(s) in a multiple-building project by attaching a statement to the owner's first-year tax return. Refer to instructions on IRS Form 8609, line 8b for details. This election also determines to which buildings unit transfers may be made and the number of units that Minnesota Housing must inspect during an on-site review.

Property managers should confirm the set-aside that was established by the building owner on IRS Form 8609 for the first year of the credit period to ensure continued compliance. Once selected, the election *cannot* be changed. Note that this is only the *minimum* set-aside. All low-income units must comply with the corresponding income and rent limits. For example, for a 20/50 minimum set-aside, if a building's applicable fraction is 100%, all units must have an income and rent restriction of 50% of MTSP.

Owners may elect additional state-established~~,~~ set-aside requirements (such as additional rent restrictions, serving certain populations, etc.) as a condition of obtaining HTCs. These will be reflected in the allocation documents, which include the Carryover Agreement and Declaration of Land Use Restrictive Covenants for Low-~~-~~Income Housing Tax Credits (LURA). If such additional set-asides are elected, they must be maintained throughout the compliance period and extended use period and will be monitored at the same time as, and in a manner similar to, Section 42 requirements.

If a property is financed using Native American Housing Assistance and Self-Determination Act (NAHASDA) or HOME Investment Partnerships (HOME) Program funds that 1) have not been subtracted from the basis calculation or 2) have an interest rate below the Applicable Federal Rate, and the owner receives HTCs at the 70% present value rate (~~i.e.,~~that is, 9% HTC), then the owner must rent 40% of the units *in each building* to households whose income is 50% of MTSP or less.[1] ~~.~~ There is not a corresponding rent restriction with this HOME income limit set-aside. Rent limits are set according to the elected HTC set-aside and/or any additional rent restrictions under which the allocation was made.

1.02 Rent and Income Requirements

The income necessary to be eligible to rent a unit is based on the household income limits adjusted for family size for the area in which the project is located. Income determination is consistent with Section 8 as described in 24 ~~Code of Federal Regulations (CFR)~~C.F.R. 5.609.

The formula for computing *maximum* gross rent is based on 1.5 persons per bedroom not to exceed 30% of the corresponding income election.

1.03 Rent and Income Figures

HUD annually publishes MTSP figures for all Minnesota counties. Minnesota Housing uses these figures to calculate the maximum allowable rents and tenant incomes for rental units receiving the ~~HTC~~HTCs. Minnesota Housing publishes MTSP income and rent limits for HTC projects on its ~~website~~Multifamily Rent and Income Limits webpage and notifies owners and managers of the updated limits as they become available.

Due to the Housing and Economic Recovery Act of 2008 (HERA), income limits for projects funded with ~~HTC~~HTCs are held harmless from decreases; therefore, they are calculated and presented separately from the Section 8 income limits.

Be sure to use the correct limits table for each property. To avoid confusion, Minnesota Housing produces different tables (~~e.g.,~~for example, Table A, B, C~~)~~, etc.) for income and rent limits. According to HERA, the placed in service (PIS) date for a project determines which table to use~~. Refer to the HTC income and rent limit tables and instructions to determine which tables apply to which range of PIS dates~~, although owners may make a rent floor election (referenced in last bullet, below). Refer to the MTSP income and rent limit tables on Minnesota Housing's Multifamily Rent and Income Limits webpage.

When determining which MTSP table to use for properties with PIS dates both before and after the income limit effective dates, ~~also~~ consider the following:

[1] Buildings placed in service after July 30, 2008, are not subject to this provision.

- The earliest PIS date for a building governs. For example, if a building has acquisition ~~HTC~~HTCs with a PIS date prior to January 1, 2009, it uses Table A even if the rehabilitation HTC PIS date is after January 1, 2009.
- Under Section 42, each building is considered a separate project unless the owner elects to treat buildings as a multiple-building project. The multiple-building election is made by the owner on line 8b in Part II of IRS Form 8609. However, since IRS Form 8609 is typically issued well after the PIS date, owners of properties with buildings placed in service both before and after the publication of new limits must determine what this election will be and which buildings are part of the project. The owner must document this determination in the property's records~~,~~ and, when completing Part II of IRS Form 8609, the election must be consistent.
- The earliest PIS date for any building that is part of a multiple-building project (line 8b on IRS Form 8609 is or will be checked ~~"~~yes~~"~~ and the owner has identified the buildings that are part of the multiple-building project) determines which table will be used by all of the buildings that are part of that multiple-building project.
- If buildings are not part of a multiple-building project (line 8b is or will be checked ~~"~~no~~"~~ and therefore each building will be treated as a separate project), then each building may use a different table depending on their respective PIS dates.
- Under IRS Revenue Procedure 94-57, the owner may establish a different table for rent limits than the table used for income limits if the owner made a proper Statement of Election of Gross Rent Floor to use the carryover/preliminary determination date to set the rent floor and income and rent limits decrease prior to the PIS date. If the owner makes no election, the rent floor defaults to the carryover or preliminary determination date.

1.04 Building Regulations

The HTC amount allocated to each building in a project is partially calculated based on the ~~following factors~~eligible basis and applicable fraction.

Eligible Basis

In general, the eligible basis of a building is equal to the building's adjusted basis for acquisition, rehabilitation, or construction costs for the entire building, subject to certain conditions and modifications set forth in Section 42-(d). As a general rule, the adjusted basis rules of ~~Section~~section 1016 apply, with the exception that no adjustments are made for depreciation. Some of the special provisions for determining eligible basis under Section 42-(d) are:

- Buildings located in areas designated as a "qualified census tract" or "difficult development area" may qualify for an increase in eligible basis.
- Units intended for eligible HTC tenants must be comparable in size, location, and quality to those rented to other tenants. If units rented to non-qualifying households are above the

average quality standards of the units rented to HTC households, then the eligible basis of the project which is used to determine the amount of tax credits must be reduced by the portion which is attributable to the excess costs of the above-standard units. This reduction in eligible basis need not occur if an election is made to exclude such excess costs pursuant to Section 42(d)(3) of the Code.

- The cost of depreciable property used in common areas or provided as comparable amenities to all residential units (~~e.g.,~~for example, carpeting and appliances) is included in determining eligible basis. The cost of tenant facilities (~~e.g.,~~for example, parking, garages, and swimming pools) may be included in the eligible basis if there is no separate charge for use of the facilities and they are made available on a comparable basis to all tenants in the project.
- Eligible basis is reduced by federal grants, any historic rehabilitation credits, and nonresidential rental property.
- Eligible basis, as of the end of the first year of the credit period, is reported to the IRS on Part II of IRS Form 8609, and it does not change from year to year, unless a space that originally qualified as residential rental property changes character or a space that was designated for use by qualified tenants is no longer available to them.

Applicable Fraction

The applicable fraction is the lesser of:

- The unit fraction, which is the number of HTC units in a building divided by the total number of residential rental units; or
- The floor space fraction, which is the total floor space of the HTC units in the building divided by the total floor space of the residential rental units in the building.

When determining which units to include in the numerator (low-income units), and in the denominator (total units) of the applicable fraction, ~~please note~~consider the following:

- Units that have never been occupied or are occupied by a ~~nonqualified~~non-qualified household cannot be included in the numerator but must be included in the denominator.
- Vacant units that were last occupied by a ~~nonqualified~~non-qualified household cannot be included in the numerator but must be included in the denominator.
- Units not suitable for occupancy, including HTC units being rehabilitated in the first year of the credit period, cannot be included in the numerator~~,~~ but must be included in the denominator.
- Common space units (units for full-time manager, full-time maintenance, or security~~ – refer to section 1.05 below),~~) are not included in either the numerator or denominator. Refer to section 1.05 of this guide for more information.
- For projects that elected the AIT minimum set-aside, only units that are part of a qualified group of units (as defined in Treas. Reg. 1.42-19(b)(2)) may be included in the numerator of a building's applicable fraction. Unless a building is a separate project, units included in the

numerator of a building's applicable fraction do not need to be a qualified group of units on their own. See Treas. Reg. 1.42-19(e)(4).

1.05 Full-Time Resident Manager's Unit

The full-time resident or on-site manager's unit may or may not be included in determining the applicable fraction depending on the circumstances. According to IRS Revenue Ruling 92-61, the ways in which the on-site manager's unit may be considered are:

- For buildings that have been placed in service after September 9, 1992, the full-time manager's unit must be treated as common space (~~i.e.,~~that is, it would not be included in either the numerator or denominator of the applicable fraction).
- For buildings that were placed in service prior to September 9, 1992, the full-time manager's unit may be treated as follows:
  - The full-time manager's unit is considered a qualified low-income unit (the rent is restricted to a qualifying amount and the resident manager is a certified low-income tenant); or
  - The full-time manager's unit is considered common space. As common space, the unit would not be included in either the numerator or the denominator of the applicable fraction.

Example: A building contains 24 units and the applicable fraction is 100%. HTCs were allocated based on 23 units. This means that the manager's unit was treated as common space when the HTC was allocated. The applicable fraction would be 23/23 or 100%.

A full-time manager or maintenance person must occupy a resident manager's unit. The number of hours worked does not define full-time; rather, it is defined by the fact that the manager's presence on site is reasonably required for the development. Some things to consider are what is warranted by the type, size and/or location of the development, as well as what is needed in terms of the resident population. Some developments may not need to employ a resident manager for what is normally considered full-time, and other developments may need to employ more than one on-site manager or maintenance person. Full-time is considered to be whatever is reasonably required to make operations run smoothly at the development. As a general guide, a manager who performs management functions such as leasing units, preparing certification paperwork, cleaning, general maintenance, preparing turnovers, collecting rent, etc., and who is available to the site on an on-call basis to respond to emergencies may be considered a full-time manager under this ruling. According to IRS Revenue Ruling 2004-82, dated August 30, 2004, a unit may also be occupied by a full-time security officer and be treated as common space, if reasonably required.

As noted in a Chief Counsel Advice Memorandum dated June 2, 2014, whether an owner charges rents, utilities, or both for common space units is not relevant in the treatment of the units as facilities that are reasonably required for the project. As such, the fact that the owner of a qualified low-income

building charges rents, utilities, or both for units for resident managers or maintenance personnel is not relevant in the treatment of such units as facilities reasonably required for the project. The character and size of the project are, among other things, relevant in determining whether any property, including an employee-occupied unit, is functionally related and subordinate to the project.

Owners of all developments, including those that have not yet received IRS Form 8609, must notify Minnesota Housing of the status of common space unit(s). Prior to issuance of IRS Form 8609, submit a ~~Request for On-Site/Employee Unit (and Treatment of Common Space Unit Pursuant to Revenue Ruling 92-61)~~Request for On-Site/Employee Unit and Treatment of Common Space Unit Pursuant to Revenue Ruling 92-61 to the assigned underwriter. After issuance of IRS Form 8609, submit a ~~Request for Action (RFA) form~~Request for Action Form along with a ~~Request for On-Site/Employee Unit (and Treatment of Common Space Unit Pursuant to Revenue Ruling 92-61)~~Request for On-Site/Employee Unit and Treatment of Common Space Unit Pursuant to Revenue Ruling 92-61 for any unit or change in status to a unit utilized as a site office~~,~~ or occupied by a full-time resident manager, a full-time maintenance person, or a full-time security person as defined in the 8823 Guide and IRS Revenue Ruling 92-61. The following conditions require submission of these forms at the time any change is anticipated:

- Initial request for a common space unit
- Change to a different unit
- Common space unit no longer required

Minnesota Housing will issue an acknowledgement of the common space unit or the reason for denial. For the most part, Minnesota Housing will rely on the owner's determination of whether a full-time unit is reasonably required by the development. However, if Minnesota Housing becomes aware that the unit is not occupied by a full-time manager, maintenance, or security personnel, as represented by the owner, it may become a noncompliance issue.

A unit occupied by a part-time manager, caretaker, or maintenance person must either be treated as a qualified low-income unit or as a market rate unit. If the unit is treated as a qualified low-income unit, then the household must meet all HTC eligibility criteria. Note that any reduction in rent in exchange for services must be considered as income.

1.06 Calculating the First Year Applicable Fraction

To determine the applicable fraction for the first year, find the low-income portion[2] as of the end of each full month that the building was in service during the year. Add these percentages together and

[2] For projects that elected the AIT minimum set-aside, only units that are part of a qualified group of units (as defined in Treas. Reg. 1.~~41~~42-19(b)(2)) may be included in the numerator of a building's applicable fraction. See section ~~1~~2.04 of this guide for more information.

divide by 12 (per instructions on IRS Forms 8609 and 8609-A). Note that the applicable fraction must be calculated for both the unit and floor space fraction.

Assume that a low-income building was placed in service on January 15 and has the following lease-up schedule during the first year of the credit period.

Table 1: Sample First Year Applicable Fraction

Month	Low-Income Units	Total Units	Monthly Unit ~~Faction~~Fraction	Low-Income Square Feet	Total Square Feet	Monthly Square Foot Fraction
January	1	10	0%	~~1000~~1,000	~~12000~~12,000	0.00%[3]
February	2	10	20%	~~2000~~2,000	~~12000~~12,000	16%
March	4	10	40%	~~3800~~3,800	~~12000~~12,000	31.66%
April	6	10	60%	~~5400~~5,400	~~12000~~12,000	45%
May	7	10	70%	~~6300~~6,300	~~12000~~12,000	52.5%
June	7	10	70%	~~6300~~6,300	~~12000~~12,000	52.5%
July	7	10	70%	~~6300~~6,300	~~12000~~12,000	52.5%
August	8	10	80%	~~7200~~7,200	~~12000~~12,000	60%
September	9	10	90%	~~8400~~8,400	~~12000~~12,000	70%
October	10	10	100%	~~12000~~12,000	~~12000~~12,000	100%
November	10	10	100%	~~12000~~12,000	~~12000~~12,000	100%
December	10	10	100%	~~12000~~12,000	~~12000~~12,000	100%
~~Cell intentionally left blank~~**N/A**	**Sum of monthly ~~Unit Fraction~~unit fraction/12**		**66.66%**	**Sum of monthly ~~Square Foot Fraction~~square foot fraction/12**		**56.68%**

1.07 Qualified Basis

Qualified basis is the portion of the eligible basis applicable to HTC units in a building. Qualified basis is the product of a project's eligible basis multiplied by the applicable fraction. The original qualified basis is determined as of the last day of the first year of the credit period and is reported to the IRS on Part II of IRS Form 8609.

[3] The owner may *not* count the unit occupied in January toward the first-year applicable fraction since the building was not placed in service the full month. For all other months, even if a resident moved into a unit on the last day of the month, that unit is considered occupied at the end of the month. The first-year applicable fraction for this building would be 56.68% based on this lease-up schedule.

1.08 Claiming Credits

The HTCs are based on a percentage of the qualified costs of the building and may be claimed annually for 10 taxable years beginning in the year the project is placed in service~~,~~ or, at the owner's election, the year following placed in service. Minnesota Housing will issue IRS Form 8609 for each building with Part I completed. The owner completes Part II and files the IRS Form(s) 8609 with the IRS at the Philadelphia Service Center, with an original signature in Part II, for the first taxable year in which the HTC was claimed. Refer to IRS Form 8609 and 8609-A for detailed instructions.

1.09 Compliance Period and Extended Use Period

All developments receiving HTCs must comply with eligibility requirements for a period of 15 years beginning with the first taxable year of a building's credit period. This is typically referred to as the ~~"~~compliance period~~."~~. All developments receiving HTC allocations after December 31, 1989, must execute and record a LURA prior to the end of the first year of the credit period. The LURA requires developments to comply with eligibility requirements for a minimum additional 15 years beyond the 15-year compliance period for a total of 30 years or more. This is typically referred to as the ~~"~~extended use period~~."~~. The LURA is a covenant that runs with the land. Refer to Chapter 9, ~~""~~(Compliance and Monitoring After Year 15~~"~~) of this guide for details on requirements after the 15-year compliance period has expired.

1.10 Outline of Minnesota Housing ~~Compliance~~Monitoring Process

During the 15-year compliance period, Minnesota Housing's monitoring generally follows this summarized outline:

1. All HTC projects subject to monitoring by Minnesota Housing must submit a completed owner certification and annual occupancy report to Minnesota Housing by February 15 or the next business day of each calendar year (refer to Chapter 4 of this guide for further details).
2. Minnesota Housing will conduct a compliance inspection of each development at least once every three years and will perform a file review and physical inspection on 20% of the low-income units in each project. For new projects, Minnesota Housing will conduct a monitoring inspection no later than the end of the second year of the credit period.
3. If changes in equity ownership are planned, the owner must submit a ~~Request for Action~~Request for Action and other requested documentation~~. (Refer~~ (refer to Chapter 7 of this guide for additional information~~.)~~).
4. If Minnesota Housing 1) does not receive certification or documentation, ~~or~~ 2) is not permitted to inspect tenant files or perform other inspections, or 3) upon inspection ~~or,~~ review or otherwise, becomes aware of an aspect of the project that is not in compliance:

a. Minnesota Housing will ~~provide~~send a notice of noncompliance to the owner with a report that describes the noncompliance. The notice will identify the date by which the noncompliance must be corrected.
b. Minnesota Housing must file IRS Form 8823 ~~"~~(Report of Noncompliance~~"~~) no later than 45 days after the end of the correction period regardless of whether the noncompliance has been corrected. Refer to Chapter 8 of this ~~guide~~document for more ~~detail~~details.
c. Minnesota Housing may take other legal ~~action~~or administrative actions to enforce the terms of the LURA. Failure to take any such action does not release an owner from its obligation to comply.

1.11 Owner's Responsibility

Each owner has chosen to utilize the HTC Program to take advantage of the tax benefits provided. In exchange for these tax benefits, certain requirements must be met.

Prior to issuance of a final HTC allocation, the owner must certify to the total project costs. The owner must also certify that all program requirements have been met. Any violation of the requirements of the program could result in the loss or recapture of HTCs to the owner.

The owner is responsible for compliance with Section 42 and the LURA. The owner must take any lawful action to comply fully with Section 42 and with all applicable rules, rulings, policies, procedures, regulations, or other official statements promulgated or proposed by the ~~United States~~U.S. Department of the Treasury, the IRS, or HUD from time to time pertaining to the owner's obligations under Section 42. Any ~~and all~~ financial consequences to the owner as a result of noncompliance, whether identified by Minnesota Housing or the IRS, will be the responsibility of the owner.

Successful operation of an HTC development is management intensive; the owner is responsible for ensuring that the project is properly administered. Thorough understanding of HTC requirements and compliance monitoring procedures requires training of owners and managers. This training should occur before a development is constructed, purchased, or rehabilitated, and should be provided to the on-site property management staff. At a minimum, such training should cover key compliance terms, qualified basis rules, determination of rents, tenant eligibility, file documentation, available unit procedures and unit vacancy rules, agency reporting and records retention ~~requirements~~, site visits, and fair housing and equal opportunity. Continuing education each year, or at a minimum every other year, is strongly recommended to keep current with regulatory and procedural changes.

1.12 Noncompliance

If the management agent ~~and/~~or the owner determines that a building or entire project is not in compliance with program requirements, they must notify Minnesota Housing immediately. The management agent and ~~/or~~ the owner must formulate a plan to bring the project back into compliance and advise Minnesota Housing in writing of such a plan.

Chapter 2 – Internal Revenue Service Reporting Requirements

The IRS and Minnesota Housing require owners to file specific forms for compliance and reporting purposes. Failure to submit required forms as outlined in this guide to either the IRS or Minnesota Housing as appropriate will constitute noncompliance and may make the owner subject to disallowance or recapture of HTCs.

2.01 Low Income Housing Allocation Certification (IRS Form 8609)

IRS Form 8609 will be issued by Minnesota Housing for each building within a project. If allocations were issued in multiple years, a separate IRS Form 8609 will be issued for each year's allocation. If rehabilitation and acquisition HTCs are issued on the same building, the acquisition HTC and rehabilitation HTC will receive separate IRS Forms 8609.

Part I of the IRS Form 8609 will be completed by Minnesota Housing and sent to the owner after the project is placed in service and all documentation required by Minnesota Housing is reviewed and approved. Each year Minnesota Housing files IRS Form 8610 with the IRS, which includes the original IRS Forms 8609 issued that year. This allows the IRS to compare ~~the~~ IRS Forms 8609 issued by the allocating agency with ~~the~~ IRS Forms 8609 submitted with the taxpayer's return.

Minnesota Housing must complete Part I of IRS Forms 8609. Filing an IRS Form 8609 with the IRS in advance of the owner's receipt of the Minnesota Housing signed version of the approved IRS Form 8609, or filing an IRS Form 8609 that does not accurately reflect the information contained on the IRS Minnesota Housing signed version of the approved IRS Form 8609, is an unacceptable practice. Refer to the applicable QAP for more information on unacceptable practices and resulting penalties.

The owner completes Part II and files the IRS Form 8609 with the IRS at the Philadelphia Service Center, with an original signature in Part II, for the first taxable year in which the HTC was claimed. Refer to IRS Form 8609 and 8609-A for detailed instructions.

Owners should consult with their legal and/or tax advisors for advice on completing and filing the IRS tax forms. Minnesota Housing cannot give legal or tax advice on the filing or completion of tax forms.

2.02 Low Income Housing Credit (IRS Form 8586)

One Low-~~-~~Income Housing Credit (IRS Form 8586) ~~form~~Form must be completed to claim HTCs for the first taxable year in which HTCs are taken and every year thereafter in the compliance period.

2.03 Declaration of Land Use Restrictive Covenants ~~(LURA)~~

The building owner must fill out, execute and record an approved Declaration of Land Use Restrictive Covenants (LURA ~~which~~) using the LURA form on Minnesota Housing's website that applies to that project's allocation year, and in accordance with the selection criteria attached to the Preliminary

Determination Letter (also known as 42M Letter) or Carryover Agreement. The executed and recorded LURA must be in effect on or before the end of the first taxable year HTCs are claimed (Section 42(h)(6)(A)). A copy of the executed and recorded LURA must be submitted to Minnesota Housing by the deadline provided by Minnesota Housing and no later than the owner's submission of the 8609 application. Failure to timely and properly record this LURA and submit a copy to Minnesota Housing is an event of noncompliance and will be reported to the IRS. During 8609 review, Minnesota Housing will work with the owner to draft, execute, and record an Amended and Restated LURA, if necessary, to reflect changes to the project or financing.

Owners must comply with any occupancy restrictions required by Section 42 and the LURA throughout the compliance period and extended use period. Some LURAs contain relief provisions that allow an owner to petition Minnesota Housing for certain modifications to those requirements. Owners should refer to the LURA for the specific project to determine if relief provisions apply.

Single Room Occupancy Threshold Relief Provision

If the project selected the ~~Single Room Occupancy~~single room occupancy (SRO) housing threshold requirement and the LURA requires the owner to comply with that threshold, Minnesota Housing recognizes that under some circumstances it may be appropriate for an owner to seek relief from the SRO housing threshold requirement.

~~Single Room Occupancy (SRO) Threshold Relief Provision~~

If, for a particular unit held to ~~Single Room Occupancy~~single room occupancy (SRO) housing threshold requirements that require units (SRO ~~Units~~units) to be affordable by households whose income does not exceed 30% of MTSP, the necessary rental assistance or operating support (collectively SRO ~~Unit~~unit subsidy) is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) such withdrawal or termination materially adversely impacts the financial feasibility of the project; (iii) alternative funding is unavailable; and (iv) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to eliminate its requirements for the affected SRO ~~Unit~~unit(s). Such petition must contain all material facts and supporting documentation substantiating the owner's request including, but not limited to, items (i), (ii~~)~~), and (iii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, the owner shall no longer be required to treat such SRO ~~Unit~~unit(s) as SRO ~~Unit~~unit(s) but must convert the rents of those units to the 50% HTC rent limit~~;~~, provided that more restrictive thresholds and/or selection priority or funding requirements, if any, do not apply. If such conversion occurs, in order to retain the HTC allocation, the above-described 50% HTC rent limit and the Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the HTC compliance and extended use periods.

If Minnesota Housing shall~~,~~ at any time thereafter, ~~in~~at its sole discretion, determine that an SRO ~~Unit~~unit subsidy may be available for the remainder of the tax credit compliance and extended use periods, ~~and~~ this would not adversely affect the full availability of the HTC allocation, and this would permit the SRO ~~Unit~~unit(s) to again serve 30% income households, then at Minnesota Housing's request~~,~~ the owner shall promptly apply for such SRO ~~Unit~~unit subsidy for the SRO ~~Unit~~unit(s), upon terms reasonably acceptable to such owner~~, and if~~. If such SRO ~~Unit~~unit subsidy is obtained, the owner shall again set aside such SRO ~~Unit~~unit(s), when and to the extent then available, to income qualifying individuals.

To request approval to exercise this SRO relief or any other occupancy requirement with a relief provision in the LURA, the owner must submit a ~~Request for Action.~~Request for Action. During the review and approval process, Minnesota Housing will advise the owner of documentation that must be submitted.

2.04 Recapture of Low-~~-~~Income Housing Credit (IRS Form 8611)

IRS Form 8611 is used by taxpayers who must recapture tax credits claimed in previous years. A copy of IRS Form 8611 must be filed with the IRS upon completion by the owner.

Chapter 3 – Recordkeeping and Records Retention Requirements

3.01 Recordkeeping

Under the recordkeeping provision of ~~Treasury Regulations Section~~Treas. Reg. 1.42-5, the owner must keep records for each building in the project for each year in the compliance period showing:

- The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit)
- The number of occupants in each HTC unit and the household's student status
- The number and percentage of residential rental units in the building that are HTC units, offices, and management units
- The rent charged on each residential rental unit in the building (including utility allowance) as well as any additional charges to tenants~~. Documentation~~; documentation must include tenant ledgers, leases, and utility allowances as required by the IRS
- The HTC unit vacancies in the building, marketing information, and information that shows when and to whom each of the next available units was rented
- The Tenant Income Certification (TIC), annual income recertifications~~,~~ (where applicable~~,~~), and annual student certification of each HTC household
- Documentation to support each TIC, including an application disclosing household composition, income and assets, and all applicable verifications~~.~~
- The character and use of the nonresidential portion of the building included in the building's eligible basis under Section 42(d) (~~e.g.,~~for example, tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities~~,~~ or facilities reasonably required by the project~~).~~)
- The eligible basis and qualified basis of the building at the end of the first year of the credit period~~.~~
- Records demonstrating that any state-established set-aside elected by the owner has been complied with for each year of the compliance period~~.~~
- For properties electing the AIT, both (1) the qualified group of units that satisfy the AIT minimum set-aside and (2) the qualified group of units to be used in determining the applicable fractions for the building(s) in the project must be identified and recorded annually in the owner's books and records~~. See~~; see Treas. Reg. 1.42-~~19T.~~19(b)(3)(iii).

3.02 Records Retention

The owner must retain the records described above for at least six years after the due date (with extensions) for filing the federal income tax return for that year. The records for the first year of the credit period, however, must be retained for at least six years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period of the building.

Refer to Q&A 11 in IRS Revenue Ruling 2004-82, published August 30, 2004, which clarifies that owners may comply with the records retention provisions under ~~Treasury Regulations Section~~Treas. Reg. 1.42-5(b) by using an electronic storage system instead of maintaining hardcopy (paper) books and records, provided that the electronic storage system satisfies the requirements of IRS Revenue Procedure 97-22.

Owners must maintain applicant and tenant information in a way to ensure confidentiality. Owners must dispose of records in a manner that will prevent any unauthorized access to personal information, such as burn, pulverize, shred, etc.

Chapter 4 – Monitoring: Certification and Review

4.01 Annual Certification

To comply with the certification and review provisions of ~~Treasury Regulations Section~~Treas. Reg. 1.42-5, paragraph (c)(1), the owner must certify to Minnesota Housing, under penalty of perjury, at least annually for each year of the 15-year compliance period, on the Owner's Certification of Continuing Program Compliance, or other forms designated the following for the preceding 12-month period:

- The project met the minimum requirements of the 20/50 test under Section 42(g)(1)(A) of the Code; the 40/60 test under Section 42(g)(1)(B) of the Code; the Average Income Test under Section 42(g)(1)C) of the Code; or the 15/40 test for "deep rent-skewed" projects under Section 42(g)(4) and 142(d)(4)(B) of the Code, whichever applies to the project.
- There has been no change in the applicable fraction (as defined in Section 42(c)(1)(B) of the Code) for any building in the project, or that there was a change and a description of the change.
- At initial occupancy, the owner received a ~~Tenant Income Certification~~TIC with supporting documentation and an Annual Student Certification from each low-income household. At annual recertification, the owner has received an Annual Student Certification and, where applicable, a ~~Tenant Income Certification~~TIC with supporting documentation from each low-income household.
- Each low-income unit in the project has been rent-restricted under Section 42(g)(2).
- No tenants in low-income units were evicted or had their tenancies terminated other than for good cause, and no tenants had an increase in the gross rent with respect to a low-income unit not otherwise permitted under Section 42.
- All units in the project are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under Section 42 (i)(3)(B)(iii)).
- No finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, has occurred for this project. A finding of discrimination includes an adverse final decision by the HUD Secretary, 24 ~~CFR~~C.F.R. 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. 3616a(a)(1), or an adverse judgment from a federal court.
- Each building and low-income unit in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low-income unit in the project.
- There has been no change in the eligible basis (as defined in Section 42(d)) of any building in the project since last certification submission, or that there was a change and description of that change.

- All tenant facilities included in the eligible basis under Section 42(d) of any building in the project, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the buildings.
- If a low-income unit in the project has been vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units were or will be rented to tenants not having a qualifying income.
- If the income of tenants of a low-income unit in the project increased above the limit allowed in Section 42(g)(2)(D)(ii) or Section 42(g)(2)(D)(iii), the next available unit of comparable or smaller size was or will be rented to residents having a qualifying income.
- An extended low-income housing commitment as described in Section 42(h)(6) was in effect, including the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f. The owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 ~~voucher~~Voucher and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment.
- If the owner received its HTC allocation from the portion of the state ceiling set-aside for a project involving ~~"~~"qualified ~~non-profit~~nonprofit organizations~~"~~" under Section 42(h)(5), that its ~~non-profit~~nonprofit entity materially participated in the operation of the development within the meaning of ~~Section~~section 469(h) of the Internal Revenue Code.
- There has been no change in the ownership or management of the project that has not been reported to Minnesota Housing.

~~Failure to submit timely, accurate, and complete Annual Certification is noncompliance.~~

4.02 Annual Submission Requirements

The annual owner's certification must be submitted to Minnesota Housing by February 15~~,~~ or, if not a business day, the next business day~~, of each~~ to certify compliance for the prior 12-month calendar year. ~~This includes projects that have received~~ The first certification is required for the year following execution of a carryover allocation of HTCs or for the year of issuance of a preliminary determination letter in the case of tax-exempt bond HTC awards (even if the project has not yet been placed in service). Once the owner has established the first credit year, the certification is supported by a report of unit events starting when each respective building was placed in service.

The annual owner certification and occupancy reporting are completed in Minnesota Housing's Property Online Reporting Tool (PORT). Detailed instructions are provided with the December annual reminder notice and in the ~~PORT User Guide.~~PORT User Guide. The December reminder notice that Minnesota Housing sends is considered notification of an upcoming compliance review. Unless

otherwise clarified, Minnesota Housing~~, at its sole discretion,~~ may report on Form 8823 compliance violations that are uncorrected when the December reminder notice is sent.

Also submit IRS Form 8609 for each building, with Part II completed as filed with the IRS. *Submit IRS ~~forms~~Forms 8609 for the first year of the credit period only.* Send a copy to your assigned compliance officer at the time they are filed with the IRS.

Annual monitoring fees are also due with the owner's certification, beginning with the first credit year. Refer to section ~~4~~5.07 of this guide for details regarding monitoring fees.

Note that the owner's certification provides that all months within each 12-month period are subject to certification, and all certification items must be completed.

Unit event data entered in PORT must be complete and must report gross income at move-in and certification dates, student status, rent amounts and utility allowance information, gross income at annual recertification (or report if a unit is not subject to income recertification) and recertification dates~~,~~ (where applicable~~,~~), move-out and transfer information, etc.

Note that Minnesota Housing uses ~~the above~~this information for monitoring but must also supply information on occupants of HTC units to HUD annually to satisfy its obligations under HERA.

Failure to timely submit a complete and accurate annual owner ~~certifications,~~ certification, with all required occupancy information and other ~~required~~ documentation, including IRS Form 8609 with Part II completed, ~~will be considered~~is noncompliance.

Owners who received selection points for serving households who meet Minnesota Housing's definition of Long-Term Homeless or High Priority Homeless (LTH/HPH), have the following additional requirements:

(1) Annually, owners must supply operating data in a form and manner determined by Minnesota Housing.
(2) Annually, owners must complete and return a supportive housing assessment survey in a form and manner determined by Minnesota Housing.
(3) Owners must ~~verify if a household meets the definition of LTH/HPH~~verify if a household meets the definition of LTH/HPH and obtain eligibility documentation from the Homeless Management Information System (HMIS), the ~~Coordinated Entry Provider~~coordinated entry provider, or complete the ~~LTH verification~~LTH verification or ~~HPH verification for households not in HMIS.~~HPH verification for households not in HMIS. The documentation must be maintained in the resident file and provided to Minnesota Housing upon request.
(4) Owners must cooperate in good faith with the Institute for Community Alliances, an Iowa ~~non-profit~~nonprofit corporation ~~("~~("Administrator"~~),~~), and any successors and/or assigns of Administrator's rights and responsibilities regarding the Minnesota ~~Homeless Management Information System~~HMIS computerized database ~~("HMIS")~~ to (a) participate in and receive any

training which Administrator may require from time to time in order for owner to be a licensed user of HMIS~~,~~ and (b) satisfy other reasonable requirements which may be imposed by Administrator and Minnesota Housing in connection with HMIS.

(5) Owners must (a) request certain information from the individuals it serves through the HTC Program, pursuant to Owner's agreement with Administrator, (b) input such information into HMIS in a timely manner, and (c) run reports and test data for accuracy, as directed by the Administrator and Minnesota Housing.

(6) Owners must obtain any and all necessary disclosures, releases, and consents to permit Minnesota Housing to access information and receive periodic reports from Administrator ~~(~~. additional information is available ~~at~~on the ~~www.hmismn.org).~~HMIS website. Owners must permit Minnesota Housing to access any and all such information.

4.03 Compliance Monitoring Review Requirements

Under Minnesota Housing's review process, owners must maintain ongoing tenant records on Minnesota Housing approved forms for each unit in the project. The forms provide ~~an~~a historical record of tenant compliance for each unit. Minnesota Housing reserves the right to conduct a review of *any* building after serving appropriate notice and to examine all records pertaining to rental of tax credit units. ~~Minnesota Housing may perform a review at least through the end of the extended use period of the buildings in the project.~~

Minnesota Housing must inspect each development at least once every three years during the compliance period. Minnesota Housing may adjust the inspection schedule for any reason. Minnesota Housing shall inspect the ~~tenant income certification~~TIC(s), the documentation to support the ~~certification~~TIC(s), and the rent record for each tenant in at least 20% of the low-income units in each project, based on the owner's IRS Form 8609, line 8b election to treat buildings as a single- or multiple -building project and at least 20% of the low-income units in each project. For larger projects, Revenue Procedure 2016-15 established a schedule of the minimum number of units to inspect based on the number of low-income units in the project.

Table 2: Inspection Sampling for Larger Projects

Number of Low-Income Units in the Low-Income Housing Project	Number of Low-Income Units Selected for Inspection or Low-Income Certification Review (Minimum Unit Sample Size)
82-101	21
102-130	22
131-175	23
176-257	24
258-449	25
450-1,461	26

Number of Low-Income Units in the Low-Income Housing Project	Number of Low-Income Units Selected for Inspection or Low-Income Certification Review (Minimum Unit Sample Size)
1,462-9,999	27

Minnesota Housing may inspect up to and including 100% of the HTC units in any project for any reason. The first inspection for new projects will occur no later than the end of the second ~~year of the credit period.~~calendar year following the year the last building in the project is placed in service in accordance with Treas. Reg. 1.42-5(c)(2)(A).

The HTC units to be inspected or reviewed must be chosen in a manner that will not give advance notice that certain records will or will not be inspected. Minnesota Housing may give an owner reasonable notice of inspection, not to exceed ~~15~~28 calendar days, so that the owner may assemble records. In accordance with IRS requirements, Minnesota Housing will not notify the owner which units will be inspected until the day of inspection. Notice of more than ~~15~~28 calendar days, however, may be reasonable when extraordinary circumstances beyond Minnesota Housing's control exist, such as disasters and severe weather~~,~~ or illness or family emergency of the inspector or site representative, but only if reasonable efforts to find another inspector or site representative are unsuccessful. In addition, Minnesota Housing will inspect at least one vacant unit in each project, if applicable. Vacant units may be substituted for selected units or inspected in addition to selected units, at the inspector's discretion.

Noncompliance that is identified and corrected by the owner prior to notification of an upcoming compliance review or inspection need not be reported to the IRS. ~~The~~According to the Guide for Completing Form 8823, Publication 5913 (1-2024), the IRS considers the date of the notification letter a ~~"~~bright line~~"~~ date.

~~Rural Housing Service~~

~~Minnesota Housing and the U.S. Department of Agriculture, Rural Housing Service (USDA-RHS) have entered into a memorandum of understanding (MOU) effective November 1, 2000. The parties have agreed to share information pertaining to the HTC Program, including, but not limited to, results of file and physical inspections conducted by RHS. Minnesota Housing will not perform routine inspections on RHS properties but will rely on the inspection results as noted by RHS staff. If noncompliance is noted, Minnesota Housing will issue a notice of noncompliance to the owner and require evidence of correction in the same manner as all other HTC developments.~~

4.04 Procedure for Compliance Inspection

The compliance inspection includes, but is not limited to, a review of: (1) at least 20% of the low-income tenant files in each project (or the number of units identified in Rev. Proc. 2016-15, whichever is less), including a full inspection and calculation of income eligibility and student status, (2) utility

allowance information and other property administrative records, and (3) an inspection of the general physical condition of the property, including 20% of the low-income units in each project (or the number of units identified in Rev. Proc. 2016-15, whichever is less~~),~~). In addition, all buildings must be inspected, and the unit sampling must include vacant units.

In the year a compliance inspection is due, Minnesota Housing will notify the owner and manager by email. The owner or manager will be required to complete and submit a ~~Compliance Review Information and Administrative Records Review form~~Pre-Inspection Form as part of the inspection. This form is used to answer questions regarding property characteristics~~,~~ and to identify and submit the applicable administrative records for review, such as utility allowance and source documentation, tenant selection plan, AFHMP, fire, boiler and elevator certificates, etc. Once the date and time of the inspection has been agreed to, ~~no more than 15 days in advance of the inspection,~~ Minnesota Housing will send a confirmation email. The confirmation email is considered Minnesota Housing's notification of an upcoming compliance review. Unless otherwise clarified, compliance violations that are uncorrected as of the date of the confirmation email may be reported on IRS Form 8823. If the file review and physical inspection will be conducted separately, separate confirmation emails may be sent. At least 24 hours prior to the inspection date, the owner must notify all occupants of restricted units that their unit may be inspected. A site representative must accompany the compliance officer during the inspection.

In accordance with IRS requirements, Minnesota Housing will not notify the owner which units will be inspected until the day of inspection. Owners must *notify occupants of all program-restricted units that their unit may be inspected* at least 24 hours prior to the inspection date. Alternate units will be selected at random if there are unattended children under age 18 or if an occupant is sleeping or bathing/showering. The compliance officer will request a list of vacant units at the time of inspection and may substitute one or more vacant units for units selected or may inspect one or more vacant units in addition to units selected. If the inspector finds systemic noncompliance, up to 100% of the units may be inspected.

A re-inspection fee will be charged if the compliance officer is unable to complete the inspection due to owner/agent's failure to notify residents or owner/agent's failure to appear for the inspection. The re-inspection fee will be added to the next compliance monitoring fee. ~~Refer to the MF Loan Programs and HTC Fee Schedule.~~Refer to the Multifamily Loan Programs and Housing Tax Credit Program Fee Schedule for more information.

The Treasury Regulations require allocating agencies to conduct physical inspections consistent with standards governed by HUD's National Standards for the Physical Inspection of Real Estate (NSPIRE) which focuses on inside the building, outside the building, and within the units to ensure that they are "functionally adequate, operable, and free of health and safety hazards." HTC properties are not subject to NSPIRE's scoring protocol. However, noncompliance with any of the NSPIRE inspection standards is considered HTC noncompliance subject to reporting to IRS.

As described in NSPIRE standards, defect severity levels include the following characteristics:

- **Life-Threatening (LT~~).~~ ~~The Life-Threatening category includes deficiencies~~):** Deficiencies that, if evident in the home or on the property, present a high risk of death to a resident. NSPIRE correction period is 24 hours.
- **Severe~~.~~ ~~The Severe category includes deficiencies~~:** Deficiencies that, if evident in the home or on the property, present a high risk of permanent disability~~,~~ or serious injury or illness~~,~~ to a resident~~;~~, or the physical security or safety of a resident or their property would be seriously compromised. NSPIRE correction period is 24 hours.
- **Moderate~~.~~ ~~The Moderate health and safety category includes deficiencies~~:** Deficiencies that, if evident in the home or on the property, present a moderate risk of an adverse medical event requiring a healthcare visit~~;~~, cause temporary harm~~;~~ or, if left untreated, cause or worsen a chronic condition that may have long-lasting adverse health effects~~;~~, or ~~that~~ the physical security or safety of a resident or their property could be compromised. NSPIRE correction period is 30 days.
- **Low~~.~~:** Deficiencies critical to habitability but not presenting a substantive health or safety risk to resident. NSPIRE correction period is 60 days.

In addition, NSPIRE requires the following minimum Affirmative Habitability Requirements:

~~1.~~• Hot and cold running water in both bathroom and kitchen, including adequate source of safe drinking water in the bathroom and kitchen

~~2.~~• Bathroom or sanitary facility that is in proper operating condition and usable in privacy that contains a sink, a bathtub or shower, and flushable toilet

~~3.~~• At least ~~1~~one battery-operated or hard-wired smoke detector

- ~~a.~~○ Inside each sleeping room (~~e.g.,~~for example, bedroom~~); and,~~)
- ~~b.~~○ Outside each sleeping room~~; and,~~
- ~~c.~~○ Within ~~21 Feet~~21’ of ~~All Bedroom Doors; and,~~all bedroom doors
- ~~d.~~○ On every level of a dwelling unit~~.~~

~~4.~~• Living room and kitchen area with a sink, cooking appliance, refrigerator, food preparation area, and food storage area

~~5.~~• For units with Housing Choice Vouchers or Project~~-~~-Based Vouchers, at least one bedroom or living/sleeping room for each two persons in the household

~~6.~~• Must meet carbon monoxide detection standards established through Federal Register notice

~~7.~~• Two working outlets or one working outlet and a permanent light within all habitable rooms

~~8.~~• Outlets within 6’ of a water source must be GFCI protected

~~9.~~• Must contain a permanently installed heating source~~. Units~~; units may not contain unvented space heaters that burn gas, oil, or kerosene~~.~~

~~10. Must have a guardrail when there is an elevated walking surface drop off of 30’ or more measured vertically.~~

~~11.• Permanently mounted light fixture in the kitchen and each bath~~

~~Inspectable Area = Inside~~

1. ~~At least one battery-operated or hard-wired smoke detector on each level~~
2. ~~Must meet carbon monoxide detection standards established through Federal Register notice~~
3. ~~Outlets within 6' of a water source must be GFCI protected~~
4. ~~Must have a guardrail when there is an elevated walking surface drop off of 30" or more measured vertically~~
5. ~~Permanently mounted light fixtures in any kitchens and each bathroom~~
6. ~~May not contain unvented space heaters that burn gas, oil, or kerosene~~

~~Inspectable Area = Outside~~

1. ~~Outlets within 6' of a water source must be GFCI protected~~
2. ~~•~~ Must have a guardrail when there is an elevated walking surface drop off of 30" or more measured vertically
- Permanently mounted light fixture in the kitchen and each bath

As of December 29, 2024, all smoke detectors which are solely battery-operated must have sealed, tamper-proof batteries.

The following are NSPIRE's specifications as to the location of each smoke alarm on a wall or ceiling:

- If mounted on the ceiling, it must be more than 4 ~~inches~~" from the wall.
- It cannot be closer than 4 ~~inches~~" or more than 12 ~~inches~~" from the ceiling if mounted on the wall.
- Smoke alarms should not be installed within 36" of windows, exterior doors, or ducts where drafts might interfere with their operation.
- Smoke alarms should not be painted or have stickers or other decorations present.

As of June 11,2024, these two smoke detector deficiencies were changed to recommendations:

- Not installed within ~~10 feet~~10' of a cooking appliance
- Not installed within ~~three feet~~3' of ceiling fans, air ducts, exterior doors, or windows

The compliance officer will identify any NSPIRE deficiencies during the inspection so owners may begin making repairs immediately.

Notwithstanding the above inspection requirements, an HTC project must continue to satisfy local health, safety and building codes.

REAC Inspections: As permitted by ~~Treasury Regulations Section~~Treas. Reg. 1.42-5, Minnesota Housing may accept a physical inspection conducted by HUD's Real Estate Assessment Center (REAC) ~~conducted~~ in the same year that Minnesota Housing's inspection is due.

~~**Rural Housing Service Inspections:** Minnesota Housing and the U.S. Department of Agriculture, Rural Housing Service (USDA RHS) have a memorandum of understanding (MOU) effective November 1, 2000. The parties agreed to share information pertaining to the HTC Program, including, but not limited to, results of file and physical inspections conducted by RHS. Minnesota Housing will conduct the first inspection, but thereafter may align the inspection schedule with RHS' schedule and rely on the inspection results as noted by RHS staff. If noncompliance is noted, Minnesota Housing will issue a notice of noncompliance to the owner and require evidence of correction in the same manner as all other HTC developments.~~

Minnesota Housing may conduct a review of *any* building after serving appropriate notice and to examine all records pertaining to rental of HTC units. ~~Minnesota Housing may perform a review at least through the end of the extended use period of the buildings in the project.~~

4.05 Compliance Forms

Minnesota Housing offers various sample forms to verify and certify income. These sample forms can be found under the Occupancy Forms ~~link on our website.~~section on our Documents, Forms and Resources webpage.

Minnesota Housing's sample forms are strongly recommended. Each form has a version date located in the lower right-hand corner. *Replace old forms with any that have been newly revised.* If using alternate or customized forms, they must, at a minimum, contain the information in the sample forms.

Minnesota Housing's form of TIC may only be generated from the Property Online Reporting Tool. Minnesota Housing will accept a TIC generated from property management software if it contains, at minimum, the same information as Minnesota Housing's TIC form.

In addition to the TIC and supporting documentation, the following completed forms must be in all tenant files:

- Minnesota Housing's ~~Government Data Practices Act Disclosure Statement (Suballocator or~~ Government Data Practices Act Disclosure Statement(other funder data practices forms will not be accepted)
- ~~Annual Student Certification (MHFA HTC 35)~~
- ~~HTC Lease Rider~~Annual Student Certification
- Resident Notification Letter and Low Income Housing Tax Credit Lease Rider (not required for ~~section~~Section 8 units using the HUD model lease)
- ~~VAWA Lease Addendum and Minnesota Housing Attachment (~~VAWA Lease Addendum and Minnesota Housing Attachment to VAWA Lease Addendum (the Minnesota Housing Attachment is not required for ~~section~~Section 8 units using the HUD model lease)

~~In addition, the Head of Household and Household Member Demographic Information form~~In addition, the Head of Household and Household Member Demographic Information Form is used to collect data for households approved for occupancy to satisfy the HERA requirement for monitoring agencies to submit tenant data to HUD. Collecting and reporting the data to Minnesota Housing is required; however, a tenant file will not be found out of compliance if the tenant refuses to supply the information or if a completed form is not on file.

~~Rural Housing Service~~

~~As part of the MOU between USDA RHS and Minnesota Housing, RHS will require signatures of all household members age 18 and over and information relating to student eligibility, as required by Section 42. In return, Minnesota Housing will accept use of Form RD 1944-8, Tenant Certification. The required forms referred to above must also be on file.~~

4.06 Corrections to Documents

When a change is needed on a document for the HTC Program, the person making the correction must draw a line through the incorrect information, write or type the correct wording or number, and have *all parties initial and date the change.* A document that has been altered with correction fluid or "white-out" will not be accepted by Minnesota Housing.

If changes are made to a TIC, owner must update the respective certification event in PORT.

4.07 Annual Monitoring Fees

Minnesota Housing charges annual monitoring fees to cover the costs of conducting compliance monitoring. The annual fee must be submitted when the owner's certification is due, beginning with the first year of the credit period. ~~Refer to the MF Loan Programs and Fee.~~Refer to the Multifamily Loan Programs and Housing Tax Credit Program Fee Schedule for more information.

Minnesota Housing may adjust fees in its sole discretion to cover increasing monitoring costs.

4.08 Minnesota Housing Records Retention

Minnesota Housing will retain records of noncompliance or failure to certify for six years beyond the filing date of the respective IRS Form 8823. In all other cases, Minnesota Housing will retain the certifications and records described in ~~Treasury Regulations Section~~Treas. Reg. 1.42-5(c) for three years from the end of the calendar year the agency receives the certifications and records.

4.09 Liability

Compliance with the requirements of Section 42 is the responsibility of the owner of the building. Minnesota Housing's obligation to monitor for compliance with the requirements of Section 42 does not make the agency liable for an owner's noncompliance (~~Treasury Regulations Section~~Treas. Reg. 1.42-5(g)).

Chapter 5 – Project Rental Requirements

5.01 Allowable Fees and Charges

Section 42 allows owners of HTC developments to claim HTCs based on units that are rent-restricted, occupied by eligible tenants, and suitable for occupancy. To qualify as rent-restricted, the gross rent for a unit must not exceed the applicable rent limit.

Gross rents for the HTC Program are the rents paid by tenants (excluding federal or state rental assistance such as Section 8) plus an allowance for utility costs (except telephone, cable, or internet) paid either directly by tenants or pursuant to an actual~~-~~ consumption submetering arrangement and any other mandatory charges. Charges for non-optional facilities or services such as a washer and/or dryer hookup fee and built in/on storage sheds or lockers (paid month-to-month or in a single payment), utility costs paid by tenants to or through the owner, etc. must always be included in gross rent. The total gross rent cannot exceed the applicable MTSP rent limits for the project.

Permissible Fees

Treasury regulations permit owners to charge a fee for providing services other than housing. If the services are optional, the fee can be excluded from the gross rent computation. If the services are not optional, the fee must be included in the gross rent computation. A service is optional if payment for the service is not a required condition of occupancy.

The regulations also provide that an owner may not charge a separate fee for access to or use of tenant facilities (~~e.g.,~~for example, parking, garage, storage, and other amenities) if the cost of such facilities was included in the eligible basis. ~~Minnesota Housing considers a "separate fee" to be any amount charged for access to or use of tenant facilities that were included in eligible basis that would cause the rent to exceed the allowable gross rent limit. For example, if the unit rent were $1000, utility allowance $50 with no other mandatory charges and the rent limit were $1050, the owner may not charge for garages that were included in basis because the rent is already at the rent limit.~~ Refundable deposits for use of tenant facilities that were included in the eligible basis (~~e.g.,~~for example, a refundable deposit for use of a community room) are permissible and are not included in the gross rent computation.

At their discretion, owners may charge fees that are customary in the local rental housing market, provided that such fees are reasonable and that the amounts of any fees are clearly disclosed in the tenant's lease. Examples of such customary fees may include refundable damage/security and refundable pet deposits. Owners may collect pre-lease deposits as permitted by state law, provided that such deposits are applied to either security deposit or first month's rent ~~up on~~upon move-in~~. It is permissible to charge first~~, and ~~last months' rent~~returned if ~~the same is charged to all tenants.~~a lease is not entered for any reason.

Fees related to the core functions of operating HTC properties are not permissible. As an example, application fees may be charged to cover the actual out of pocket cost of checking a prospective tenant's income, credit history, and landlord references. Out of pocket costs are amounts paid to a third party, not salaries of the owner or management company staff. Application fees that exceed out of pocket costs, or that otherwise pass onto the tenant the costs of staff time for processing applications, are impermissible.

Permissible fees may also include:

- Month-to-month lease
- Pet rent
- Renter's insurance
- Meal service
- Transaction fees or other charges associated with online rent payment systems

Any additional fee charged for a month-to-month lease must always be included in the gross rent calculation, even when tenants have the option to enter into either a month-to-month lease or a longer lease term. Pet rent, ~~renter's~~renters insurance, and meal services are ~~considered~~ rent when they are required as a condition of occupancy. Where applicable, the owner must include the actual amounts paid to the owner or its agent or third party in the lease. Transaction fees or charges associated with Walk-In Payment Systems (WIPS) or other online rent payment systems must be included in the gross rent calculation if the owner does not have another option for residents to pay rent that does not require a fee.

The following types of fees are also permissible provided that, unless otherwise stated below, the amount of the fee is limited to the average cost incurred by the owner or such lower amount as limited by law:

- Late rent fees
- Late utility payment fees
    - As required by Minn. Stat. 504B.216, subd. 9 ~~any~~ late payment fees for all utilities billed must not exceed $5 per month and must not be compounded.
- Repairs or extra cleaning costs for tenant-caused damage beyond normal wear and tear are limited to actual and reasonable cost
- Maintenance related to furnishings or tenant property completed by owners but normally required to be completed by households (~~e.g.,~~for example, changing light bulbs, moving furniture) may be charged if such rates are stated in the lease/lease addendum.
- Returned check/~~Insufficient~~insufficient funds (NSF) only on and after the second occurrence and only to the extent that the fee does not exceed the cost charged to the owner by the bank for processing the returned check
- Lockouts

- Key replacement/extra key
- Failure to return a key upon move-out
- Failure to put utilities in tenant's name when billed by a utility company (not through a submetering arrangement)
- Court filing, attorney, and sheriff fees are permissible only from tenants who wish to avoid or settle an eviction suit and only to the extent that such fees are permitted under state and local laws, appear reasonable, and do not exceed the actual costs incurred
- Extermination fees are permissible only if tenant is uncooperative
- Early lease termination fees may not exceed two months' rent and must release tenants from any further liability~~. Such~~; such fees are prohibited when a lease termination is due to a VAWA, Minn. Stat. 504B.206, 504B.266, or reasonable accommodation request.
- Payments for utilities under a Ratio Utility Billing System (also known as RUBS), are permissible but are always considered rent (not a utility allowance~~).)~~
    - RUBS is a formula that allocates a property's utility bill among its units based on the units' relative floor space, number of occupants, or some other quantitative measure, but not based on actual consumption. Because monthly utility bills fluctuate, Minnesota Housing recommends owners establish a RUBS payment cap in the lease to avoid rent noncompliance.
- Treasury Regulations also permit owners who provide certain utilities to tenants through actual consumption, submetering arrangements to charge an administrative fee~~. Refer~~; refer to section ~~5~~6.05 of this guide for more information on utilities and administrative fees~~.~~

Records demonstrating the owner's costs in relation to fees charged to tenants may be requested as part of a monitoring review.

Impermissible Fees

The following fees are not permissible and, if charged to a resident, will be treated as rent and must be refunded to the resident:

- Fees for the work involved in completing forms and documentation required to certify income
- A move-in fee that is not a refundable security deposit (this includes nonrefundable alternatives to security deposits such as security bonds or lease guarantees)
- An application fee that exceeds an owner's average expected out of pocket expense
- Decorating fees or fees for preparing a unit for occupancy; owners are responsible for physically maintaining units in a manner suitable for occupancy
- Mandatory professional carpet cleaning by departing residents
- Unit transfer fees unless the owner can clearly document that the fees cover owner's actual out ~~-~~of~~--~~pocket costs and are not used for preparing a unit for occupancy

- Fees or charges for maintenance of common areas or exterior property (snow removal, lawnmowing, yardwork, exterior window washing, etc.) or for other landlord responsibilities under Minn. Stat. 504B.161
- Lease violation fines or other fees for unacceptable ~~tenant~~resident or guest behavior
- Fees associated with utility submetering systems that are not part of the allowable administrative fee
- Fees for tenant services or amenities that were included in eligible basis

Fees that exceed the limits described in the Permissible Fees section~~,~~ above~~,~~ are not permissible and will be treated as rent.

An owner may not charge a damage/security deposit, additional rent, or fees associated with a service or therapy animal associated with a person with disabilities. If charged to a resident, such amounts must be immediately refunded or Minnesota Housing may report the owner/agent to HUD's Fair Housing and Equal Opportunity Enforcement division.

~~Also refer~~Refer to the 8823 Guide: Category 11g – Gross Rent(s) Exceed Tax Credit Limits for more information.

Rent Increases Limited to Once Annually

Beginning on January 1, 2020, rent increases for occupied units are limited to once annually. Rents may not be increased until the anniversary of the initial lease or the last rent increase, whichever is later.

This limit applies to the rent charged for the unit and not the portion of tenant-paid rent for residents assisted with Section 8 or other rental assistance, which may increase or decrease based on changes in income; however, for units assisted with state or local project-based rental assistance, owners may increase contract rents in accordance with the respective project-based rental assistance contract. Owners may increase rents for units assisted with Housing Support (formerly Group Residential Housing) when the Minnesota Department of Human Services (DHS) adjusts the room and board rate, but only if it does not affect the tenant payment. Assisted ~~Living~~living properties that utilize the DHS Room and Board Rate for the Housing Support ~~program~~Program to determine client obligation of rent and services may increase rent during a resident's first lease period to align future rent adjustments with the July 1 annual update to the DHS Room and Board Rate.[4]~~.~~ This is limited to units occupied by households receiving the benefit of Housing Support from the Department of Human Services, from the Elderly Waiver or CADI Waiver programs, or households who are taking the required spend-down steps to qualify for such programs. This limit also applies regardless of the term of the lease or any

[4] An ~~Assisted Living~~assisted living property for purposes of this section is property that is marketed or held out as an assisted living facility and provides assisted living services.~~-~~ Refer to Minn. Stat. 144G.08, subd. ~~10~~10 for more information.

language in the lease that would allow rents to increase more than once annually. Rents must always comply with limits imposed by the program(s) that financed the development and/or respective unit. This includes Minnesota Housing funding sources as well as funding sources outside of the agency.

- **Example 1:** The last rent increase for an occupied unit on a month-to-month lease occurred on October 1, 2019. The owner may not increase the rent for that household until October 1, 2020, and if the same household continues to occupy the unit, a subsequent rent increase may not occur until October 1, 2021.
- **Example 2:** An initial six-month lease was signed on July 1, 2020. If the same household continues to occupy the unit, the owner may not increase the rent for that unit until July 1, 2021; a subsequent rent increase for that household may not occur until July 1, 2022.
- **Example 3:** Mid-month move-in will be treated as a full month. An initial lease began May 17, 2020, when the tenant moved in and rent for the month of May was pro-rated. The owner may increase rent starting May 1, 2021.

If after occupying a unit an eligible resident cannot pay the rent or is otherwise in violation of the lease provisions, the owner has the same legal rights in dealing with the eligible resident as with any other resident. ~~Also refer~~Refer to Good Cause Termination language in section ~~5~~6.03~~, below~~ of this guide for more information.

120-Day Notice for Rent Increases Exceeding 5%

The purpose of the HTC Program is to keep units affordable and provide stable, quality housing. Minnesota Housing encourages owners to increase rents no more than what is needed to keep pace with rising costs. To promote housing stability, incremental increases are easier for residents to absorb than sudden significant increases.

Beginning November 1, 2025, a rent increase greater than 5% is not effective unless and until the owner provides 120-days' notice in writing to ~~tenant~~tenants. If the owner fails to provide proper notice, the owner must return or credit, at ~~tenant's~~tenants' election, any amounts collected in connection with the ineffective rent increase. This requirement does not apply to residents benefitting from rental assistance or Housing Support unless such increase affects the tenant's portion of the rent.

Examples below assume current lease rent is $~~1000~~1,000 with no rental assistance, that the increase complies with the once-annual requirement, that the increase is otherwise allowed under the terms of the lease, and that the increase does not cause the gross rent to exceed the applicable rent limit:

~~1.~~• In compliance: On July 1, 2025, owner provides notice of a rent increase to $~~1051~~1,051, effective November 1, 2025. While the increase is more than 5%, owner has provided more than the minimum 120-day notice.

~~2.~~• In compliance: Owner provides its standard 60-day notice of a rent increase to $~~1030~~1,030. Thirty dollars is 3% of $~~1000~~1,000, so the 120-day notice is not required.

~~3.~~• In compliance: Owner provides its standard 60-day notice of a rent increase to $~~1050~~1,050. Fifty dollars is 5% of $~~1000~~1,000 so the 120-day notice is not required.

~~4.~~• Out of compliance: Owner provides its standard 60-day notice of a rent increase to $~~1051~~1,051. The increase is more than 5%, but owner has not provided 120-day notice. To bring the unit into compliance, owner must decrease rent to $~~1050~~1,050, provide the minimum 120-day notice to the resident, refund or credit the resident $1 for all months that were overcharged until the minimum 120-day notice period has been fulfilled. At that time, owner may begin charging the resident $~~1051~~1,051 for rent.

5.02 Section 8 Rents

The portion of the rent paid by households receiving rental assistance under Section 8 or other comparable federal or state rental assistance programs can exceed the HTC rent ceiling as long as the owner receives a Section 8 or other government rental assistance payment (this includes assistance from Housing Support ~~(formerly Group Residential Housing))~~) on behalf of the resident. If no subsidy is provided, the tenant-paid rent plus utility allowance plus non-optional charges cannot exceed the maximum allowable HTC rent for the unit.

When considering rent to income ratios for tenant screening, managers must compare income only to the tenant-paid portion of the rent, not including the subsidy payments.

With the passage of the Omnibus Budget Reconciliation Act of 1993, owners are prohibited from refusing to lease to a prospective tenant based solely on the fact that the applicant holds a Section 8 ~~rental voucher~~Rental Voucher or ~~certificate~~Certificate.

5.03 Minimum Lease Requirements/Good Cause Termination

All tenants occupying HTC units are required to execute at least an initial six-month lease. Succeeding leases are not subject to a minimum lease period. Exceptions for housing for the homeless and single room occupancy (SRO) are listed below (tenants in SRO housing may share bathrooms, cooking facilities, and/or dining areas).

Federal rules allow for month-to-month leases for the following types of SRO housing for homeless individuals:

- SRO units in projects receiving McKinney Act and Section 8 Moderate Rehabilitation assistance
- SRO units intended as permanent housing and not receiving McKinney Act assistance
- SRO units intended as transitional housing that are operated by a governmental or nonprofit entity and providing certain supportive services

The lease must reflect the correct date of move-in, which is the date the tenant has the right to occupy the unit.

At a minimum, the lease must include:

- The legal name of parties to the agreement and all other occupants
- A description of the unit to be rented
- The date the lease becomes effective
- The term of the lease
- The amount of rent and all mandatory fees or charges
- Responsibilities of the parties regarding payment of utilities
- The use of the premises
- The rights and obligations of the parties, including the requirement of the household to annually recertify its student status and, where applicable, income
- The signatures of all household members 18 years of age or older and/or persons under the age of 18 who are the head of household, co-head, or spouse

VAWA Lease Addendum and Minnesota Housing Attachment to VAWA Lease Addendum

To comply with the statutory provisions of the Violence Against Women Act (VAWA), owners must ~~use~~attach to the lease the VAWA Lease Addendum ~~form~~Form HUD-91067 or its successor form. Refer to section 5.14 of this guide for more information about VAWA. In addition, beginning July 1, 2025, all new leases and all amended/renewed leases effective on or after July 1, 2025, ~~Minnesota Housing Attachment to VAWA Lease Addendum~~must include the Minnesota Housing Attachment to VAWA Lease Addendum (not required for units with ~~project-based section~~Project-Based Section 8 ~~using~~or a Project Rent Assistance Contract that use one of the HUD model ~~lease~~leases 90105-A, B, C or D).

Resident Notification Letter and Lease Rider

To help residents understand their rights, a Resident Notification Letter must be provided at each lease signing, and an HTC Lease Rider must be executed and attached to the lease (existing HTC qualified households were to be provided a Resident Notification Letter and execute an HTC Lease Rider by December 31, 2020). The required Resident Notification Letter and HTC Lease Rider can be found ~~on Minnesota Housing's compliance webpage.~~under the Forms for Housing Tax Credit Assisted Units section on Minnesota Housing's Occupancy Forms webpage. The Resident Notification Letter and HTC Lease Rider are not required for units occupied by households assisted with Project-~~based~~Based Section 8 ~~using~~or a Project Rent Assistance Contract that use one of the HUD ~~Model Lease~~model leases 90105-A, B, C or D.

Good Cause Termination

During the compliance period, extended use period, and for three years after expiration of the extended use period, households in qualified HTC units may not be evicted or have their tenancy terminated (including lease non-renewal or refusal to enter into a new lease on substantially the same

terms) for other than good cause. Minnesota Housing ~~considers~~defines good cause ~~to be (a)~~as serious or repeated violation(s) of the material terms and conditions of the lease. Any incidents described in the VAWA Lease Addendum ~~form~~Form HUD-91067 or its successor form do not constitute good cause for eviction of a survivor if the survivor is or is part of an otherwise eligible household. The owner must state the good cause in any eviction, lease non-renewal, or termination of tenancy notice. The tenant has the right to contest the eviction, lease non-renewal, or termination of tenancy in court.

5.04 Household Size

While IRS regulations do not specifically address occupancy requirements~~;~~, Minnesota Housing encourages maximum utilization of space. Therefore, Minnesota Housing recommends that written occupancy policies be established that reflect maximum utilization. At least one person per bedroom is recommended as a minimum and *not less than* two persons per bedroom is recommended for a maximum. In situations where there is more than one qualified applicant for a unit, Minnesota Housing recommends giving preference to the household that is most suitable to the unit size. Owners should comply with federal, state, and local laws, regulations, and financing requirements (~~e.g.,~~for example, if RHS, use RHS regulations).

5.05 Utility Allowance

The IRS requires that utility allowances be set according to ~~Treasury Regulations Section~~Treas. Reg. 1.42-10 effective May 2, 1994, and amended July 29, 2008, as well as the Final Utility Allowance Treasury Regulations issued March 4, 2019. Please read these regulations carefully.

If a utility (other than telephone, cable television, or ~~Internet~~internet) is paid directly by the tenant, and not by or through the owner of the building, the gross rent includes a utility allowance (UA). If the costs of a particular utility are paid pursuant to an actual~~-~~ consumption submetering arrangement within the meaning of Treas. Reg. 1.42-10(e)(1), then that cost is treated as paid directly by the tenant and not by or through the owner. If all utilities are paid by the owner, the UA is zero.

UAs are applied individually to each building in the development. Therefore, depending on the development, an owner could have buildings in the same development using different UAs.

Annual Review

A building owner must review at least once during each calendar year the basis on which UAs have been established and must update the applicable UA. The review must take into account any changes to the building such as any energy conservation measures that affect energy consumption and changes in utility rates. It is the owner's responsibility to contact the appropriate organization to request current ~~utility allowance~~UA information. Minnesota Housing does not collect or maintain the various UAs. All costs incurred in obtaining a UA are the responsibility of the owner.

Failure to maintain or provide the UA and supporting documentation annually is considered noncompliance; without proof of the amount of the UA, there is no way to correctly compute the rent. In addition, an incorrect UA calculation may result in noncompliance for rents that exceed the HTC rent limits.

For all updated UAs, the new UA figures must be used to compute gross rents of the units due 90 days after the change. For example, if rent must be lowered because a local utility company estimate is obtained that shows a higher utility cost than the otherwise applicable ~~PHA~~public housing authority (PHA) UA, the lower rent must be in effect for rent due at the end of the 90-day period.

For new buildings, owners are not required to review or implement new UAs until a building has achieved 90% occupancy for a period of 90 consecutive days or the end of the first credit year, whichever is earlier.

Regardless of the UA source, if a property has a submetering system, supporting documentation must include an Owner's Certification of Compliance with Utility Submetering Billing, a copy of a bill from each main meter, and a copy of a resident bill along with the formula used to convert main meter charges to individual tenant charges. Minnesota Housing will use this information to confirm the property has a qualified submetering system as required by ~~Treasury Regulations~~Treas. Reg. 1.42-10. Refer to section 5.06~~, below~~ of this guide for more information.

Utility Allowance Sources

~~Treasury Regulations Section~~Treas. Reg. 1.42-10 lists the different sources of UAs for HTC developments:

- **USDA RHS financed projects~~.~~:** If building receives assistance from the Rural Housing Service (RHS-assisted building), the applicable UA for all rent-restricted units in the building is the UA determined under the method prescribed by the RHS, whether or not the building or its tenants also receive other state or federal assistance.
- **Buildings with Rural Housing Service assisted tenants~~.~~:** If any tenant in a building receives RHS rental assistance payments (RHS tenant assistance), the applicable UA for all rent-restricted units in the building (including any units occupied by tenants receiving rental assistance payments from HUD) is the applicable RHS ~~utility allowance~~UA.
- **Buildings regulated by HUD~~.~~:** If neither a building nor any tenant in the building receives RHS housing assistance, and the rents and UAs of the building are regulated by HUD (HUD-regulated buildings), the applicable ~~utility allowance~~UA for all rent-restricted units in the building is the applicable HUD UA. Minnesota Housing considers HUD-regulated buildings to be those with ~~project-based~~Project-Based Section 8 contracts~~,~~ only.
- **Other buildings~~.~~:** If a building is neither an RHS-assisted nor a HUD-regulated building, and no tenant in the building receives RHS tenant assistance, the applicable UA for rent-restricted units in the building may be determined under any of the following methods:

- A PHA UA from the local housing authority administering Section 8 ~~vouchers~~Vouchers for the area in which the property is located.
- A utility company estimate. Any interested party (including a low-income tenant, a building owner, or an agency) may request the utility company estimation of utility consumption in the building's geographic area. The estimate is obtained when the interested party receives, in writing, information from a local utility company providing the estimated cost of that utility for a unit of similar size and construction for that geographic area. Costs incurred in obtaining the estimate are borne by the initiating party. The party that obtains the local utility company estimate must retain the original of the utility company estimate and must furnish a copy to the owner and the monitoring agency. The owner of the building must make copies available to all tenants in the building. In the case of deregulated utility services, the interested party is required to obtain an estimate only from one utility company even if multiple companies can provide the same utility service to a unit. However, the utility company must offer utility services to the building in order for that company's rates to be used. The estimate should include all component deregulated charges for providing the utility service.
- An Average of Actual Consumption using the methodology described in the HUD published Multifamily Notice H-2015-4. This Notice provides instructions to owners and management agents of Section 8 and other HUD assisted properties for completing the required utility analysis. This analysis is also used for the USDA RHS program and allowed for HTC projects per ~~Treasury Regulations, Section~~Treas. Reg. 1.42-10(b)(3). Owners may use the methodology from the notice~~,~~ (including the required baseline utility analysis~~;~~), the optional factor-based utility analysis~~;~~, and~~,~~ the utility analysis sample size.
- A HUD Utility Schedule Model (HUSM). This model can be found on HUD's ~~HUD's website~~Utility Analysis~~.~~ webpage. Utility rates using the HUD utility model must be no older than the rates in place 60 days prior to the beginning of the 90-day period before ~~utility allowances~~UAs can be used in determining the gross rent.
- An Energy Consumption Model (ECM) using an energy and water and sewage consumption and analysis model. The model must, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics of the building location, and available historical data. The utility consumption estimates must be calculated by a mechanical engineer properly licensed in the state of Minnesota or a Residential Energy Services Network (RESNET) certified Home Energy Rating System (HERS) rater. The engineer or HERS rater and building owner must not be related within the meaning of Internal Revenue Code ~~Sections~~, sections 267(b) or 707(b), to which the engineer or HERS rater and building owner must certify. The owner and engineer or HERS rater must also certify that the model complies with the minimum requirements described above.

Use of an ECM is limited to a building's consumption data and local rates for the 12-month period ending no earlier than 60 days prior to the beginning of the 90-day period before ~~utility allowances~~UAs can be used in determining the gross rent. In the case of new buildings with less than 12 months of consumption data, 12 months of data can be used for units of similar size and construction in the geographic area.

~~○~~• **Tenants receiving HUD rental assistance~~.~~:** The applicable UA for any rent-restricted units occupied by tenants receiving HUD rental assistance payments (HUD tenant assistance) is the applicable ~~Public Housing Authority (PHA)~~PHA UA established for the Section 8 Existing Housing Program.

A completed Utility Allowance Information Form stating the proposed UA figures for each unit size must be completed for all UA types. Minnesota Housing will accept a copy of the UA as approved by the Section 8 Contract Administrator in lieu of completing the grid section of the UA Information Form.

For projects eligible to use the ECM, HUSM, or Average of Actual Consumption, a request must be submitted to Minnesota Housing at the beginning of the 90-day period before these UAs can be used in determining the gross rent. Owners may only change methodology once in a 12-month period. The request must include the following:

~~1.~~• Review fee. ~~Refer to MF Loan Programs and HTC Fee Schedule. Also refer to section 5.06 for additional information on submeters)~~Refer to Multifamily Loan Programs and Housing Tax Credit Program Fee Schedule. Also refer to section 5.06 of this document for additional information on submeters.

~~2. Completed and signed Utility Allowance Certification form~~

• Completed and signed Utility Allowance Certification Form.

~~3.~~• Completed ~~Utility Allowance Information form~~Utility Allowance Information Form stating the proposed ~~utility allowance~~UA figures for each unit size.

~~4.~~• Copy of owner's notice to residents and description of how residents were notified (~~e.g.,~~for example, copy sent to each unit, posted in common areas and office). If the property is not yet occupied at the time the request is made, indicate when the property is expected to be occupied in the cover letter or email.

~~5.~~• Rate information from applicable utility companies using currently published rates no older than 60 days from notice to residents and Minnesota Housing. Highlight all applicable rates, riders, franchise fees, and other charges used to determine the ~~utility allowance~~UA.

~~6.~~• Completed HUSM Excel file or report generated from HUD's online HUSM tool; or

~~7.~~• ECM calculation methodology and workbook or report generated from the engineer's ECM modeling system demonstrating how the applicable rates, tariffs, and taxes were applied within the modeling; or

~~8.~~• Printout of applicable state and local tax rates from Department of Revenue's Sales Tax Calculator.

~~9.~~• For individually metered utilities where the resident pays the utility supplier directly~~,~~ (or as a pass-through to the owner who then pays the utility supplier), a copy of a recent resident utility bill showing all rates and charges from each source. Owners may need to require utility release authorization forms ~~in order~~ to obtain a copy of utility bills. For new construction where there is no bill, evidence of who the utility supplier(s) will be and, if electric is part of the ~~utility allowance~~UA, evidence of whether electric lines are overhead or underground.

~~10.~~ For any submetered utilities either billed by the owner or the owner's third-party billing company~~:~~

~~a. The formula used to convert main meter charges to individual tenant charges; and~~

~~b. A copy of~~, a signed Owner's Certification of Compliance with Utility Submetering Form, along with a copy of a recent utility bill from the utility supplier for each ~~main~~building's primary meter~~; and~~

~~c.~~○ ~~A~~(s), a copy of a bill from the billing company to a resident ~~bill or proposed resident~~for the same billing period, and a detailed description of how the charges on the resident's bill were calculated. Also refer to Section 6.06 of this document.

If requesting the Average of Actual Consumption, submit items 1-4 above and the required items as stated in Multifamily Notice H-2015-4.

Minnesota Housing will review and base its decision for approval or non-approval of the methodology and allowance figures on the transparency, completeness, quality, and accuracy of information provided. Approval of the UA does not constitute a guarantee that the UA is absolutely correct. If at any time it is determined that a UA has been understated, and, therefore, some or all of the units are not rent restricted under Section 42(g)(2), then Minnesota Housing must report the noncompliance to the IRS on Form 8823.

Once the initial UA has been approved, the owner must update the UA at least once during each calendar year~~,~~ based on updated rate information, but submission to Minnesota Housing is not required. UA and source documentation will be reviewed as part of the inspection of administrative records.

The owner must also notify tenants of updated ECM, HUSM, or Average of Actual Consumption UAs and make the data upon which the UA is calculated available for inspection by the tenants at the beginning of the 90-day period before the effective date. Records must be made available at the resident manager's office during reasonable business hours or, if there is no resident manager, at the dwelling unit of the tenant, at the convenience of both the apartment owner and tenant. This is required for an initial change to these three methods and for all annual updates.

Any correction to the UA figures that results in a decrease to the UA after the resident notice is issued requires a new notice and will re-start the 90-day period. If utility rates have changed since the original notice was issued the new rates must be used.

With the exception of HUD and RD-regulated properties, owners may combine any methodology for each utility service type (electric, water gas etc.). For example, if residents are responsible for electricity and water, an owner may use the appropriate PHA allowance to determine the water portion of the allowance and use the Average of Actual Consumption to determine the electric portion of the allowance. Be advised, however, that the effective date of the PHA allowance will likely be different than the Average of Actual Consumption resulting in adjustments to ~~utility allowances~~UAs and~~,~~ potential reduction in rents multiple times during the year.

5.06 Submetering and Renewable Energy

IRS Notice 2009-44 clarified that effective July 29, 2008, under ~~Treasury Regulations~~Treas. Reg. 1.42-10, utility costs paid by a tenant based on actual consumption in a submetered, rent-restricted unit are treated as paid directly by the tenant. Submetering measures tenants' actual utility consumption, and tenants pay for the utilities they use. A submetering system typically includes a main meter for the building, which is owned or controlled by the utility supplying the electricity, gas, or water, with overall utility consumption billed to the building owner. In a submetered system, building owners (or their agents) use unit-based submeters to measure utility consumption and prepare a bill for each residential unit based on consumption. The building owners (or their agents) retain records of resident utility consumption, and tenants receive documentation of utility costs as specified in the lease.

An actual-consumption, submetering arrangement for a utility in a residential unit must meet the definition as stated in ~~Treasury Regulation~~Treas. Reg. 1.42-10 (e), including:

- The tenants in the unit are billed for and pay the owner (or its agent) for the unit's consumption of the utility.
- The billed amount reflects the unit's actual consumption of the utility. In the case of sewerage charges, however, if the unit's sewerage charges are combined on the bill with water charges and the sewerage charges are determined based on the actual water consumption of the unit, then the bill is treated as reflecting the actual sewerage consumption of the unit.
- The utility rates charged to tenants in each submetered, rent-restricted unit must be limited to the utility company rates incurred by the building owners (or their agents). If building owners (or their agents) charge tenants a reasonable fee for the administrative costs of submetering, then the fee will not be considered gross rent under Section 42(g)(2). The fee must not exceed an aggregate amount per unit of the greater of (i) five dollars per month; (ii) an amount (if any) designated by publication in the Internal Revenue Bulletin (IRB); or (iii) the lesser of the amount (if any) specifically prescribed under state or local law or a maximum amount (if any) designated by publication in the IRB~~.; and~~.

~~Treasury Regulations~~Treas. Reg. 1.42-10 ~~provide~~provides that if an owner provides utilities through a renewable energy source, the rate charged to the tenant for the renewable energy cannot exceed the rate at which the local utility company would have charged for the utility if that entity had provided it

to them. A utility is produced from a renewable source if (1) it is produced from energy property described in ~~Section~~section 48, (2) it is energy produced from property that is part of a facility described in ~~Section~~section 45(d)(1) through (4), (6), (9), or (11), or (3) is a utility described in guidance published for this purpose in the IRB. In addition, Minnesota Housing requires owners to comply with the certification statements listed in the Owner's Certification of Compliance with Submetering Billing.

5.07 Physical Requirements of Qualified Units~~,~~ Suitable for Occupancy

Qualified units rented to, or reserved for, eligible tenants:

- Must have substantially the same equipment and amenities (excluding luxury amenities such as a fireplace) as other units in the project;
- Must be substantially the same size as other units in the project;
- Cannot be geographically segregated from other units in the project; and
- Must be suitable for occupancy under HUD's National Standards for Physical Inspection of Real Estate (NSPIRE) and local health, safety, and building codes.

Units that are not suitable for occupancy, including previously qualified low-income units being rehabilitated in the first year of the credit period, are considered out of compliance. The noncompliance is corrected when the unit is again suitable for occupancy, and the unit's character will be determined based on the household that occupied the unit immediately preceding the rehabilitation.

NSPIRE does not supersede or preempt local health, safety, and building codes. An HTC development must also satisfy the local standards.

5.08 Fair Housing Policy, Affirmative Marketing, and General Public Use

Refer to section 1.09 of the Legal Addendum and the QAP for Minnesota Housing's Fair Housing Policy and requirements of the Fair Housing Act and Minnesota Human Rights Act.

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

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

~~and other entities involved in real estate related transactions must comply with all non-discrimination requirement related to the provision of credit, as well as access to services.~~

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

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

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

The Fair Housing Act also mandates specific design and construction requirements for multifamily housing built for first occupancy after March 13, 1991, to provide accessible housing for individuals with disabilities. Anyone with questions regarding accessibility requirements should ~~visit HUD's Fair Housing Accessibility First website.~~review HUD's Fair Housing Act Design Manual.

HUD enforces the Fair Housing Act, and the Minnesota Department of Human Rights (MDHR) enforces state-specific protections. Minnesota Housing will refer complainants to HUD or MDHR for follow-up and/or investigation. Any finding of discrimination, adverse final decision by HUD, adverse final

decision by a substantially equivalent state or local fair housing agency, or an adverse judgment from a federal court is a violation that Minnesota Housing must report to the IRS.

On April 4, 2016, HUD's Office of General Counsel issued ~~guidance on criminal background screening,~~guidance on criminal background screening, focusing attention on the ways in which even well-intentioned tenant selection policies can act as tools of exclusion. This guidance ~~applies~~applied to all housing providers, including owners and managers of HTC properties. In response, Minnesota Housing prepared ~~Tenant Selection Plan (TSP) guidelines that identify best practices for tenant selection plans.~~Tenant Selection Plan (TSP) guidelines that identify best practices forTSPs. The TSP guidance is recommended for all HTC properties but is required for all HTC projects selected after March 31, 2021. The guidelines contain a summary of the HUD guidance on criminal background screening and reflects the agency's consideration of best practices, along with special factors affecting supportive housing programs. Note that various funding sources and jurisdictions may impose other tenant selection plan requirements. Owners and managers should consult with an attorney to ensure your ~~tenant selection plan~~TSP complies with program requirements, the Fair Housing Act, and the Minnesota Human Rights Act.

Owners must adhere to Equal Opportunity, Affirmative Marketing, and Fair Housing practices in all marketing efforts, eligibility determinations, and other transactions. The Equal Housing Opportunity logo or statement should be used in all advertising of vacant units:

> *"We do business in accordance with the Federal Fair Housing Law. It is illegal to discriminate against any person because of race, color, religion, sex, handicap, familial status, or national origin."*

Owners must develop and implement an Affirmative Fair Housing Marketing Plan (AFHMP) in accordance with HUD and Minnesota Housing requirements. Owners must regularly review and update the AFHMP and use affirmative fair housing marketing practices in soliciting renters, determining eligibility, and concluding all transactions. Affirmative marketing includes actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status (persons with children under 18 years of age, including pregnant women), or disability. A file must be maintained with all marketing efforts related to the property including newspaper ads, social service contacts, photos of signs posted, etc. Records will be reviewed during on-site monitoring to determine adequate documentation of compliance with federal requirements.

In accordance with the Violence Against Women Reauthorization Act of 2013 (VAWA), tenant selection criteria cannot deny admission on the basis that the applicant has been a victim of domestic violence, dating violence, sexual assault, or stalking. Refer to section 5.14 of this guide for more information about VAWA.

~~Visit~~Review the Affirmative Fair Housing Marketing Plans (AFHMP) section of Minnesota Housing's ~~Fair Housing webpage~~Documents, Forms and Resources webpage for more information~~, including an~~. An online ~~Affirmative Marketing~~AFHMP Toolkit is available to assist in creating the AFHMP.

For Use by the General Public

Under ~~Treasury Regulations~~Treas. Reg. 1.42-9(b~~)~~), the IRS also requires that HTC properties be otherwise available to the general public. A residential rental unit is for use by the general public if the unit is rented in a manner consistent with housing policy governing non-discrimination, as evidenced by rules or regulations of ~~the Department of Housing and Urban Development (HUD) (24 CFR~~HUD (24 C.F.R. subtitle A and chapters I through XX).

If a residential unit is provided only for a member of a social organization or provided by an employer for its employees, the unit is not for use by the general public and is not eligible for credit under Section 42. Residential rental units either designated for a single occupational group, or through a preference for an occupational group, also violate the general public use requirements.

Additionally, any residential rental unit that is part of a development that provides continual or frequent medical, psychiatric, or nursing services within the meaning of ~~Treasury Regulation~~Treas. Reg. 1.42-11(b)(2) or that is a hospital, nursing home, intermediate-care facility, or a similar facility within the meaning of ~~Treasury Regulation~~Treas. Reg. 1.42-9(b) is not for use by the general public and is not eligible for HTCs.

Note that the General Public Use Rule was clarified on July 30, 2008, to allow occupancy restrictions or preferences that favor tenants 1) with special needs, 2) who are members of a specified group under a federal or state program or policy that supports housing for such specified group, or 3) who are involved in artistic or literary activities.

5.09 Vacant Units

If a low-income unit in a property becomes vacant, reasonable attempts must be made to rent that unit or the next available unit of comparable or smaller size to a qualifying household before any units can be rented to non-qualified households. The owner or manager must be able to document reasonable attempts to rent the vacant units to eligible tenants.

Only units that have been previously occupied by an eligible household and are suitable for occupancy may be included as a qualifying low-income unit for compliance purposes. If a unit has never been occupied by an eligible household ~~or~~, has been vacated by a market rate household, or has not been timely prepared for occupancy, that unit is not counted as a qualifying low-income unit.

The Vacant Unit Rule is the subject of IRS Revenue Ruling 2004-82, Answering 12 Questions About Low-Income Housing Credit Under IRC Section 42 (refer to questions #8, #9, and #10), published August 30, 2004. The IRS Revenue Ruling clarifies that an owner may not move a household from building to

building to qualify more than one unit in a property (question #8); that "reasonable attempts" are customary methods of advertising apartment vacancies in the area of the property for identifying prospective tenants and may include, but are not limited to~~:~~, displaying a banner and for-rent signs at the entrance to the property, placing classified advertisements in local newspapers, and contacting prospective low-income tenants on a waiting list for the property and on a Section 8 and public housing waiting list with the local ~~public housing authority~~PHA (question #9); and that a unit is not an available vacant unit if the unit is no longer available for rent due to contractual arrangements that are binding under local law, such as a reservation entered into between the owner and a prospective tenant (question #10).

5.10 Other Stipulations

An owner or a person related to the owner may reside in a building if it contains five or more units. If a building contains four or fewer units, an owner, or a person related to the owner, occupying a unit in the building would cause the building to be in noncompliance, unless the building is acquired and rehabilitated pursuant to a development plan sponsored by the state or local government or qualified nonprofit organization.

5.11 Student Eligibility

Under Section 42, most households where all members are full-time students are not eligible, and units occupied by these households may not be counted as HTC units. Internal Revenue Code ~~Section~~, section 151(c)(4) defines ~~a "~~student~~"~~ as an individual~~,~~ who, during each of five calendar months during the calendar year in which the taxable year of the taxpayer begins, is a full-time student at an educational organization described in Internal Revenue Code ~~Section~~, section 170(b)(1)(A)(ii). ~~Treasury Regulation~~Treas. Reg. 1.51-3(b) further provides that the five calendar months need not be consecutive.

The determination of student status as full or part-time should be based on the criteria used by the educational institution the student is or was attending.

An educational organization, as defined by Internal Revenue Code ~~Sec.~~, section 170(b)(1)(A)(ii) is one that normally maintains a regular faculty and curriculum, and normally has an enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on. The term ~~"~~educational organization~~"~~ includes elementary schools, junior and senior high schools, colleges, universities, and technical, trade, and mechanical schools. It does not include on-the-job-training courses.

There are five exceptions to the limitation on households where all members are full-time students. Full-time student households that are income eligible and satisfy one or more of the following conditions are considered eligible:

- Students are married and entitled to file a joint tax return. A married couple that is entitled to file a joint tax return, but has not filed one, still satisfies the exception.
- The household consists of a single parent with child(ren) and the parent is not a dependent of someone else, and the child(ren) is/are not dependent(s) of someone other than a parent~~;~~.
- At least one member of the household receives assistance under Title IV of the Social Security Act (formerly Aid to Families with Dependent Children (AFDC), now known as Temporary Assistance for Needy Families (TANF~~),~~) or, in Minnesota, the Minnesota Family Investment Program (MFIP~~)); or~~)).
- At least one member of the household participates in a program receiving assistance under the Job Training Partnership Act (JTPA) or other similar federal, state, or local laws.[5]~~.~~
- At least one member of the household was previously in foster care.[6]~~.~~

To properly document student eligibility, all households must complete an Annual Student Certification (~~form~~Form HTC 35) as part of the initial certification and annually thereafter. Properties that are 100% tax credit qualified and not required to recertify income are not exempt from this annual requirement. Note this is a required form.

Verification also must be obtained, when applicable, to support the full or part-time student status (use the Student Status and Financial Aid Verification ~~form [refer to Chapter 6 of this guide for income information regarding student financial aid]}~~Form) and the applicable exemptions(s) (~~e.g.,~~for example, tax return, marriage certificate, verification of participation in JTPA or similar program, verification of

[5] The JTPA ~~program~~Program was repealed in 1998 and replaced with the Workforce Investment Act (WIA). In 2014, the WIA was replaced with the Workforce Innovation and Opportunity Act (WIOA). WIOA (and JTPA when it existed) funds programs such as adult literacy, English as a second language, General Education Diploma (GED) courses, vocational services for the blind, employment and training programs for Native Americans and migrant and seasonal farmworkers, job corps, veterans employment programs, summer youth employment and training, employment and training for dislocated workers and displaced homemakers, etc. Students in those programs are eligible for the JTPA exemption provided the school or community education department verifies that the applicant/tenant is a participant in a program similar to those funded under JTPA (now WIOA). Visit the U.S. Department of Labor's ~~Click here~~WIOA Workforce Programs webpage for a list of WIOA programs.

[6] ~~"~~Foster care~~"~~ means substitute care for children placed away from parents or guardians and for whom the state agency has placement and care responsibility. This includes, but is not limited to, placement in foster family homes, foster homes of relatives, group homes, emergency shelters, residential facilities, child care institutions, and pre-adoptive homes. A child is in foster care in accordance with this definition regardless of whether the foster care facility is licensed and payments are made by the state or local agency for the care of the child, whether adoption subsidy payments are being made prior to the finalization of an adoption, or whether there is a federal matching of any payments that are made.

MFIP income, or verification from the state agency of previous participation in foster care). Refer to Chapter 6 of this guide for information regarding student financial assistance as it relates to income.

Part-time students are not ~~"~~considered students~~"~~ for this section, and their eligibility is not subject to special restrictions; however, verification of part-time status is required for households comprised entirely of students that do not meet one of the exemptions.

5.12 Loss of Eligibility Upon Becoming a Full-~~time~~Time Student

If a previously qualified HTC household becomes a full-time student household, the household must meet at least one of the above exemptions and be able to prove such status for the unit to remain in compliance. Under current legal interpretations of federal HTC regulations and requirements, the ~~"~~available unit rule~~"~~ that applies to HTC units with households that are no longer income eligible does not apply to student households that qualify under one of the exceptions above and later ceases to qualify. Unlike changes in income, a unit occupied by a full-time student household that does not meet or no longer meets one of the above exceptions immediately ceases to count as an HTC unit.

5.13 Unit Transfers

The IRS considers each building in a property to be a separate project unless the owner elects to treat certain buildings as part of a multiple-~~-~~building project. Owners make the election for multiple-~~-~~building projects on Part II, line 8b of IRS Form 8609. Owners must also report their single- or multiple-building election in the BIN pages of PORT. Refer to section 2.02 of the PORT User Guide~~.~~ for more information. Until Minnesota Housing becomes aware of an owner's election, Minnesota Housing will treat the property as if all buildings are separate projects.

According to the IRS, there is no such thing as a transfer between buildings that are *not part of the same multiple-building project.* If a household moves to another project within the same property, it must be reported as a move-out for the vacated unit. To treat the newly occupied unit as a qualified HTC unit, the household must be certified and meet initial eligibility requirements. The newly occupied unit must be reported as a new move-in.

Managers of properties containing buildings treated as separate projects must obtain copies of the owner-filed IRS Form 8609 and use caution when determining if a transfer or move-out/move-in applies.

Transfer Within Same Building

When a current household moves to a different unit within the same building, the newly occupied unit adopts the status of the vacated unit. Thus, if a current household~~,~~ whose income exceeds the applicable income limitation moves from an over-income unit to a vacant unit in the same building, the

newly occupied unit is treated as an over-income unit. The vacated unit assumes the status the newly occupied unit had immediately before it was occupied by the current resident.

Transfer to Different Building/Same Project

When a household whose income is no greater than 140% of the income limit moves to a low-income unit in a different building within the same project during any year of the 15-year compliance period, the vacated unit assumes the status the newly occupied unit had immediately before it was occupied by the current resident. If a household whose income exceeds 140% of the applicable income limit wishes to move to a different building in the same project, the newly occupied unit will be treated as a non-qualifying unit. Mixed-income properties can rely on the most recent income certification. Properties that are exempt from income recertification requirements may allow transfers between buildings in the same project even though the household's current income is not known.

Example 1: Transfer to different building/same project. ABC Acres consists of building A and building B. Owner has elected to treat buildings A and B as part of a multiple-building project. If a household moves from building A to building B, it is a unit transfer.

Example 2: Move-out/move-in to different building/different project. XYZ Apts. consists of building 1 and building 2. Owner has not elected to treat buildings 1 and 2 as part of a multiple-building project. Even though the two buildings are both part of XYZ Apts., and are located next door to each other, if a household moves from building 1 to building 2, it is reported as a move-out for building 1 and a new move-in requiring a new initial certification for building 2.

Properties Electing the AIT Minimum Set-Aside

The above guidance regarding unit transfers also applies to properties electing the AIT, but the unit designations also swap status. For example, if a qualified household in a 40% designated unit transfers to a unit designated as a 70% unit, the newly vacated unit becomes a 70% designated unit and the unit the household moves into becomes a 40% designated unit. If a qualified household in a 50% designated unit transfers to a market-rate unit, the newly vacated unit becomes a market rate unit and the unit the household moves into becomes a 50% designated unit. ~~See section 6.01 –~~Review the Unit Redesignation for Projects Electing the Average Income Test Minimum Set-Aside subsection in section 6.01 for more information.

~~Minnesota Housing provides the following form on its website, "Documentation of Unit Transfer,"~~Minnesota Housing's Documentation of Unit Transfer Form can be used to assist in documenting when a unit transfer occurs, and the status of the units involved.

5.14 Violence Against Women Act

The Violence Against Women Reauthorization Act of 2022 (VAWA 2022) continues to include the HTC Program as a covered program. The amendments that VAWA 2022 makes to the Housing Rights Chapter of VAWA build on the 2013 and 2016 amendments to strengthen VAWA's housing protections for survivors of domestic violence, dating violence, sexual assault, and stalking (collectively referred to as ~~"~~survivors~~").~~). Owners have a legal obligation to comply with the statutory requirements found in VAWA.

VAWA 2022 enhances housing protections for survivors applying for and assisted under covered housing programs by authorizing HUD to enforce the law by the same process – and with the same rights and remedies – as the Fair Housing Act. Such rights include filing a discrimination complaint with HUD to investigate the allegations.

An applicant for or tenant of housing assisted under a covered housing program may not be denied admission to, denied assistance under, terminated from participation in, or evicted from the housing on the basis that the applicant or tenant is or has been a victim of domestic violence, dating violence, sexual assault, or stalking~~,~~ if the applicant or tenant otherwise qualifies for admission, assistance, participation, or occupancy. They also have the right to request an emergency transfer for safety reasons related to violence. VAWA 2022 ensures the right to call 9-1-1 without fear of losing housing, and it prohibits retaliation by housing providers for exercising VAWA rights or assisting others in doing so. These protections apply regardless of sex, gender identity, or sexual orientation.

To comply with the core statutory provisions of the law, owners/agents must provide and distribute the following forms to applicants/tenants:

- HUD Form 5380 – Notice of Occupancy Rights under the Violence Against Women Act; and
- HUD Form 5382 – Certification of Domestic Violence, Dating Violence, Sexual Assault, or Stalking, and Alternate Documentation.

These documents are to be provided:

- With the notice that an application has been denied
- At the time the household is admitted
- With any notice of eviction
- With any notice of lease non-renewal or termination of tenancy

If existing residents were not already provided HUD Forms 5380 and 5382, owners must provide a copy of each during their next annual recertification, lease renewal, or by other means.

Owners must also develop and implement an Emergency Transfer Plan using HUD's model Forms 5381 and 5383. The emergency transfer plan allows for survivors to move to another safe and available unit

if they fear for their safety. Owners should be mindful of unit transfer rules outlined in section 5.13 ~~above~~of this guide when making their plan.

Owners must be familiar with the statutory requirements impacting their developments and consult with their legal counsel as needed. Also refer to HUD Notice H 2017-05 ~~"~~(Violence Against Women Act (VAWA) Reauthorization Act of 2013 – Additional Guidance for Multifamily Owners and Management Agents~~")~~ for valuable definitions and examples of how to fully implement VAWA protections. Also refer to HUD, Multifamily Housing, Memo Housing Provisions of the Violence Against Women Act Reauthorization Act of 2022 (March 10, 2023).

Find VAWA Forms 5380, 5381, 5382, and 5383 on HUDClips5. Find VAWA lease addendum 91067 on HUDClips9. ~~Owners~~Should owners/agents ~~should~~ customize the forms for use, they must maintain the base information and language. Beginning in 2025 leases must also include the ~~Minnesota Housing Attachment to VAWA Lease Addendum (not required for units with project-based section 8 using the HUD model lease). Minnesota Housing Attachment to VAWA Lease Addendum (not required for units with project-based section 8 using the HUD model lease).~~Minnesota Housing Attachment to VAWA Lease Addendum (not required for units with Project-Based Section 8 using the HUD model lease).

Owners may bifurcate leases to evict or terminate tenancy of the perpetrator and continue housing the survivor if the survivor is or is part of an otherwise eligible household.

Chapter 6 – Income Determinations

According to the ~~Treasury Regulations~~Trea. Reg. 1.42-5 for the HTC Program, "Tenant income is calculated in a manner consistent with the determination of annual income under Section 8 of the United States Housing Act of 1937 ("Section 8"), not in accordance with the determination of gross income for federal income tax liability." The Housing Opportunities Through Modernization Act (HOTMA) was signed into law on July 29, 2016 (Public Law 114–201, 130 Stat. 782). The HOTMA statute consists of 14 sections of law that affect the Public Housing and Section 8 rental assistance programs. On September 17, 2019, HUD issued a proposed rule to update its regulations according to HOTMA's statutory mandate. The proposed rule may be found at 84 ~~FR~~F.R. 48820 (September 17, 2019). Sections 102 and 104 of HOTMA make sweeping changes to the United States Housing Act of 1937 (1937 Act), particularly those affecting income calculations and reviews. For guidance on HOTMA implementation, refer to HUD Notices 2023-10 and 2024-9, and any successor guidance found on HUD's HOTMA ~~webpage.~~ webpage.

For guidance in the determination of tenant income, HUD Handbook 4350.3, Occupancy Requirements of Subsidized Multifamily Housing Programs (HUD Handbook) is used as a reference. HUD Handbook 4350.3 and HUD notices can be obtained by calling 1.800.767.7468 or by visiting ~~HUD's website.~~HUD's Occupancy Requirements of Subsidized Multifamily Housing Programs webpage. Note that as of the publication of this compliance guide, the HUD Handbook has not been revised to reflect changes resulting from HOTMA.

For purposes of this Chapter 6, the terms~~, "~~ family~~"~~ and ~~"~~household~~"~~ use the definition in HUD Notice 2023-10. Some rental agents attempt to establish only that an applicant has sufficient income to support monthly rent payments; however, tax credit projects are both rent restricted and income restricted. Therefore, if a rental agent intends to include an applicant as an HTC eligible tenant, i*ncome from all required sources must be verified and included in the income calculation.*

6.01 Income Certification/Recertification

It is the owner's responsibility to select and rent to qualified households. Minnesota Housing will not qualify or approve applicants for eligibility.

Applicants for rent-restricted units should be advised early in the application process of the maximum income limits that apply. Management should explain to all applicants that the anticipated income of all family members must be disclosed and verified and that full-time student households may be ineligible if they do not meet one of the Section 42 student exemptions.

Initial Eligibility Determination

Before approving a household for occupancy, owners must determine that the household will cause the unit to be a qualifying HTC unit (if a property is already occupied, refer to ~~"~~the Special Instructions

for Newly Placed in Service Properties with Existing Residents~~,"~~ subsection below). The qualification process has three phases:

1. **Application and disclosure of household composition, student status, income, and assets:** A detailed application is critical to determining eligibility and is considered supporting documentation to the TIC. Minnesota Housing's Sworn Statement of Income and Assets ~~form~~Form is designed to collect the necessary information. Owners may collect additional information for screening purposes according to their ~~tenant selection plan.~~TSP. The Annual Student Certification should be completed during the application process.
2. **Verification:** The owner/agent must verify all sources of income and assets following HUD's order of acceptability. Owners may accept a Self-Certification of Assets in lieu of third-party verifications if combined net family assets do not exceed the applicable HUD-published amount of net assets for which the owner may accept self-certification. HUD adjusts this amount annually based on inflation ~~so;~~ refer to ~~this~~HUD's ~~website~~Annual Inflationary Adjustments and Passbook Rate webpage for the current figure. Where applicable, owners must verify any student exemption claimed on the Annual Student Certification.
3. **Certification:** After all verifications are received and any applicable follow-up conducted, the owner must calculate income and income from assets based on information provided on the verification forms and complete the TIC.

Unit Designations for Projects Electing ~~AIT~~the Average Income Test Minimum Set-Aside

For new projects electing the AIT minimum set-aside, the initial income and rent designation of each unit must be made no later than when a unit is first occupied as a low-income unit. For AIT projects placed in service on or before December 31, 2022, occupied HTC units are considered designated on January 1, 2023, based on the owner's existing designation. For AIT projects placed in service after December 31, 2022, vacant units must be designated before the move-in of a low-income household. For all AIT properties, when leasing units, owners must complete a TIC that is consistent with each unit's respective income and rent limit designation. Minnesota Housing will consider the owner to have designated a unit based on the highest MTSP that is recorded on page 2 of the TIC.

~~Noncompliance due to Late Certification~~

~~An initial TIC that is not fully completed on or before the date a household moves into a unit causes the unit to be out of compliance. This includes supporting documentation in the form of the household's income and asset disclosure, all required verifications, signed and dated TIC and Annual Student Certification. The unit is out of compliance for "over income" and/or "ineligible full-time student," from the move-in date to the last signature on the TIC and/or student certification. However, if an applicant is unable to timely sign the TIC due to extenuating circumstances beyond their control, the owner must document the attempts to obtain signature, the reason for the delay and the plan for how and when the proper signature will be provided in the tenant file. If the tenant file contains such documentation~~

~~a "true and correct as of" statement is unnecessary when the tenant does sign. Failure to follow-up with the tenant to obtain the signature when indicated in the documentation may result in noncompliance.~~

Special Instructions for Newly Placed in Service Properties with Existing Residents

Acquisition/Rehabilitation: For occupied units at the time of acquisition, an initial TIC may be completed up to 120 days after the date of acquisition using the income limits in effect on the day of acquisition. All verifications must be received, and the TIC must be fully completed, signed, and dated within that 120-day period for the effective date of the TIC to be the acquisition placed in service date (PIS ~~Date~~date). This is the only exception to the general rule that all verifications must be completed prior to the effective date of the TIC. This exception does not apply if any verifications are received later than 120 days or any part of the TIC is completed or signed after the 120-day period. In that case, the effective date will be the date the last adult member of the household signs the TIC form.

Rehabilitation-Only Properties: the initial certification may be completed any time on or after the rehabilitation PIS ~~Date~~date. The move-in date on the TIC may be the actual move-in date or the rehabilitation PIS ~~Date~~date. The effective date is the date on which the TIC is fully completed, signed, and dated.

Properties with an Existing Allocation of HTCs that Receive an Additional Allocation: Households determined to be income-qualified for purposes of the HTC Program during the 15-year compliance period *may be* concurrently income-qualified households for purposes of the extended use period. As a result, if all Section 42 requirements are met, including qualified student status, verifying income and assets for annual recertification for mixed-income properties, rules regarding unit transfers, etc~~.~~., any household determined to be qualified at the time of move-in for purpose of the extended use period is a qualified low-income household for any subsequent allocation of HTCs. If the new allocation is for rehabilitation only, vacant units will continue to be treated as low-income units subject to the vacant unit rule. If the new allocation is for acquisition and rehabilitation, vacant units lose their status as low-income units until they are occupied by qualified households that are properly certified.

Annual Recertification

Each year, owners must recertify HTC households to maintain continuing compliance. Annual recertification may or may not involve recertifying income:

- **All Projects:** The Annual Student Certification (MHFA HTC 35) and any applicable supporting documentation for exemptions is required annually, no later than the anniversary of the initial certification.
- **Mixed~~ -~~Income Projects:** Owners of mixed-income projects are required to recertify income annually to determine whether the ~~Available Unit Rule~~available unit rule has been triggered (see section ~~on Available Unit Rule, below~~6.02 of this guide for more information). Income

recertification must be performed in accordance with the verification requirements for an initial certification. The recertification process should begin 120 days prior to the anniversary date of the previous certification.

- **100% HTC Projects:** Effective January 1, 2009, annual income recertifications are not required for 100% low-income projects. A project is 100% low-income when the allocation was based on all units in the project (common space units are not part of the equation~~),~~) and all units are occupied by qualified households. It is essential that each initial certification in a 100% low-income project be done very carefully and thoroughly. If a TIC has insufficient documentation of gross annual household income or it is determined for any reason that one or more households do not qualify, the owner must resume conducting annual income recertifications until 100% of the units are back in compliance.

Important Reminder: The IRS considers buildings to be separate projects unless the owner elects to treat certain buildings as a multiple-building project. Owners make the election for multiple--building projects on Part II, line 8b of IRS Form 8609. Minnesota Housing will treat the property as if all buildings are separate projects until the owner notifies Minnesota Housing of a multiple--building election. Managers of properties containing some 100% buildings and some mixed-income buildings must obtain copies of the filed IRS Forms 8609 and use caution when determining if 100% buildings are exempt from recertification. If ~~the~~ 100% buildings are part of a multiple-building project that includes mixed--income buildings, the 100% buildings do not qualify for the exemption. If the 100% buildings are treated as a separate project or are part of a multiple-building project that contains only 100% HTC buildings, then they do qualify for the exemption.

Example 1: Recertification exemption does not apply~~:~~. A property consists of building A (100% HTC) and building B (mixed--income). Owner has elected to treat buildings A and B as part of a multiple-building project. Building A is not exempt from recertification because the project is not 100% HTC.

Example 2: Recertification exemption applies but only to certain buildings~~:~~. A property consists of building A (100% HTC) and building B (mixed--income). Owner has not elected to treat buildings A and B as part of a multiple-building project. Building A is exempt from recertification because it is a 100% project. Because building B is mixed--income, annual income recertifications must be completed for building B.

Example 3: Recertification exemption applies but only to certain buildings~~:~~. A property consists of building A (100% HTC), building B (mixed--income), building C (100% HTC) and building D (mixed--income). Owner has elected to treat buildings A and B as part of a multiple-building project. Owner has elected to treat buildings C and D as separate projects. Building A is not exempt from recertification because the project is not 100%. Building C is exempt from recertification because it is a separate 100% project. Because building D is mixed--income, annual income recertifications must be completed for building D.

Example 4: Recertification exemption applies~~:~~. A property consists of building A (100% HTC) and building B (100% HTC). Regardless of whether the owner elected to treat buildings A and B as separate projects or as part of a multiple-building project, both building A and building B are exempt from annual income recertification.

The recertification exemption applies only to the HTC Program. Units funded by certain other programs (~~e.g., Tax~~for example, tax-exempt bonds, HOME, National Housing Trust Fund, Section 8, MARIF) have income recertification requirements that must be met separately.

All owners are advised to read IRS Revenue Procedure 2003-82, which became effective November 24, 2003. This revenue procedure provides safe harbors under which the IRS will treat a residential unit in a building as low income if the household income has been certified as eligible in the year before the first credit year, but household income exceeds the income limit at the beginning of the first taxable year of the credit period. Revenue Procedure 2003-82 was issued as a result of questions from taxpayers regarding when individuals must satisfy the applicable income limit when they move into an existing building (or are existing residents) on or after the date a taxpayer acquires a building to be rehabilitated, but before the beginning of the first credit year. Because of those questions, some taxpayers required that the household income not exceed the applicable income limit at the beginning of the first credit year, even though the household income was below the income limit when the household moved into the unit (or was initially certified). This has resulted in some households being evicted, where permissible under local law, from HTC properties.

Note that the purpose of Revenue Procedure 2003-82 is to provide taxpayers protection from challenges by the IRS on this issue. Testing for application of the ~~Available Unit Rule~~available unit rule referred to in the Revenue Procedure consists of confirming with the household(s) that the sources and amounts of anticipated income included on the TIC are still current. If additional sources or amounts are identified, the TIC must be updated based on the household's documentation. It is not necessary to complete third~~-~~party verifications. Minnesota Housing is not required to monitor for compliance with Revenue Procedure 2003-82.

Addressing Noncompliance due to Late Certification or Insufficient Documentation in Tenant Files

The IRS and Minnesota Housing expect that owners will conduct timely and proper certifications as discussed above. An initial TIC that is not fully completed on or before the date a household moves into a unit causes the unit to be out of compliance. ~~However, if~~This includes supporting documentation in the form of the household's income and asset disclosure, all required verifications, signed and dated TIC, and Annual Student Certification. The unit is out of compliance for over income and/or ineligible full-time student from the move-in date to the last signature on the TIC and/or student certification. However, if an applicant is unable to sign the TIC timely due to extenuating circumstances beyond their control, the owner must document the attempts to obtain signature, the reason for the delay, and the

plan for how and when the proper signature will be provided in the tenant file. If the tenant file contains such documentation, a "true and correct as of" statement is unnecessary when the tenant does sign. Failure to follow up with the tenant to obtain the signature when indicated in the documentation may result in noncompliance.

If an initial certification or annual recertification was not properly or timely documented, the noncompliance can be addressed as follows:

1. Owner can perform a new (re)certification using current income and asset sources, student status, and current income limits. Assuming the household is eligible, the unit would be out of compliance on the date of move in or when the recertification was due and back in compliance on the date the new TIC and student certification are signed by all parties; or
2. Owner can perform a retroactive (re)certification which completely and clearly documents the sources of income and assets (and/or student status) that were in place at the time the (re)certification should have been effective~~;~~ and applies income and rent limits that were in effect on that date. All supporting documents, including the Sworn Statement of Income and Assets and verifications as well as any clarification records must contain information reflective of the intended effective date. Calculating gross annual household income based on income, asset, or other data that occurred after the intended effective date will render the certification late or unacceptable, not retroactive, regardless of any "true and correct as of" statement. When requesting income or asset verification directly from the source, make it very clear that the information requested must be information that was known and in effect for the intended effective date. It may help to contact third parties directly to explain what is needed from them before sending verification forms. Any documents signed by residents that are intended to apply retroactively must be signed and dated using the current date (no back-dating). The head of household must add their initials and the current date next to a statement such as, "This certification is true and correct as of (inserting the intended effective date~~)" statement~~)," below the signatures on the TIC form ~~(~~and HTC35 Annual Student Certification~~, if applicable).~~. While retroactive (re)certifications are allowed, they must not be done routinely. Owners may be subject to serious risks if a household is determined to not be income eligible after they have been allowed to occupy a unit or if the owner has unknowingly violated the available unit rule.

If an owner sends timely notice that an annual recertification is due, but the household ~~vacates the unit,~~does not cooperate with the recertification process because they gave notice to vacate the unit (or vacated without notice), the unit will not be considered out of compliance. Owners must document the file regarding attempts to timely obtain the recertification and the date the household moves out of the unit. This must also be disclosed on the Owner's Certification of Continuing Program Compliance. For further information on how Minnesota Housing will review and report noncompliance, refer to the 8823 Guide~~: Chapter 5, page 2, Category 11b – Topic:~~. Search for "Household Vacates Unit."

If an owner takes timely action to enforce annual recertification or student status requirements of its lease for a noncompliant household, the unit will not be considered out of compliance. If the household does not vacate the unit (~~i.e.,~~that is, court does not grant the unlawful detainer), a recertification will be required within 120 days of the determination.

Unit Redesignation for Projects Electing the Average Income Test Minimum Set-Aside

~~Treasury Regulation~~Treas. Reg. 1.42-19~~,~~ allows owners to change a unit's income and rent designation in the following circumstances, provided that the owner designates the new limit in the same taxable year that the change occurs and otherwise follows the rules of 1.42-19:

- **Federally permitted changes~~.~~:** If permission for the change is contained in IRS forms, instructions, or guidance published in the Internal Revenue Bulletin.
- **As the housing credit agency permits~~. For~~:** In accordance with Treas. Reg. 19(d)(ii), Minnesota Housing permits changes in circumstances other than those ~~expressly allowed under Treasury Regulation 1.42-19(d), owners~~listed in Treas. Reg. 19(d)(i) and 19(d)(iii)-(v) as follows:
    - Owners may establish a written policy and procedure regarding the circumstances under which it would redesignate an occupied unit to a different income and rent limit than currently designated. Redesignations in compliance with that policy and procedure are permitted. Owners may redesignate an occupied unit to a lower income and rent limit designation for any reason if the household is qualified for the lower income limit.
- **As appropriate to other laws~~.~~:** A change in designation is permissible when the change is required or appropriate to enhance protections contained in the following, as amended:
    - The Americans with Disabilities Act of 1990 (ADA)
    - The Fair Housing Amendments Act of 1988 (FHA)
    - The Violence Against Women Act- of 1994 (VAWA)
    - The Rehabilitation Act of 1973 (~~Section~~section 504)
    - Any other state, federal, or local law or program that ~~protect~~protects tenants ~~as~~and that is identified by the IRS or Minnesota Housing.
- **As households transfer~~.~~:** If a current income-qualified resident moves to a different unit in the same building or project. Refer to section 5.13 of this guide for additional information on unit transfers.
- **To address noncompliance with AIT minimum set-aside or project average~~.~~:** When an event occurs that causes a previously qualifying group of units identified for either the minimum set-aside or the applicable fraction to no longer be described in Treas. Reg. 1.41-19(b)(2)(ii), redesignation may be allowed. This is limited to units that are vacant or are occupied by a household that would satisfy the new lower imputed income limitation. However, if an issue is not discovered and corrected within the taxable year that the problem occurs, owners may not retroactively redesignate units for the closed tax year. Note that rent may need to be lowered to avoid noncompliance with rent limits. Such correction may also include adding or removing

units to the qualified group of units to achieve an average of imputed income limitations at or below 60% MTSP. ~~If an issue is not discovered and corrected within the taxable year that the problem occurs, any~~

- ~~○~~ Any correction or retroactive correction to designations must be made within 180 days of discovery by the owner or Minnesota Housing. If discovered by the owner, the issue and owner's intended corrective action must be promptly reported to Minnesota Housing's assigned compliance officer to benefit from this discretionary correction period. On a case-by-case basis, and only if ~~retroactive correction is made~~waived within 180 days of discovery, Minnesota Housing has the discretion to waive in writing ~~any~~a failure to comply with the requirements of Treas. Reg. 1.42-~~19T~~19(c)(1~~) (~~) or (2) or (c)(~~3)(iv), subject to any restrictions under Treas. Reg. 1.42-19 or subsequent IRS published regulations or guidance. Minnesota Housing does not have authority to waive the prohibition of retroactive designation for a prior taxable year, nor to allow a change to a unit's imputed income limitation except as permitted in Treas. Reg. 1.42-19(d).

When redesignating an occupied unit, a new initial certification must be completed if the household's income on the original initial certification would not qualify the household for the new designation. ~~(~~For mixed-income properties, use the household income from the most recent annual recertification to make this determination~~).~~. A new certification is not necessary for unit transfers within a building or within the same multiple-building project when unit designations swap status.

6.02 Available Unit Rule

Following initial certification, an eligible household whose income exceeds the maximum income level by more than 140% (an ~~"~~over-income~~"~~ household) will remain in compliance if the unit continues to be rent restricted and the next available unit or any available unit of comparable or smaller size in the same building is rented to an eligible household at the qualifying rent. The owner must continue to rent any available comparable unit to a qualified household until the percentage of low-income units in a building (excluding the over-income units) is equal to the percentage of low-income units on which the credit is based. At that point, failure to maintain the over-income units as low-income units has no immediate significance.

If an owner elects the AIT, a low-income unit will be considered over-income if the household's income exceeds:

- 140% of 60% MTSP if the unit's designated income limit is 60% or less; or
- 140% of the unit's designated income if the unit's designated income limit is 70% MTSP or 80% MTSP.

Under the AIT, an over-income unit ceases to be a qualified low-income unit if any unit of a comparable or smaller size in the building is rented to a new household whose income exceeds the applicable imputed income limit. The applicable imputed income limitation depends ~~upon~~on whether

the unit being occupied was a low-income unit before becoming vacant. If the unit being occupied was previously considered a low-income unit prior to becoming vacant, then the applicable imputed income limitation is the limitation designated prior to the unit becoming vacant. If the unit was not previously occupied by a low-income household (a market-rate unit), then the owner designates the income limit such that the project continues to meet the Average Income Test.- In other words, if the comparable or smaller vacant unit is an HTC unit, rent the unit based on the existing income designation of the vacant unit. If the comparable or smaller vacant unit is market rate, rent the unit based on the income designation of the over-income unit. If multiple units with different income designations trigger the ~~Available Unit Rule~~available unit rule, owners are not required to rent available units in any specific order. See Treas. Reg. 1.42-15(c)(2)(ii).

If any comparable unit that is available or that subsequently becomes available is rented to a nonqualified household, all over-income units for which the available unit was a comparable unit within the same building lose their status as HTC units; thus, comparably sized or larger over-income units would lose their status as HTC units.

A comparable unit must be measured by the same method the taxpayer used to determine qualified basis for the credit year in which the comparable unit became available (~~i.e.,~~that is, floor space fraction or unit fraction). An owner may consider a residential unit with similar square footage and amenities to be a comparable unit. A unit that is no longer available for rent due to a reservation that is binding under local law is not an ~~"~~available unit~~"~~ for purposes of this rule.

6.03 Changes in Household Composition

For all properties, prior to a change in household composition within the first six months of occupancy, owners or managers must certify the household, including any new member, as if it were a new move-in. This requirement to certify does not apply in cases of natural changes such as birth, adoption, or death, or in cases covered under the Violence Against Women Reauthorization Act of 2013 (VAWA). If the family does not qualify, the owner should deny the change until at least six months of occupancy has been achieved. The purpose of this rule is to avoid intended manipulation of move-in eligibility. Anticipated changes to household composition should be disclosed at the time of move-in and accounted for in the original TIC.

After six months of occupancy, the addition of a person to a low-income unit requires the income certification for the new member, including income and asset verification and Annual Student Certification, prior to occupancy. The new member's income is added to the income disclosed on the most recent TIC (this may be the initial TIC for 100% low-income properties not subject to annual income recertification). This new certification is an "Other Cert." The effective date of the ~~"~~Other Cert~~"~~ is the date the new member moves in. The household continues to be considered income-qualified; however, if the combined income exceeds 140% of the applicable income limit, owners must apply the available unit rule. Note that an ~~"~~Other Cert~~"~~ done in conjunction with adding a member does not

~~"~~reset~~"~~ the due date for the annual recertification. The annual recertification will be due on its regular anniversary date.

Minnesota Housing strongly recommends owners apply the same screening criteria as any new move-in (~~e.g.,~~for example, credit check, landlord reference) prior to allowing a new member to occupy a unit and to add them to the lease at the time they move in.

Decreases in family size after the first six months of occupancy do not trigger an immediate income certification. Subsequent annual income recertifications will be based on the income of the remaining members of the household. ~~Minnesota Housing provides the following form on its website, "~~A Documentation of Decrease in ~~Household Composition,"~~Family Size form can be found on Minnesota Housing's website to assist in documenting when the change occurs and who is being removed from a unit.

A household may continue to add and remove members as long as at least one member of the original low-income household continues to live in the unit. Once all original members have moved out of the unit, the remaining occupants must be income-qualified unless the remaining occupants were part of an income-qualified household at the time they moved into the unit. For this reason, managers must document all decreases in household composition even where an annual income recertification is not required.

6.04 Tenant Income Certification Form

The TIC form is used to certify a project's eligible households. The TIC is a legal document that, when fully executed, certifies the tenant is qualified to live in an HTC unit and that the information is complete, true, and correct and that no false or misleading information has been provided. The TIC must be signed and dated by all family members over age 18 ~~(~~and by any members under age 18 who are treated as adults because they are the head of household, co-head, or spouse~~).~~. The owner representative must also sign and date the TIC to certify that the household is qualified for the low-income unit~~,~~ and the rent complies with the rent limit. For these reasons the effective date cannot be earlier than the last signature date on the TIC form. As noted above, if an applicant is unable to sign the TIC timely due to extenuating circumstances beyond their control, the owner must document the attempts to obtain signature, the reason for the delay, and the plan for how and when the proper signature will be provided in the tenant file. If the tenant file contains such documentation, a "true and correct as of" statement is unnecessary when the tenant does sign. Failure to follow up with the tenant to obtain the signature when indicated in the documentation may result in noncompliance.

Supporting documentation (application/sworn income and asset statement, income verifications, asset verifications, student certification, clarification records etc.) is considered part of the TIC and must be included in each tenant file. An Income and Asset Calculation Worksheet form can be used to assist in showing the individual calculations of income and asset income. This is *highly recommended* and will greatly assist an inspector during a file review.

6.05 Government Data Practices Act Disclosure Statement Form

Owners will create, collect, receive, store, use, maintain, and/or disseminate tenant data subject to applicable data privacy laws and regulations, including the Minnesota Government Data Practices Act (MGDPA). As the monitoring agency, Minnesota Housing must review such tenant data.

To comply with MGDPA and other applicable law, Minnesota Housing requires that owners collect a signed and dated ~~Government Data Practices Act Disclosure Statement form for~~Government Data Practices Act (DPA) Disclosure Statement from all HTC families. Note that the ~~Government Data Practices Act~~DPA Disclosure Statement~~ form~~ is *not* a release authorization for verification of income and assets and must not be used as such. The property name and each adult family member's name must be printed clearly at the top in the boxes provided. An unsigned and/or undated ~~form~~DPA Disclosure Statement is not valid and will be noted at the time of file inspection.

- The ~~form~~DPA Disclosure Statement may be signed one time and is valid for as long as the family lives at the property. If a family moves from one unit to another, the original signed and dated ~~form~~DPA Disclosure Statement should be moved to the file for the new unit. A copy should be kept in the file for the old unit.
- A valid ~~form~~DPA Disclosure Statement *must* include all relevant attachments. Some properties or units within a property may require two or more attachments for multiple programs. Each attachment contains Part A, which is data that must be disclosed as a condition of occupancy for the program(s) listed on the attachment, and Part B, which is data that is requested but is not a condition of occupancy.
- The head of household, spouse, co-head, and all family members over the age of 18 must sign and date the ~~form~~DPA Disclosure Statement.
- If an adult is added later or a minor reaches age 18, they can add their name, signature, and date to the existing ~~form~~DPA Disclosure Statement or complete a new ~~form~~DPA Disclosure Statement.
- A copy must be made available to the applicant/tenant. It is acceptable to provide an unsigned copy.
- For new applicants, provide the ~~form~~DPA Disclosure Statement with the initial application packet.

6.06 Annual Income

The HTC Program uses HUD's definition of ~~"~~annual income~~"~~ as contained in the U.S. Housing Act of 1937 as amended. HUD's definition of annual income is very specific and is not simply the amount contained on tax returns.

Annual income corresponds to gross income, with no adjustments (deductions) for child-care, medical expenses, dependents, etc. Adjusted income is used in some federal housing programs, such as Section

8 and Rural Development Section 515, to determine the level of benefit provided to a household. However, it is not used in the HTC Program.

For certifications and recertifications effective before ~~July 1, 2025 (or such later date as HUD may require full~~ HOTMA implementation~~),~~, refer to HUD Handbook 4350.3 for a complete listing and discussion of earned/unearned income and asset income.

For certifications and recertifications ~~effective on or after July 1, 2025, or such later date determined by HUD when the Housing Opportunities Through Modernization Act (HOTMA) must~~conducted pursuant to HOTMA or when HUD requires HOTMA to be fully implemented, refer to the guidance below and HUD Notice 2023-10. Attachment F to Notice 2023-10 defines annual income to include all amounts received from all sources by each member of the family who is 18 years of age or older, the head of household, or spouse of the head of household, in addition to unearned income received by or on behalf of each dependent who is under 18 years of age. Annual income does not include amounts specifically excluded in paragraph (b) of 24 ~~CFR §~~C.F.R. 5.609.

Factors that Affect Household Size for Income Limits

When determining family size for establishing income eligibility, the owner must include all persons living in the unit except the following:

- **Foster adult:** ~~defined as a~~A member of the household who is 18 years or older and meets the definition of foster adult under state law.
- **Foster child:** ~~defined as a~~A member of the household who meets the definition of foster child under state law.
- ~~live~~**Live-in aide/attendant (live-in aide):** A ~~live-in aide is a~~ person who resides with one or more elderly persons, near-elderly persons, or persons with disabilities, and who:
    - Is determined to be essential to the care and well-being of the person(s);
    - Is not obligated for the support of the person(s); and
    - Would not be living in the unit except to provide the necessary supportive services.

Change 4 to HUD Handbook 4350.3, published in 2013, required that foster adults and foster children be counted as household members for both income and occupancy purposes. With the implementation of HOTMA, foster adults and foster children are no longer considered in family size for income purposes but must be considered for unit size purposes.

A live-in aide qualifies for occupancy as a non-family member only as long as the individual needing supportive services requires the live-in aide's services and remains a tenant. The live-in aide will not qualify for continued occupancy as a remaining family member. Owners must obtain verification from the person's physician, psychiatrist, or other medical practitioner or health care provider that the live-in aide is needed to provide the necessary supportive services essential to the care and well-being of the person and should not add the attendant to the lease. The owner may not require applicants or

tenants to provide access to confidential medical records or to submit to a physical examination. While a relative may be a live-in aide they must meet the above requirements, or they must be treated as a family member and their income must be included.

When determining family size for income limits, the owner must include the following individuals who are not living in the unit:

- Children temporarily absent due to placement in a foster home
- Children in joint custody arrangements who are present in the household 50% or more of the time ~~(if~~
    - If disputed, determine which parent claimed the children as dependents for purposes of filing a federal income tax return~~)~~.
- Children who are away at school but who live with the family during school recesses
- Unborn children of pregnant women~~.~~
    - When a pregnant woman is an applicant, the unborn child is included in the size of the household and may be included for purposes of determining the maximum allowable income. The rental application should ask ~~the following question:~~, "Will there be any changes in household composition within the next 12-month period?" If an applicant answers that a child is expected, the manager should explain to the tenant that to count the child as an additional household member and use the corresponding income limit, a self-certification of pregnancy must be provided.
- Children who are in the process of being adopted
- Temporarily absent family members who are still considered family members~~.~~
    - For example, the owner may consider a family member who is working in another state on assignment to be temporarily absent. Persons on active military duty are considered temporarily absent (except if the person is not the head, co-head, or spouse or has no dependents living in the unit). If the person on active military duty is the head, co-head, or spouse, or if the spouse or dependents of the person on active military duty resides in the unit, that person's income must be counted in full.
- Family members in the hospital or at a rehabilitation facility for periods of limited or fixed duration. These persons are temporarily absent as defined above~~; and~~
- Persons permanently confined to a hospital or nursing home~~.~~
    - The family decides if such persons are included when determining family size for income limits. If such persons are included, they must be listed on the TIC as "other adult family member." If the family chooses to include the permanently confined person as a member of the household, the owner must include income received by these persons in calculating family income.

Deployment of Military Personnel to Active Duty

Owners are encouraged to accommodate the unique circumstances of households where a member is called to active duty in the Armed Forces. Specific actions that an owner can take and remain in compliance include, but are not limited to:

- ~~Allow~~Allowing a guardian to move into the low-income unit on a temporary basis to provide care for any dependents the military person leaves in the unit. The guardian's income is not included in the household's income.
- ~~Allow~~Allowing a tenant living in a low-income unit to provide care for any dependents of persons called to active duty in the Armed Forces on a temporary basis as long as the head and/or co-head of the household continues to serve in active duty. Income of the dependent (~~e.g.,~~for example, Supplemental Security Income (SSI) benefits, military benefits) is not included in the household's income.
- ~~Allow~~Allowing leases to remain in effect for a reasonable period without recertification (if required) depending on the length of deployment beyond that required by the Soldiers' and Sailors' Civil Relief Act of 1940, 50 U.S.C. ~~§§~~501-591, even though the adult members of the military family are temporarily absent from the unit.

Annual Income

Annual income has two components: Earned/unearned income and asset income.

Earned/Unearned Income + Income from Assets = Annual Income

If a particular type of income is not specifically mentioned as being excluded, then it is included in annual income~~:~~. The following are examples of income that are included:

- The gross amount (before any payroll deductions) of wages and salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services of all adults in the household (including persons under the age of 18 who are the head, spouse, or co-head).
- Net income, salaries, and other amounts distributed from a business. This includes salaries received from a family-owned business.
- The gross amount (before any deductions for Medicare, etc.) of periodic Social Security payments. Include payments received by adults on behalf of individuals under the age of 18, or by individuals under the age of 18 for their own support~~:~~.
- The full amount of periodic amounts received from annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts (~~e.g.,~~for example, Black Lung Sick Benefits, Veterans Disability, Dependent Indemnity Compensation ~~(widow of killed in action serviceman~~). The withdrawal of cash or assets from an investment received as periodic payments is counted as income.

- Delayed periodic payments received because of delays in processing unemployment, welfare, or other benefits.
- Payments in lieu of earnings, such as unemployment and disability compensation, and severance pay.
- Recurring ~~Monetary or Non-~~monetary ~~Contributions~~or non-monetary contributions or ~~Gifts Regularly Received~~gifts regularly received from ~~Persons~~persons not ~~Living~~living in the ~~Unit~~unit. These sources may include rent, utility ~~and~~, other payments paid on behalf of the household, and other cash or ~~noncash~~non-cash contributions provided on a regular basis.
- All regular pay, special pay, and allowances of a member of the Armed Forces.
    - Note that until January 1, 2012, Basic Pay Allowance for housing is disregarded for properties located in a county that contains a qualified military installation to which the number of members assigned to units based out of the military installation as of June 1, 2008, has increased by 20% or more from December 31, 2005. This applies to the county that contains the military installation and also to adjacent counties. A qualified military installation is a military installation or facility with 1,000 or more members as of June 1, 2008.
- Welfare ~~Assistance~~assistance.
- Alimony and ~~Child Support~~child support. Alimony or child support paid by a member of the household is not deducted from income, even if it is garnished from wages.

Student Financial Assistance

Prior to HOTMA, all forms of student financial assistance (grants, scholarships, educational entitlements, work study programs, Bureau of Indian Affairs student assistance programs, and financial aid packages) were excluded from annual income except for students receiving Section 8 assistance. For students receiving Section 8 assistance, all financial assistance a student received, 1) under the Higher Education Act of 1965, 2) from private sources, or 3) from an institution of higher education that is in excess of amounts received for tuition and any other required fees and charges (refer to HUD Notice H2015-12) was included in annual income except if the student was over the age of 23 with dependent children or living with parents receiving Section 8 assistance.

The primary difference between the Section 8 and HOTMA student assistance approaches are how the Higher Education Act of 1965 (HEA) assistance and money from private sources (such as parents and grandparents) are counted. Under HOTMA, HEA assistance is not counted as income, and money from private sources is gift income, not student financial assistance.

Income from Student Financial Assistance

The treatment of student financial assistance depends on the ~~program, student/household characteristics, and the~~ type of financial assistance received by the student. The student financial assistance rules apply to both full-time and part-time students.

The two types of student financial assistance applicable to HUD and HTC programs are described below:

1. **Amounts ~~Received Under Section~~received under section 479B of the Higher Education Act (HEA) of 1965, as amended.** Section 479B of the HEA provides that certain types of student financial assistance are to be excluded in determining eligibility for benefits made available through federal, state, or local programs financed with federal funds. The ~~types of financial assistance listed~~ list below ~~are considered~~ of 479B ~~student financial assistance~~ programs~~;~~ ~~however, this list is not exhaustive, and 479B will be~~ was last updated as of July 1, 2024~~.~~, and may not be exhaustive:
    - Federal Pell Grants
    - ~~Teach Grants~~
    - Federal TRIO and early outreach/student services programs
    - Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)
    - Model Program grants (Community Partnership and Counseling Grants)
    - National Student Savings Demonstration grants
    - Federal Supplemental Educational Opportunity Grants (FSEOG)
    - Leveraging Educational Assistance Partnership grants
    - Special programs for migrant/seasonal farmworker families
    - Robert C. Byrd Honors Scholarships
    - Childcare Access Means Parents in School (CAPS) grants
    - TEACH Grants
    - Scholarships for veteran's dependents
    - Federal Family Education Loan (FFEL) programs
    - Federal Work-~~-~~Study ~~Programs~~
    - William D. Ford Federal Direct Loans
    - Federal Perkins Loans
    - ~~Student financial assistance received under the Bureau of Indian Education~~
    - HEA Relief Opportunities for Students (HEROES Act adjustments)
    - Higher Education Tribal Grant (formerly under the Bureau of Indian Affairs)
    - Tribally Controlled Colleges or Universities Grant Program
    - ~~Employment training program under section 134 of the~~ Workforce Innovation and Opportunity Act (WIOA) section 134 employment/training program (adult/dislocated worker workforce training)
2. **Other ~~Student Financial Assistance~~student financial assistance** includes grants or scholarships received from the following sources:
    - The Federal government
    - A state (including U.S. territories), Tribe, or local government
    - A private foundation registered as a nonprofit under 26 U.S.C. 501(c)(3)

- A business entity (such as a corporation, general partnership, limited liability company, limited partnership, joint venture, business trust, public benefit corporation, or nonprofit entity)
- An institution of higher education

Other student financial assistance does not include:

- Financial support provided to the student in the form of a fee for services performed (~~e.g.,~~for example, a work study or teaching fellowship that is not excluded under section 479B of the Higher Education Act HEA)
- Gifts, including gifts from family or friends~~.~~

Other student financial assistance may be paid directly to the student or to the educational institution on the student's behalf. The owner must verify that other student financial assistance is for the student's actual covered costs.

~~The following sections describe the~~The treatment of the two above-described types of student financial assistance ~~by program type~~is described below.

~~Non-Section 8 Recipients~~

All assistance received under 479B of the HEA by students ~~participating in non-Section 8 programs~~ is excluded from income. Other student financial assistance received by the student that, either by itself or in combination with HEA assistance, exceeds the actual covered costs is not excluded from income.

Actual covered costs include~~:~~ tuition, books, supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, and fees required and charged to a student by an institution of higher education (as defined under section 102 of the Higher Education Act of 1965 (20 U.S.C. 1087uu)). For a student who is not the head of household, co-head, or spouse, actual covered costs also include the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit.

The formula for calculating the amount of other student financial assistance that is excluded from income always begins with deducting the assistance received under 479B of the HEA from the total actual covered costs, because the 479B assistance is intended to pay the student's actual covered costs. This formula is illustrated below (this and other examples are in HUD Notice 2023-10, Attachment G). Note that the Consolidated Appropriations Act, 2026 (H.R. 7148, Public Law 119-75) removed the exception for certain students receiving Section 8 assistance, so the Section 8 examples in HUD Notice 2023-10 no longer apply.

~~Non-Section 8 Recipients~~ Example ~~1~~1: ~~Full-Time~~Calculating Student Financial Assistance

Juan is a full-time student, and he received the following grants and scholarships to cover his first year of college: Federal Pell Grant: $25,000; University Scholarship: $15,000; Rotary Club Scholarship: $3,000.

- Total assistance received under 479B of HEA: $25,000 (Federal Pell Grant)
- Total other student financial assistance received: $18,000
- Juan's actual covered costs: $28,000

Step 1: Determine amount of actual covered costs exceeding section 479B assistance.

$28,000 (actual covered costs)
- $25,000 (total assistance received under 479B of HEA)
= $ 3,000

Step 2: Determine amount of student financial assistance to include in income.

$18,000 (other student financial assistance received)
- $ 3,000 (actual covered costs exceeding section 479B assistance)
= $15,000 (if negative, then use $0)

Amount of student financial assistance included in Juan's income: $15,000

~~**Section 8 Recipients**~~

~~Section 210(b) of the Consolidated Appropriations Act, 2023, requires that, "for purposes of determining the eligibility of a person to receive assistance under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f), any financial assistance (in excess of amounts received for tuition and any other required fees and charges) that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), from private sources, or from an institution of higher education (as defined under section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except for a person over the age of 23 with dependent children." HUD interprets that "a person over the age of 23" is 24 years old.~~

~~While the Consolidated Appropriations Act language is limited to federal fiscal year 2023, this does not rule out the possibility that similar language will be included in future years' appropriations bills. For any funds from a year where HUD's appropriations include this Section 8 student financial assistance limitation, if the student is the head of household, co-head, or spouse and is under the age of 23 or without dependent children, then both the assistance received under 479B of the HEA and other student financial assistance received by the student will be counted as income to the extent that it exceeds the total of tuition and any other required fees and charges. In contrast, the student financial assistance received by a Section 8 student who is the head of household, spouse, or co-head of household and is over the age of 23 with dependent children will be treated in a manner identical to the student financial aid received by students who participate in the Public Housing and non–Section 8 programs administered by HUD.~~

~~During years in which an appropriations act does not contain this Section 8 student financial assistance limitation (or any other such limitation), the determination of student financial assistance as included/excluded income for all Section 8 students defaults to the methodology described above for the non–Section 8 programs.~~

There are two steps required as part of the calculation for Section 8 students, the first of which is to determine the student's relationship to the household, age, and whether they have dependent children; based on the result of the first step, the second step is to calculate whether any excess student financial assistance should be included in the family's income. If the student is the head of household, co-head, or spouse and is 23 or younger or does not have dependent children, then 479B assistance will be part of the total equation. If the student is age 24 or over with dependent children, then the calculation will be identical for non-Section 8 students, as described above.

The following examples are from Attachment G of HUD Notice 2023-10.

Section 8 Recipients Example 1: Single Occupant

Roberto is a 22-year-old full-time student without dependent children. Since Roberto is a Section 8 participant head of household who is not over 23 with dependent children, the owner follows the Appropriations Act policy to determine if Roberto receives student financial assistance in excess of tuition from both HEA and other sources. Roberto received the following amounts to cover his first year of college: Federal Pell Grant: $12,000; University Scholarship: $22,000; City Scholarship: $3,000.

- Total assistance received under 479B of HEA: $12,000 (Federal Pell Grant)
- Total other student financial assistance received: $25,000
- Total student financial assistance from all sources: $37,000
- Total tuition + required fees and charges: $27,000

Subtract the total cost of tuition + required fees and charges from the total amount of student financial assistance.

$37,000
$27,000
= $10,000

The total amount of student financial assistance from all sources received by Roberto exceeds the total amount of tuition and required fees and charges.

Excess student financial assistance: $10,000

Amount of student financial assistance included in Roberto's income: $10,000

Section 8 Recipients Example 2: Age 24 or Over With Dependent Children

Cedric is a 28-year-old head of household and a full-time student with a 5-year-old daughter and a 9-year-old son who are his dependents. The owner will follow the rules under 24 C.F.R. 5.609(b)(9) (the same as for non–Section 8 programs). Cedric received the following amounts to cover his first year of college: Teach Grant: $8,000; Federal Pell Grant: $3,000; College Scholarship: $6,000.

- Total assistance received under 479B of HEA: $11,000 (Teach Grant plus Federal Pell Grant)
- Total other student financial assistance received: $6,000
- Total tuition + required fees and charges: $26,000

Step 1: Determine amount of tuition plus required fees exceeding 479B assistance.

$26,000 (total tuition + required fees and charges)
- $11,000 (total assistance received under 479B of HEA)
= $15,000

Step 2: Determine amount of student financial assistance to include in income.

$ 6,000 (other student financial assistance received)
- $15,000 (amount of tuition + required fees and charges exceeding 479B assistance)
= – $ 9,000 (if negative, then use $0)

The amount of other student financial assistance received by Cedric does not exceed the total amount of tuition and required fees and charges.

Excess student financial assistance: $0

Amount of student financial assistance included in Cedric's income: $0

Section 8 Recipients Example 3: Age 24 or Over Without Dependent Children

Angel is a 38-year-old full-time student, head of household, without dependent children. Since Angel does not have dependent children, the Appropriations Act policy does not apply, and the owner must include assistance received under 479B of the HEA as part of the excess student financial aid calculation. Angel received the following amounts to cover her first year of college: Perkins Loan: $8,000.

- Total assistance received under 479B of HEA: $8,000 (Perkins Loan)
- Total tuition + other fees and charges: $6,200

Determine whether the amount of student financial assistance, including 479B assistance, exceeds the total of tuition + required fees and charges.

$8,000
- $6,200
= $1,800

Excess student financial assistance: $1,800

Excess student financial assistance: $1,800

Amount of student financial assistance included in Angel's income: $1,800

Student loans are not considered student assistance and are never counted as income. Total student actual covered costs include all the costs a student must pay to attend school, such as tuition and other

~~fees, room and board, course books, etc. These are the same as actual covered costs in the non-Section 8-assisted HOTMA student assistance rule.~~

Use the Affidavit of Student Financial Assistance to obtain information from the applicant or resident as to their source(s) of financial assistance.

6.07 Exclusions from Annual Income

For certifications and recertifications effective before ~~July 1, 2025 (or such later date as HUD may require full HOTMA implementation),~~implementing HOTMA, refer to HUD Handbook 4350.3 for a complete listing and discussion of income exclusions.

Refer to HUD Notice 2023-10 Attachment G for changes in exclusions ~~resulting from HOTMA~~ for certifications ~~effective on~~ conducted under HOTMA or ~~after July 1, 2025 (or such later date as~~when HUD ~~may require~~requires full HOTMA implementation~~).~~.

Nonrecurring Income

Income that will not be repeated beyond the coming year (~~i.e.,~~that is, the 12 months following the effective date of the certification), based on information provided by the family, is considered nonrecurring income and is excluded from annual income. However, income received as an independent contractor, day laborer, or seasonal worker is not excluded from income under ~~§~~24 C.F.R. 5.609(b)(24), even if the source, date, or amount of the income varies.

Income that has a discrete end date and will not be repeated beyond the coming year during the family's upcoming annual reexamination period will be excluded from a family's annual income as nonrecurring income. This does not include unemployment income and other types of periodic payments that are received at regular intervals (such as weekly, monthly, or yearly) for a period of greater than one year that can be extended. For example, an increasing number of cities and states are piloting guaranteed income programs that have discrete beginning and end dates. This income can be excluded as nonrecurring in the final year of the pilot program. For example, for an annual recertification effective July 1, 2025, guaranteed income that will be repeated in the coming year but will end before the next reexamination on July 1, 2026, will be fully excluded from annual income. Income amounts excluded under this category may include, but are not limited to, nonrecurring payments made to the family or to a third party on behalf of the family to assist with utilities, eviction prevention, security deposits to secure housing, payments for participation in research studies depending on the duration, and general one-time payments received by or on behalf of the family.

The following list of exclusions is codified at 24 ~~CFR §~~C.F.R. 5.609(b)(24) as nonrecurring income. Note that the list is not exhaustive:

- Payments from the U.S. Census Bureau for employment lasting no longer than 180 days and not culminating in permanent employment;

- Direct federal or state economic stimulus payments;
- Amounts directly received by the family as a result of state refundable tax credits or state tax refunds at the time they are received;
- Amounts directly received by the family as a result of federal refundable tax credits or federal tax refunds at the time they are received;
- Gifts for holidays, birthdays, or other significant life events or milestones (~~e.g.,~~for example, wedding, baby shower, or anniversary gifts);
- ~~wedding, baby shower, or anniversary gifts);~~
- In-kind donations (~~e.g.,~~for example, food, clothing, or toiletries received from a food bank or similar organization); and
- Lump-sum additions to net family assets (~~e.g.,~~for example, lottery winnings, contest winnings, etc.).

Excluded Recurring Income

Below is a list of income that is not counted as part of household income (refer to 24 ~~CFR~~C.F.R. 5.609(b) for the full list and to Attachment G in HUD Notice 2023-10 for additional detail):

- Earned income of children under age 18.
- Payments received for the care of foster children or foster adults, or State or Tribal kinship or guardianship care payments.
- Insurance payments and settlements for personal or property losses, including but not limited to payments through health insurance, motor vehicle insurance, and workers' compensation. Any workers' compensation is always excluded from annual income, regardless of the frequency or length of the payments.
- Amounts received by the family that are specifically for, or in reimbursement of, the cost of health and medical care expenses for any family member.
- Any amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to a family member arising out of law, that resulted in a member of the family becoming disabled.
- Income of a live-in aide, foster child, or foster adult.
- Income and distributions from any Coverdell education savings account under section 530 of the Internal Revenue Code of 1986 or any qualified tuition program under section 529 of such Code; and income earned by government contributions to, and distributions from, ~~"~~baby bond~~"~~ accounts created, authorized, or funded by Federal, State, or local government.
- The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
- Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS).

- Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (such as special equipment, clothing, transportation, child-care, etc.) and which are made solely to allow participation in a specific program.
- Amounts received under a resident service stipend not to exceed $200 per month. A resident service stipend is a modest amount received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development.
- Incremental earnings and benefits resulting to any family member from participation in training programs funded by HUD or in qualifying Federal, State, Tribal, or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives and are excluded only for the period during which the family member participates in the employment training program unless those amounts are excluded under paragraph (b)(9)(i) of this section.
- Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
- Earned income of dependent full-time students in excess of the annually adjusted amount of the deduction for a dependent.
- Adoption assistance payments for a child in excess of the annually adjusted amount of the deduction for a dependent.
- Deferred periodic amounts from Supplemental Security Income and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts, or any deferred Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts.
- Payments related to aid and attendance under 38 U.S.C. 1521 to veterans in need of regular aid and attendance. This income exclusion applies only to veterans in need of regular aid and attendance and not to other beneficiaries of the payments, such as a surviving spouse.
- Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit.
- Payments made by or authorized by a State Medicaid agency (including through a managed care entity) or other State or Federal agency to a family to enable a family member who has a disability to reside in the family's assisted unit. Authorized payments may include payments to a member of the assisted family through the State Medicaid agency (including through a managed care entity) or other State or Federal agency for caregiving services the family member provides to enable a family member who has a disability to reside in the family's assisted unit. Both the person providing the care and the person who has the disability must be family members (not foster adult, foster child or live-in aides) and must live in the same household. The exclusion does not apply to income earned by the family for other caregiving services provided to individuals outside of the assisted household.

- Loan proceeds (the net amount disbursed by a lender to or on behalf of a borrower, under the terms of a loan agreement) received by the family or a third party (such as proceeds received by the family from a private loan to enable attendance at an educational institution or to finance the purchase of a car).
- Payments received by Tribal members as a result of claims relating to the mismanagement of assets held in trust by the United States, to the extent such payments are also excluded from gross income under the Internal Revenue Code or other Federal law. Generally, payments received by tribal members in excess of the first $2,000 of per capita shares are included in a family's annual income for purposes of determining eligibility. However, payments made under the Cobell Settlement, and certain per-capita payments under the recent Tribal Trust Settlements, must be excluded from annual income in programs that adopt the definitions of annual income in 24 ~~CFR~~C.F.R. 5.609. Note that payment received by a tribal member from the tribe for distribution of Indian gaming profits is not a per-capita payment within the meaning of the Per Capita Distribution Act and does not qualify for income exclusion. If a family member who is a tribal member receives the IRS Form 1099–MISC, Miscellaneous Income, from the tribe for reporting Indian gaming profits, then this payment must be counted toward the family's annual income.
- Amounts that HUD is required by Federal statute to exclude from consideration as income for purposes of determining eligibility or benefits. HUD will publish a notice in the Federal Register to identify the benefits that qualify for this exclusion. Updates will be published when necessary. Examples include:
    - The value of the allotment provided to an eligible household under the Food Stamp Act of 1977.
    - Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (including employment through AmeriCorps, Volunteers in Service to America [VISTA], Retired ~~125 | LIHTC and HOME Compliance Manual~~ Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, and senior companions).
    - Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program.
    - The first $2,000 of per capita shares received from judgment funds awarded by the National Indian Gaming Commission or the U. S. Claims Court, the interests of individual Indians in trust or restricted lands, and the first $2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands. This exclusion does not include proceeds of gaming operations regulated by the Commission.
    - Payments received from programs funded under Title V of the Older Americans Act of 1985 (such as Green Thumb, Senior Aides, and Older American Community Service Employment Program).

    - Any amount received under the Richard B. Russell School Lunch Act and the Child Nutrition Act of 1966, including reduced-price lunches and food under the Special Supplemental Food Program for Women, Infants, and Children (WIC).
- Replacement housing ~~"~~gap~~"~~ payments made in accordance with 49 ~~CFR part~~C.F.R. 24 that offset increased out-of-pocket costs of displaced persons that move from one federally subsidized housing unit to another Federally subsidized housing unit. Such replacement housing ~~"~~gap~~"~~ payments are not excluded from annual income if the increased cost of rent and utilities is subsequently reduced or eliminated, and the displaced person retains or continues to receive the replacement housing ~~"~~gap~~"~~ payments.
- Nonrecurring income, which is income that will not be repeated in the coming year based on information provided by the family. Income received as an independent contractor, day laborer, or seasonal worker is not excluded from income under this paragraph, even if the source, date, or amount of the income varies. See the ~~"~~Nonrecurring Income~~"~~ section above for more information.
- Civil rights settlements or judgments, including settlements or judgments for back pay.
- Income earned on amounts placed in a family's Family Self Sufficiency Account.

The amount of rental subsidy paid to the owner on behalf of a household by a ~~Public Housing Authority~~PHA or other government administrator is also not included in income. Private or philanthropic rental assistance is considered regular contributions by persons not living in the unit and must be included in income.

Excluded Income Per IRS

Under ~~Revenue Procedure~~ Revenue Procedure 2024-38, all Department of Veterans Affairs (VA) service-connected disability benefits are excluded from annual income, but only for applicants or tenants approved for or receiving a tenant-based or project-based VASH ~~voucher~~Voucher. This revenue procedure applies to income determinations effective on or after October 24, 2024. The HUD-VASH program is administered by local ~~public housing agencies (~~PHAs~~)~~ that have partnered with local VA medical facilities or other entities designated by the VA to provide case management and clinical services to assist veterans experiencing homelessness.

Earned Income Disregard

The Earned Income Disregard (EID) will not apply to any family who is not eligible for *and already participating in* the disallowance as of December 31, 2023.

The EID allowed eligible families to have a portion of their earned income excluded from annual income for a maximum period of 24 consecutive months. Although HOTMA eliminates the EID from HUD regulations, families who were receiving the EID benefit as of December 31, 2023, may continue to receive the full benefit until the remaining timeframe for an individual family's EID expires. Because

the EID lasts up to 24 consecutive months, no family will still be receiving the EID benefit after December 31, 2025.

6.08 Annualized Income

Income determination is based on the annual gross income a household anticipates it will receive for the 12-month certification period. Disclosure and verification of all sources of current and anticipated income for all household members age 18 and older, persons under the age of 18 who are treated as adults because they are the head of household, co-head or spouse, and unearned income of minor children must be obtained in order to establish that the income limits are not exceeded.

Convert all verified incomes to annual amounts.

To annualize full-time employment, multiply:

- Hourly wages by 2,080 hours
- Weekly wages by 52
- Bi-weekly wages by 26
- Semi-monthly wages by 24
- Monthly wages by 12

To annualize income from other than full-time employment, multiply:

- Hourly wages by the number of hours the individual is expected to work per week by 52~~. If~~; if verification shows a range of hours, use the average number of hours (~~e.g.,~~for example, verification shows 30-35 hours per week, use 32.5 hours~~).~~)
- Average weekly amounts by the number of weeks the individual is expected to work~~.~~
- Other periodic amounts (~~e.g.,~~for example, monthly, bi-weekly) by the number of periods the individual expects to work~~.~~

Some HTC professionals use non-conforming methodologies for calculating wages including using the highest of a range of hours provided by the employer or basing income determinations on the higher calculation of income provided by the employer and a calculation of annual income based on year-to-date information. As noted above, Minnesota Housing uses the average of a range of hours given and anticipated wage information supplied by the employer, consistent with Section 8. More conservative methodologies are not prohibited; however, using more conservative methodologies may exclude households that qualify based on Section 8 methodologies. In any event, any approach developed by an owner/agent must be consistently applied to all applicants and tenants to avoid the risk of a fair housing violation.

Seasonal Income

If an applicant is in a seasonal line of work, for example a job dependent on weather conditions such as roofing, and normally collects unemployment during the "off" months, both incomes are used for the appropriate number of months. For example, if an individual makes $1,800 a month during a nine-month roofing season and collects unemployment in the amount of $800 a month for the remaining three months, income is calculated as follows:

$1,800 x 9 = $16,200

$800 x 3 = $2,400

$16,200 + $2,400 = $18,600 = Total Annualized Income

Zero Income Members

If an adult member of an applicant family has no regular verifiable income or income from assets from any source and claims zero income, a Certification of Zero Income must be completed. Note that the current HUD Handbook requires non-monetary contributions (excluding groceries) to be counted as income. Under HOTMA, non-monetary in-kind donations from a food bank or similar organization cannot be assigned a monetary value (including food, clothing, or toiletries).

6.09 Income from Assets

Assets are items of value, other than necessary personal items, and are considered along with verified income to determine HTC eligibility.

For certifications and recertifications effective before July 1, 2025 (or such later date as HUD may require full HOTMA implementation), implementing HOTMA, refer to HUD Handbook 4350.3 for a complete listing and discussion of income from assets.

For certifications effective on or after July 1, 2025 (or such later date as HUD may require full HOTMA implementation), referRefer to HUD Notice 2023-10 Attachment F for changes resulting from HOTMAin assets and asset income for certifications conducted under HOTMA or when HUD requires full HOTMA implementation.

Under HOTMA, assets have three categories:

- Necessary Personal Property
- Non-Necessary Personal Property
- Real Property

Assets include the net cash value of all real property and the net cash value of all non-necessary items of personal property.

Necessary Personal Property

Necessary Personal Property (NPP) are items that are essential to the family for maintenance, use, and occupancy of the residence, or necessary for employment, education, or health and wellness. NPP also includes items that assist persons with disabilities, including items for disability-related needs and items required for reasonable accommodation. NPP does not include luxury items.

Owners must determine whether an item is considered necessary or non-necessary to determine whether it should be included as an asset.

This is a highly fact-specific determination. Therefore, owners must collect enough facts to make this determination. If an item is considered necessary personal property, it is not included as an asset.

Examples of NPP (list is not exhaustive):

- Car(s)/vehicle(s) that a family relies on for transportation for personal or business use (~~e.g.,~~for example, bike, motorcycle, skateboard, scooter)
- Furniture, carpets, linens, kitchenware
- Common appliances
- Common electronics (~~e.g.,~~for example, radio, television, DVD player, gaming system)
- Clothing
- Personal effects that are not luxury items (~~e.g.,~~for example, toys, books)
- Wedding and engagement rings
- Jewelry used in religious/cultural celebrations and ceremonies
- Religious and cultural items
- Medical equipment and supplies
- Healthcare-related supplies
- Musical instruments used by the family
- Personal computers, phones, tablets, and related equipment
- Professional tools of trade (~~e.g.,~~for example, professional books)
- Educational materials and equipment, including equipment to accommodate persons with disabilities
- Equipment used for exercising (~~e.g.,~~for example, treadmill, stationary bike, kayak, paddleboard, ski equipment

Non-Necessary Personal Property

If personal property is not deemed necessary, as HUD guidance provides, then it is considered Non-Necessary Personal Property (NNPP) and may need to be included as an asset.

Under HOTMA, the combined value of NNPP up to the amount that HUD allows to be self-certified is excluded from net family assets, but any income earned by these assets is included in gross annual

household income. Refer to HUD's ~~HUD's website~~Annual Inflationary Adjustments and Passbook Rate webpage for the current amount of assets HUD allows to be self-certified (updated annually, adjusted for inflation).

If the total value of NNPP exceeds the amount HUD allows to be self-certified, owners must verify all asset amounts and any income earned. If an asset does not earn income, owners must use HUD's passbook savings rate to calculate an imputed income. Refer to HUD's ~~HUD's website~~Annual Inflationary Adjustments and Passbook Rate webpage for the current passbook savings rate (updated annually, adjusted for inflation).

Examples of NNPP (list is not exhaustive):

- Bank accounts or other financial investments (~~e.g.,~~for example, checking account, savings account, stocks/bonds, money market or mutual funds, certificates of deposit)
- A mortgage or deed of trust held by an applicant or resident (~~e.g.,~~for example, contract for deed or deed of trust~~). Payments~~); payments on this type of asset are often received as one combined payment of principal and interest with the interest portion counted as income from the asset
- Cash value of life insurance policies available to the individual before death (~~e.g.,~~for example, the surrender value of a whole life policy or a universal life policy~~).~~)
- Recreational car/vehicle not needed for day-to-day transportation (~~e.g.,~~for example, campers, motorhomes, travel trailers, all-terrain vehicles (ATVs))
- Recreational boat/watercraft
- Expensive jewelry without religious or cultural value, or which does not hold family significance
- Collectibles (~~e.g.,~~for example, coins/stamps)
- Equipment/machinery that is not used to generate income for a business
- Items such as gems/precious metals, antique cars, artwork, etc.
- Assets disposed of for less than fair market value within ~~2~~two years of the effective date of the certification~~(~~
    - Assets lost to foreclosure, bankruptcy, and divorce or separation settlements are not counted as disposed of assets. Assets put into an irrevocable trust for another member of the same household are also not counted as disposed. Neither are assets that are simply used to buy goods or services that are not counted as assets~~).~~

Bank accounts include amounts in cash apps and digital wallets that hold balances. Examples include Venmo, PayPal, GoFundMe, Cash App, Google Pay, Google Wallet, etc., and cards used to receive government and other cash benefits. Retailers such as Wal-Mart, Target, and Starbucks may also have cash-holding apps.

Apps that merely facilitate transferring funds from one account to another and do not actually hold any money, are not assets (~~e.g.,~~for example, Zelle).

Stocks, bonds, treasury bills, certificates of deposit, money market accounts, mutual funds~~. Interest~~, interest, or dividends earned are counted as income from assets even when the earnings are reinvested. The value of stocks and other assets vary from one day to another. The value of the asset may go up or down the day before or after income is calculated and multiple times during the year thereafter. The owner may assess the value of these assets at any time after the authorization for the release of information has been received.

Real Property

The value of real property is always counted as an asset.

Equity in rental property or other capital investment. Include the current fair market value less (a) any unpaid balance on any loans secured by the property; and (b) reasonable costs that would be incurred in selling the asset (~~i.e.,~~that is, penalties, broker fees, etc.). If the person's main business is real estate, then count any income as business income. Do not count it as an asset and as business income.

Only the interest portion of the monthly payment received by the tenant is included as income. For interest income from the sale of real property, if said property was sold on an installment sales contract, request one of the following:

- A letter from an accountant, attorney, real estate broker, the buyer, or a financial institution stating interest due for the next 12 months~~. (A~~; a copy of the check(s) paid by the buyer to the tenant is ~~NOT~~not sufficient since appropriate breakdowns of interest and principal are not included~~.); or~~
- Amortization schedule showing interest for the 12 months following the date the purchaser intends taking occupancy~~.~~

For rental income from property owned by the tenant, request each of the following:

- IRS Form 1040 with Schedule E (Rental Income~~).~~)
- Lease between the tenant and the tenant's renter~~.~~
- Lessee's written statement identifying monthly payments due the tenant and tenant's affidavit as to net income realized~~.~~

6.10 Household ~~Assets Do Not Include~~Asset Exclusions

Household assets do not include:

- NPP including clothing, furniture, cars, etc.
- Retirement accounts under IRS-recognized retirement plans (~~e.g.,~~for example, IRA, employer retirement plans, and retirement plans for self-employed individuals~~).~~)
    - Note that regular distributions or withdrawals from such accounts are treated as income.

- Real property without legal authority to sell
- Legal settlements from civil actions or settlement based on a claim of malpractice, negligence or other breach of duty owed to a family member, for an incident resulting in a disability
- Interests in Indian land trusts
- Coverdell or 529 education savings accounts, ABLE accounts, ~~"~~baby bond~~"~~ accounts
- Term life insurance policies
- Equity in a manufactured home where the family receives assistance under 24 ~~CFR Part~~C.F.R. 982 (Housing Choice Voucher)
- Equity in property under the Homeownership Option for which a family receives assistance under 24 ~~CFR part~~C.F.R. 982~~.~~
- Family Self-Sufficiency Accounts
- Federal tax refunds or refundable tax credits from the 12 months prior to the certification effective date (~~e.g.,~~for example, Earned Income Tax Credits~~).~~)
    - Note that HUD instructs owners to subtract the value of any tax return that a household has received in the last 12 months from total net assets. This may mean self-certification of assets is allowed if subtracting the refunds or refundable credits puts the total value of net assets below the amount HUD allows to be self-certified.
- Trust funds that are not revocable by, or under the control of, any family member as long as they continue to be held as such~~.~~
    - When a trust is in the control of a household it is an asset to the household, and income is counted as the trust generates it.
    - Distributions/withdrawals from the trust in the household's control are not counted as income. When a trust is ~~NOT~~not in the control of a household it is ~~NOT~~not an asset to the household.
    - Distributions received from the trust are income except for the following two exclusions: 1~~. Distributions~~) distributions from the principle or corpus of the trust~~.~~ and 2~~. Distributions~~) distributions that are made to pay for the health and medical expenses of a minor child.
- Assets that are part of an active business (not including rental of properties that are held as investment and not a main occupation)
- Assets that are not effectively owned by the applicant~~. That~~; that is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household, and that other person is responsible for income taxes incurred on income generated by the assets~~.~~
- Assets not accessible to the applicant and provide no income to the applicant ~~(e.g.,~~
    - For example, a battered spouse owns a house with her husband. Because of the domestic situation, ~~s/he~~she receives no income from the asset and cannot convert the asset to cash~~).~~.

6.11 ~~———~~Assets Owned Jointly

For assets jointly owned by one or more individuals outside of the family, owners must include the total value of the asset in the calculation of net assets, unless the asset is otherwise excluded, or unless the applicant can demonstrate that the asset is inaccessible to them, or that they cannot dispose of any portion of the asset without the consent of another owner who refuses to comply. If the applicant demonstrates that they can only access a portion of an asset, then only that portion's value shall be included in the calculation of net assets. Likewise, any income from a jointly owned asset must be included in annual income, unless that income is specifically excluded, or unless the applicant demonstrates that they do not have access to the income from that asset, or that they only have access to a portion of the income from that asset.

If an individual is a beneficiary who is entitled to access the account's funds only upon the death of the account's owner, and may not otherwise withdraw funds from an account, then the account is not an asset, and the individual should provide proper documentation demonstrating that they are only a beneficiary on the account.

6.12 Instructions for Valuing Assets

In computing assets, owners must use the cash value of the asset; that is, the amount the family or household would receive if the asset were converted to cash. Cash value is the market value of the asset minus reasonable costs that were or would be incurred in selling or converting the asset to cash. Expenses which may be deducted include:

- Penalties for withdrawing funds before maturity~~;~~
- Broker/legal fees assessed to sell or convert the asset to cash~~; and~~
- Settlement costs for real estate transactions~~.~~

For non-liquid assets, enough information should be collected to determine the current cash value: the net amount the family would receive if the asset were converted to cash.

Owners must count assets disposed of for less than fair market value during the two years preceding certification or recertification. The amount counted as an asset is the difference between the cash value and the amount received, if the difference is more than $1,000. If a tenant has sold ~~his/her~~their home (either a private residence or rental) or disposed of other assets within the past two years for less than fair market value, request:

- Copies of closing documents (HUD-1, settlement statement) showing the selling price, the distribution of the sales proceeds and the net amount to the tenant~~.~~
- Divestiture of Assets Verification identifying the disposed-of asset, the cash value and amount actually received~~.~~

Actual income from assets is always included in a family's annual income, regardless of the total value of net family assets, unless that income is specifically excluded by 24 ~~CFR §~~C.F.R. 5.609(b).

Income or returns from assets are generally considered to be interest, dividend payments, and other actual income earned on the asset, and not the increase in market value of the asset. The increase in market value is relevant to the cash value of the asset for the purpose of determining total net family assets and imputing income.

When total net assets exceed the amount HUD allows to be self-certified (when HOTMA implementation guidance was released, this amount was $50,000), income from assets is no longer determined based on the greater of actual or imputed income from the assets. Instead, imputed asset income must be calculated for specific assets when three conditions are met:

1. The value of net family assets exceeds the amount HUD allows to be self-certified~~;~~
2. The specific asset is included in net family assets~~; and~~
3. Actual asset income cannot be calculated for the specific asset~~.~~

Imputed asset income is calculated by multiplying the net cash value of the asset, after deducting reasonable costs that would be incurred in disposing of the asset, by the current HUD-published passbook rate.

To properly calculate income from assets:

1. Review the list of assets provided by the applicant or resident.
2. Categorize assets as NPP, NNPP, and real property.
3. Exclude any NPP.
4. Determine the total value of NNPP.
    a. If the total value of all NNPP is less than the amount HUD allows to be self-certified, assign a $0 value to each asset, but calculate income, if any.
    b. If the total value of all NNPP exceeds the amount HUD allows to be self-certified, fully verify the assets, assign the net value of the asset and calculate actual or imputed income to each asset.
5. Add NNPP to any real property. If the total value exceeds the amount HUD allows to be self-certified, ~~impute~~all assets must be verified. Impute income for any assets that cannot otherwise have income determined.
6. Subtract any federal tax return or refundable tax credit the household received in the past 12 months (if an applicant anticipates a $500 federal tax refund but only receives $250, then only $250 will be excluded from net assets because that is the amount actually received~~.~~). If the subtraction results in a negative number, then net family assets are considered $0.

Refer to the examples in Attachment F to HUD Notice 2023-10.

Owners should not conflate an asset with an actual return of $0~~,~~ with an asset for which an actual return cannot be computed, such as could be the case for some non-financial assets. If the asset is a financial asset and there is no income generated (for example, a bank account with a 0% interest rate or a stock that does not issue dividends), then the asset generates zero actual asset income, and imputed income is not calculated. When a stock issues dividends in some years but not others (~~e.g.,~~for example, due to market performance), the dividend is counted as the actual return when it is issued, and when no dividend is issued, the actual return is $0. When the stock never issues dividends, the actual return is consistently $0.

6.13 General Income Verification Requirements

The Sworn Income and Asset Statement (or owner's application containing, at a minimum, the information on the Sworn Income and Asset Statement) must be used as the basis for determining the necessary verifications.

Refer to Table J2 in HUD Notice 2023-10 for Verification Hierarchy and order of acceptability. Note that HUD's EIV system *cannot* be used for the HTC ~~program~~Program.

Owners must follow up on any incomplete, inconsistent, or missing information with the verification source and document such follow-up in the resident file. A Phone Verification/Clarification Record form is recommended for this purpose. Verifications and follow-up records are considered supporting documentation to the TIC.

~~Reminder:~~ Owners are not allowed to use information obtained through Enterprise Income Verification (EIV) for non-HUD programs, including the HTC Program. If a property has both HUD and HTC, EIV cannot be used to verify income for Section 42, nor can it be in the HTC portion of a tenant's file.

Acceptable Verification Descriptions and Guidance

Upfront Income Verification (UIV) (Level 6/5)

The verification of income, before or during a family reexamination, through an independent source that systematically and uniformly maintains income information in computerized form for a number of individuals. HUD encourages owners to use tools such as The Work Number (an automated verification system) and state government databases to verify tenant-reported income.

Written, Third-Party Verification (Level 4)

An original or authentic document generated by a third-party source dated within 120 days of the date received by the owner. For fixed-income sources, a statement dated within the appropriate benefit year is acceptable documentation.

Such documentation may be in the possession of the tenant (or applicant) and is commonly referred to as tenant-provided documents. Owners may obtain any tenant-provided documents and follow up directly with the third-party source to obtain necessary verification of information~~,~~ when necessary.

Examples of acceptable tenant-provided documentation (generated by a third-party source) include but are not limited to ~~the following:~~ pay stubs, payroll summary report, employer notice/letter of hire/termination, SSA benefit verification letter, bank statements, child support payment stubs, welfare benefit letters and/or printouts, and unemployment monetary benefit notices.

Owners are required to obtain a minimum of two current and consecutive pay stubs for determining annual income from wages. If a family disagrees with the income calculation, owners may request additional paystubs for a more accurate calculation. For new income sources or when two pay stubs are not available, use the verification hierarchy level 3, then level 2 if necessary, then level 1 if attempts to obtain level 3 and level 2 verifications are not successful (see definitions and documentation requirements~~,~~ below).

Income tax returns with corresponding official tax forms and schedules attached and including third-party receipt of transmission for income tax return filed (~~i.e.,~~that is, tax preparer's transmittal receipt, summary of transmittal from online source, etc.) are an acceptable form of written, third-party verification.

When verification of assets is required, owners are required to obtain a minimum of one statement that reflects the current balance of banking/financial accounts.

Written, Third-Party Verification Form (Level 3)

This type of verification uses forms specifically developed to collect information from a third-party source. Owners send the form directly to the third-party source by mail, fax, or email. The form is completed by the third party by hand (in writing or typeset) and returned to the owner.

Minnesota Housing provides ~~sample verifications and other forms~~sample verifications and other forms to assist owners with this method. The release of information (at the top of the form) must be completed and signed by the person who is the subject of the verification prior to sending the form to an employer or other source.

Oral Third-Party Verification (Level 2)

Independent verification of information by contacting the individual income/expense source(s), as identified through the UIV technique, or identified by the family, via telephone or in-person visit. Owner must document in the tenant file the date and time of the telephone call (or visit to the third party) and the name of the person contacted and their telephone number, along with the confirmed information.

This verification method is commonly used when the independent source does not respond to the owner's faxed, mailed, or ~~e-mailed~~emailed request for information in a reasonable time frame (~~e.g.,~~for example, 10 business days).

Non-Third-Party Verification: Self-Certification (Level 1)

The tenant submits a signed statement of reported income and/or expenses to the owner. This verification method should be used as a last resort when obtaining information via all other required verification techniques is not successful and the tenant file must contain documentation of why third-party verification was not available.

The self-certification is not required to be notarized; however, the following language should be included on any self-certification to ensure the certifier understands the consequences of knowingly providing false information:

> *"I/We, the undersigned, certify under penalty of perjury that the information provided here is true and correct, to the best of my knowledge and recollection. WARNING: Anyone who knowingly submits a false claim or knowingly makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. 287, 1001, 1010, 1012; 31 U.S.C. 3279, 3802)"*

Self-Certification of Assets

Minnesota Housing allows self-certification of assets when the net value does not exceed the amount HUD allows to be self-certified (when HOTMA implementation guidance was released, this amount was $50,000).

Minnesota Housing's monitoring procedure and IRS Revenue Procedure 94-65 do not permit an owner to rely on a low-income tenant's signed, sworn statement of annual income from assets if a reasonable person in the owner's position would conclude that the tenant's income is higher than the tenant's represented annual income. In this case, the owner must obtain other documentation of the low-income tenant's annual income from assets to satisfy the documentation requirement of third-party asset verification.

Optional Streamlined Income Determination for Fixed-Income Source

During the annual income recertification, owners may use a streamlined income determination to adjust a family's income according to the percentage of a family's unadjusted income that is from fixed income (refer to list of fixed income sources below) as follows:

- When 90% or more of a family's unadjusted income consists of fixed income, owners must apply a cost-of-living adjustment (COLA) to the family's fixed income sources, provided that the

family certifies both that 90% or more of their unadjusted income is fixed income and that their sources of fixed income have not changed from the previous year. Owners may accept a self-certification by the tenant to adjust income for non-fixed sources.

- When less than 90% of a family's unadjusted income consists of fixed income, owners must apply a COLA to each of the family's sources of fixed income. Owners must verify all non-fixed income sources using regular verification methods.

The following are fixed income sources eligible for the streamlined approach:

- Social Security, Supplemental Security Income, Supplemental Disability Insurance~~;~~
- Federal, state, local, or private pension plans~~;~~
- Annuities or other retirement benefit programs, insurance policies, disability or death benefits, or other similar types of periodic receipts~~; or~~
- Any other source of income subject to adjustment by a verifiable COLA or current rate of interest (~~e.g.,~~for example, Veteran's Administration (VA) Disability, TANF, federal pensions~~).~~)

The current COLA or rate of interest specific to the fixed source of income must be used to adjust the income amount. Verification of the COLA or rate of interest must be obtained from a public source or through tenant-provided, third-~~-~~party generated documentation and a copy must be placed in the tenant file. If no such verification is available, this streamlined process cannot be used and regular, third-party verification will be required.

This streamlined process can only be used for two years following regularly verified income and only for the sources described above. Every third year, third-~~-~~party verification must be obtained. Assets are not subject to streamlining and must be verified each year.

6.14 Determination of Income Using Other Means Tested Public Assistance

Owners may determine a family's annual income, including income from assets, using income determinations from the following types of means-tested federal public assistance programs (Safe Harbor):

- The Temporary Assistance for Needy Families block grant (42 U.S.C. 601, et seq~~.).~~)
- Medicaid (42 U.S.C. 1396 et seq~~.).~~)
- The Supplemental Nutrition Assistance Program (42 U.S.C. 2011 et seq~~.).~~)
- The Earned Income Tax Credit (26 U.S.C. 32~~).~~)
- The Special Supplemental Nutrition Program for Woman, Infants, and Children (42 U.S.C. 1786~~).~~)
- Supplemental Security Income (42 U.S.C. 1381 et seq~~.).~~)
- Other programs administered by the Secretary~~.~~
- Other means-tested forms of federal public assistance for which HUD has established a memorandum of understanding~~.~~

- Other federal benefit determinations made by other means-tested federal programs that the Secretary determines to have comparable reliability and announces through a Federal Register notice~~.~~

If owner elects to use the annual income determination from one of the above-listed forms of means-tested federal public assistance, they must obtain the income information by means of a third-party verification. The third-party verification must state the family size, must be for the entire family (~~i.e.,~~that is, the family members listed in the documentation must match the family's composition in the assisted unit, except for household members), and must state the amount of the family's annual income. The annual income need not be broken down by family member or income type. Annual income includes income earned from assets, therefore when using Safe Harbor to verify a family's income, owners will neither further inquire about a family's net family assets, nor about the income earned from those assets. The Safe Harbor verification may be in the form of an award letter from the relevant federal program and must show that the family's income determination was made in the previous 12 months. HUD clarifies that the verification will be considered acceptable if the documentation meets the criteria that the income determination was made within the 12 months prior to the receipt of the verification by the owner. The Safe Harbor documentation will be considered acceptable if any of the following dates fall into the 12-month period prior to the receipt of the documentation by the owner:

- Income determination effective date~~;~~
- Program administrator's signature date~~;~~
- Family's signature date~~;~~
- Report effective date~~; or~~
- Other report-specific dates that verify the income determination date~~.~~

The only information owners are permitted to use to determine income under this Safe Harbor is the total income determination made by the federal means-test program administrator. Other federal programs may provide additional information about income inclusions and exclusions in their award letters; however, these determinations and any other information must not be considered for purposes of the HOTMA Safe Harbor provision. Owners are not permitted to mix and match Safe Harbor income determinations and other income verifications.

If an owner does not accept Safe Harbor documentation, is unable to obtain Safe Harbor documentation, or if the family disputes the other program's income determination, the owner must calculate the family's annual income using regular verification methods.

If the owner uses a Safe Harbor to determine the family's income, this might mean that a certain source of income was not considered in the family's income, because the other program did not consider the source to be income. For example, if a family begins receiving a new source of income on ~~2/~~February 1~~/~~, 2026, and the owner completed a TIC effective ~~3/~~March 1~~/~~, 2026, using a Safe Harbor income determination, the new source of income would not be included. This aligns with the Section 8

program's Safe Harbor determination which would require the new source of income to be reported and included at the next income reexamination.

Minnesota Housing will also consider the gross income determination for project-based and tenant-based Section 8 and USDA Rural Development to be Safe Harbor income determinations for HTC. A fully completed, signed, and dated ~~tenant income certification~~TIC for those programs will satisfy all third-party verification requirements.

6.15 Effective Term of Verification

Verifications are valid for 120 days from the date of receipt by the owner, not the effective date of the TIC. If verifications are more than 120 days old from the date of receipt by the owner, the owner must obtain new verifications. For fixed-income sources, a statement dated within the appropriate benefit year is acceptable documentation.

6.16 Date Stamp

All income, asset, and eligibility verifications should be date-stamped as they are received. If verifications are not date stamped, Minnesota Housing may use the date the document was signed by the verification source or generated from the web to determine its age.

6.17 Electronic Signatures

Minnesota Housing will not fail a tenant file solely because it contains documents signed by electronic means as long as the owner has followed the guidance in HUD Notice H 20-10. Applicants and tenants must still be given the option to use wet signatures on paper, if requested.

As part of the inspection of administrative records, compliance staff may review the owner's e-signature policy and procedures, if applicable, to determine whether the requirements of HUD Notice H 20-10 are ~~being~~ satisfied for the use of electronic signatures.

Chapter 7 – Sale, Transfer, or Disposition of the Project and Reporting Casualty Losses

During the 15-year compliance period, Minnesota Housing must notify the IRS of any sale, foreclosure, abandonment, casualty loss, or destruction by filing IRS Form 8823. The IRS has suggested in ~~Treasury Regulation~~Treas. Reg. 1.42-5 that, if a building is sold or otherwise transferred by the owner, the transferee should obtain from the transferor all information related to the first year of the tax credit period so the transferee can substantiate HTCs claimed. Under ~~Section~~section 42(j)(6), revised July 30, 2008, there is no recapture on dispositions as long as long as 1) it is reasonably expected the building will continue to be operated as a qualified low-income building~~;~~ and 2) the taxpayer elects to be subject to the new longer statute of limitations. Owners are not required to post a Credit Disposition Bond or pledge Treasury Securities to avoid recapture.

All unexpended funds remaining in development reserve accounts must remain for development use during the term of the compliance period and extended use period

7.01 Reporting the Sale, Transfer, or Disposition of a Project

Throughout the term of the LURA, including the 3-year tenant protection period, owners must notify Minnesota Housing in advance of any sale, transfer of ownership interest, foreclosure, or abandonment. Failure to notify Minnesota Housing from the time of selection or preliminary determination letter throughout the term of the extended use period will be considered noncompliance and may have an adverse effect on all individuals/entities from the development team on each side of the transfer that submits applications in future rounds.

Under some HTC Qualified Allocation Plans (QAPs), a sale or transfer of ownership interest from the date of reservation to five years after the PIS date may have an adverse effect on individuals/entities that wish to submit applications for tax credits in future years. Under more recent QAPs, Minnesota Housing's approval is required and unapproved changes from the time of selection or preliminary determination letter throughout the term of the extended use period may have an adverse effect on individuals/entities from the development and management team on each side of the transfer that submits applications in future rounds. Refer to the applicable QAP for specific language regarding penalties.

To begin the notification process, the owner must submit a ~~Request for Action.~~Request for Action. Minnesota Housing will advise the owner of documentation that must be submitted for review, and, if applicable, Minnesota Housing approval. Documents for property sales may include, but are not limited to:

- Copies of purchase agreements and assignments or amendments
- Minnesota Secretary of State Certificate of Good Standing
- Organizational documents of the purchaser

- A copy of the warranty deed

Any prospective purchaser, member, or partner must certify that they have the training and/or experience to successfully operate a tax credit property. Drafts may be submitted for review prior to closing, but final documentation must be submitted within 10 days after the closing date. Minnesota Housing will update its records to recognize an ownership or ownership interest change after Minnesota Housing staff has reviewed all requested documentation. All compliance requirements and any consequences for failing to comply are the responsibility of the owner of record that Minnesota Housing has listed on file.

7.02 Reporting Casualty Losses

Owners must notify Minnesota Housing within 30 days of any casualty loss and/or destruction of any part of the property that affects habitability. Minnesota Housing must file ~~form~~IRS Form 8823 to notify the IRS of such casualty losses. Under ~~Section~~section 42(j)(4)(E), taxpayers are provided relief from the credit recapture provisions in the event of a casualty loss if the loss is restored within ~~"~~a reasonable period established by the Secretary~~,"~~, which has been interpreted by the IRS to be up to two years following the end of the tax year in which the casualty loss occurred. Refer to CCA 200134006; also refer to ~~Section~~section 165 of the Internal Revenue Code. This standard applies throughout the extended use period.

Submit a ~~Report of Casualty Loss form~~ Report of Casualty Loss Form following any casualty loss that includes units out of service for more than one rental period or loss of usability of common areas or other areas of the project.

Chapter 8 – Correction and Consequences of Noncompliance

Minnesota Housing uses the ~~IRS~~ IRS Guide for Completing Form 8823, Low Income Housing Credit Agencies Report of Noncompliance or Building Disposition (8823 Guide), ~~containing~~which contains instructions for monitoring agencies to determine noncompliance, what constitutes correction, and how and when noncompliance and property dispositions are to be reported.

Owners and property managers are encouraged to read the 8823 Guide and refer to it when questions arise as to how to correct noncompliance.

8.01 Notice to Owner

Minnesota Housing is required to provide prompt written notice to the owner of an HTC project if Minnesota Housing does not receive the Owner's Certification of Continuing Program Compliance in Extended Use Period and other forms. Minnesota Housing is also required to provide prompt written notice to the owner of an HTC project if it does not receive or is not permitted to inspect the TICs, supporting documentation, and rent records~~;~~ or if it discovers by inspection, review, or in some other manner that the project is not in compliance with the provisions of Section 42 or its LURA. All compliance violations will be recorded in PORT with a status of UC (uncorrected), CL (clarified), or CR (corrected).

8.02 Correction Period

~~Minnesota Housing~~The owner will ~~establish~~be given a correction period to be established by Minnesota Housing and set forth in ~~the~~a Notice of Noncompliance~~, which will be a period of up to~~ sent via email to the owner with instructions on how to respond to the notice. In accordance with Treasury Regulations, the correction period will not exceed 90 days from the date of the ~~notice to the owner described in paragraph (e)(2) of Treasury Regulation 1.42-5.~~Notice of Noncompliance and may be a shorter period. At its discretion, Minnesota Housing ~~is permitted to~~ may extend the correction period ~~for up to six total months, but only after determining~~if Minnesota Housing determines there is good cause for granting the extension.

Requests for an extension must be in writing~~,~~ from the owner (email is acceptable), must be received by Minnesota Housing no later than the last day of the correction period identified on the Notice of Noncompliance, and must include ~~an explanation of the efforts to correct the noncompliance, the reason the extension is needed, and a timeline for correcting the noncompliance.~~each of the following:

- A description of efforts to make corrections within the correction period
- A plan to correct all remaining violations
- A timeline for when corrections are expected to be made

Minnesota Housing will not extend the correction period beyond six months from the date of the Notice of Noncompliance.

Minnesota Housing will review the owner's response and supporting documentation, if any, to determine whether the noncompliance has been clarified or corrected and will update the status of the violation in PORT accordingly.

8.03 Notice to the ~~Internal Revenue Service (~~IRS~~)~~

Minnesota Housing is required to file IRS Form 8823, "Low Income Housing Credit Agencies Report of Non-Compliance or Building Disposition," with the IRS no later than 45 days after the end of the correction period (~~including~~ permitted extensions).

Minnesota Housing must check the appropriate box on IRS Form 8823 indicating the nature of the noncompliance or failure to certify and indicate whether the owner has corrected the noncompliance or failure to certify. If the noncompliance or failure to certify is corrected, Minnesota Housing will provide a date on which the noncompliance was corrected. If Minnesota Housing cannot determine that an owner's actions have corrected all noncompliance, no correction date will be provided; however, an attachment to Form 8823 will be provided that identifies any noncompliance that has been corrected. Any change in either the applicable fraction or eligible basis, under paragraph (c)(1)(ii) and (vii) of ~~Treasury Regulation~~Treas. Reg. 1.42-5~~,~~ respectively, that results in a decrease in the qualified basis of the project under ~~Section~~section 42-(c)(1)(A) is noncompliance that must be reported to the IRS. Minnesota Housing will send the owner a copy of IRS Form 8823.

If uncorrected noncompliance is reported to the IRS, a corrective IRS Form 8823 cannot be filed until all instances of noncompliance that were the subject of IRS Form 8823 are corrected for that building.

If Minnesota Housing reports on IRS Form 8823 that a building is entirely out of compliance and will not be in compliance at any time in the future, it is not necessary to file IRS Form 8823 in subsequent years to report that building's continued noncompliance.

8.04 Recapture of Credit

Generally, during the compliance period, a project is out of compliance and recapture applies if:

- There is a decrease in the qualified basis of the building from one year to the next; or
- The building no longer meets the minimum set-aside requirements of ~~Section~~section 42(g)(1), the gross rent requirements of ~~Section~~section 42(g)(2), or the other requirements for the units which are set aside.

Vacant units that were previously occupied by HTC tenants can continue to be counted for minimum eligibility if the owner has made reasonable attempts to rent the unit to an eligible tenant and the unit

is suitable for occupancy. Refer to IRS Revenue Ruling 2004-82, Q9 for guidance on what constitutes reasonable attempts.

If the project is out of compliance, a penalty will apply to all units in the project (IRS Form 8611). Penalties may include:

- Recapture of the accelerated portion of the tax credits for prior years~~;~~
- Disallowance of the credit for the entire year in which the noncompliance occurs~~; and~~
- Assessment of interest for the recapture year and previous years~~.~~

If the noncompliance is due to a reduction in qualified basis and the minimum eligibility requirements of 20% or 40% are still met, recapture and disallowance of credit will apply only to units not in compliance.

If there is a minimal reduction in the floor space fraction or number of qualified units, no recapture will occur, provided the building remains a qualifying HTC building.

Recapture will not occur if, within a reasonable time after the noncompliance was discovered, the situation is corrected.

In the event of a casualty loss, recapture will not occur if the property is restored or replaced within a reasonable period of time.

The above information has been provided for informational purposes to give a general understanding of recapture procedures. The IRS bears the responsibility for determining whether a building owner has claimed the correct amount of credit each year and whether a building owner is subject to recapture. Minnesota Housing is not responsible for determining whether a specific event of noncompliance is a recapture event.

Chapter 9 – Compliance and Monitoring After Year 15

~~9.01 Background~~

~~After the 15-year compliance period has expired, there may be no tax impact in the event of noncompliance; therefore, filing IRS Form 8823 to report noncompliance is no longer an effective consequence. By establishing policy that reflects the terms of the LURA rather than all Section 42 requirements, by creating reasonable and less frequent inspection criteria, and by redefining some of the reporting and eligibility criteria as identified below, it is hoped that it will be administratively easier and less costly for owners and managers to operate HTC properties and maintain compliance at a time when the tax benefit is no longer available. Therefore, after year 15, compliance can be achieved much more easily, but the spirit of the program is not compromised, and the housing will continue to serve the people for whom the program was intended.~~

~~Treasury Regulations~~Trea. Reg. 1.42-5 requires allocating agencies to perform certain compliance monitoring ~~during~~procedures for each year of the compliance period~~; however, the~~. However, Treasury regulations do not require allocating agencies to monitor according to ~~these regulations in the extended use period. IRS officials and other experts have indicated that~~Trea. Reg. 1.42-5 for the years after the 15-year compliance period has expired. For years occurring after Year 15, the IRS does not accept non-compliance filings from allocating agencies ~~may not report noncompliance to the IRS after the compliance period is over. The tax benefit to the owner is exhausted, and the IRS can no longer recapture or disallow credits~~using Form 8823. Therefore, Minnesota Housing has established policies for monitoring HTC properties during the extended use period and imposing certain consequences for noncompliance during the extended use period.

~~In addition, based~~Based on the requirements of the extended use period specified in Section 42 and in the LURA referenced below, Minnesota Housing has the authority to establish ~~different criteria~~modified monitoring procedures for ~~eligible/ineligible student households, available unit rule, unit transfers, and the process for performing annual recertifications during the extended use period, as long as income and rent restrictions, general use~~certain HTC requirements ~~(fair housing), Section 8 acceptance, minimum set-asides, the applicable fraction, and initial and annual recertifications are required. Note, however, that~~and has established the modified procedures described below.

Before implementing any changes noted in this chapter, management agents should ~~an~~ consult with their owners to determine whether the owner ~~wish~~intends to apply for a new allocation of ~~HTC~~HTCs before the extended use period expires. This is known as resyndication. For a resyndication, households determined to be income-qualified for purposes of ~~Section 42 during the 15-year compliance period~~the original LURA may be concurrently income-qualified households for purposes of the ~~extended use period~~new allocation of HTCs *if all Section 42 requirements are met in the original LURA's extended use period.* This includes, but is not limited to, certifying student status and not renting to ineligible, full-time student households, verifying income and assets for annual

recertification for mixed-income properties, following rules regarding unit transfers between buildings that are not part of the same project as defined by Section 42~~, etc. Management agents should consult with their owners before implementing any changes noted in this chapter~~.

~~9.02~~9.01 Compliance Period

Under ~~Section~~section 42(j)(1), the compliance period means, with respect to any building, the period of 15 taxable years, beginning with the first taxable year of the credit period.

The first year of the compliance period is the first year in which the owner claimed HTCs. The first year must be either the year the building(s) are placed in service~~,~~ or, at the owner's election, the year following the placed in service year. All requirements of Section 42, including the ~~Treasury Regulation~~Trea. Reg. 1.42-5 monitoring requirements, are in effect during the 15-year compliance period.

~~9.03~~9.02 Extended Use Period

Section 42(h)(6) establishes that buildings are eligible for HTCs only if there is a minimum long-term commitment to low-income housing. Specifically, to receive an HTC allocation in 1990 and later, the owner must record an extended low-income housing commitment. The document that evidences this commitment is called the Declaration of Land Use Restrictive Covenants for Low Income Housing Tax Credits and is referred to throughout this guide as the LURA. The LURA is recorded with the respective county recorder and/or registrar of titles and ~~"~~runs with the land~~,"~~, regardless of subsequent changes in ownership.

For purposes of this section, the term ~~"~~extended use period~~"~~ means the period:

- Beginning on the day after the last day in the compliance period on which such building is part of a qualified low-income housing project, and
- Ending on the later of:
    - The date specified by Minnesota Housing in the LURA, or
    - The date that is 15 years after the close of the compliance period.

Section 42(h)(6)(E) provides exceptions to the extended use period in the case of a legitimate foreclosure or deed in lieu~~,~~ or, for projects that have not waived this right, if Minnesota Housing is unable to present a qualified contract pursuant to ~~Section~~section 42(h)(6)(F). This guide does not contain guidance for the provisions of ~~Section~~section 42(h)(6)(F) regarding the qualified contract referenced in ~~Section~~section 42(h)(6)(E)(i)(II).

Under ~~Section~~section 42(h)(6)(E)(ii), the termination of an extended use period due to foreclosure or deed in lieu~~,~~ or for failure to present a qualified contract shall not be construed to permit before the close of the three-year period following such termination:

- The eviction, lease non-renewal, or termination of tenancy of an existing tenant of any low-income unit other than for good cause~~, or~~
- Any increase in the gross rent with respect to such unit not otherwise permitted by the applicable rent limits~~.~~

Under Minnesota Housing's LURA, the owner agrees to comply ~~with the following~~ for the term of the agreement with requirements that include, but are not limited to, the following:

- ~~It~~The owner will maintain the applicable fraction by leasing units to individuals or families whose income is at or below 50% or 60% of MTSP (or other MTSPs per the AIT), as irrevocably elected by the owner at the time of allocation (including adjustments for family size) and as determined in accordance with Section 42~~;~~.
- ~~It~~The owner will maintain the Section 42 rent and income restrictions~~;~~.
- All units subject to the credit shall be leased and rented or made available to members of the general public who qualify as low-income tenants (or otherwise qualify for occupancy of the low-income units) under the applicable election specified in ~~Section 42(g) (Section 42(g) pertains to the minimum set-aside election;~~section 42(g).
- The owner agrees to comply fully with the requirements of the Fair Housing Act as ~~it~~ may, from time to time, be amended~~;~~.
- The owner will not refuse to lease a unit to the holder of a Section 8 ~~voucher~~Voucher or other form of tenant-based rental assistance because of the status of the prospective tenant as such holder and will not evict or otherwise terminate tenancy (including lease non-renewal) for other than good cause~~;~~.
- Each low-income unit will remain suitable for occupancy~~;~~.
- The determination of whether a tenant meets the low-income requirement shall be made by the owner at least annually on the basis of the current income of such low-income tenant~~; and~~.
- ~~Other~~The owner will comply with other restrictions as required under the specific year's QAP and related points the owner received to obtain an HTC allocation. These restrictions are property-specific within the respective LURAs, and to the extent they are not otherwise time-limited, the additional restrictions remain in force and effect during the extended use period.

Note that the LURAs have changed from year-to-year according to the respective QAPs; however, the basic language pertaining to the extended use period required by Section 42 has not materially changed.

~~9.04~~9.03 Tenant Eligibility Criteria During the Extended Use Period

During the extended use period, Minnesota Housing ~~requires~~monitors tenant eligibility and certification of income~~,~~ as follows:

- **TIC~~.~~:** At initial occupancy, an initial income certification is required (calculated in a manner consistent with the determination of annual income under Section 8 of the United States Housing Act of 1937 (Section 8), not in accordance with the determination of gross income for federal income tax liability). ~~Annual recertification is as follows:~~
- **Annual recertification** is monitored as follows:
    - Mixed-income HTC properties must recertify income annually, but owners are not required to verify income and income from assets ~~(~~unless there is other financing or a rental subsidy program that requires verification~~).~~. Households must complete a Sworn Statement of Income and Assets or similar form provided by the owner. From information provided by the tenant household, owners must calculate gross annual income, complete and sign the TIC form, and report the recertification in Minnesota Housing's Property Online Reporting Tool (PORT).
    - 100% HTC properties have no recertification requirements; however, on the anniversary date of move-in or the last certification effective date, owners must report the unit and household in PORT and complete all information except current income and student status.
    - Any household that experiences a change in composition within the first six months of occupancy (not including birth or death) must meet initial eligibility requirements and a new initial TIC must be performed.
- **Student Status~~. Since~~:** Minnesota Housing does not monitor student status ~~is not one of~~after the ~~defined requirements~~expiration of the ~~LURA, the student rules under Section 42 are no longer applicable~~Compliance Period.
- **Unit Transfers~~.~~:** Unit transfers from building to building are allowed without triggering noncompliance regardless of the multiple-building election or whether a household's income is over the applicable limit at the time of transfer.
- **Available Unit Rule~~.~~:** The available unit rule is revised to provide that if a household's income goes over 140% of the applicable income limit, a currently vacant unit or the next unit in the same building must be rented to a qualifying household (the ~~"~~comparable or smaller~~"~~ requirement no longer applies). This is essentially a one-for-one unit replacement.
- **Applicable Fraction~~.~~:** Only the unit fraction will be examined to determine ~~a building's~~if a building met its required applicable fraction.
- **Rent Limits~~.~~:** Rent limits as elected by the owner at the time of allocation continue to be in force during the extended use period. Owners of properties that were awarded selection points for additional rent restrictions should refer to the respective QAP or LURA to determine whether those additional rent restrictions are time-limited or if they are in effect for the full term of the extended use period.
- **Utility Allowances~~. Utility allowances~~ (UAs):** UAs must continue to be updated annually. Revised ~~utility allowances~~UAs must be implemented within 90 days of their published effective date.

Minnesota Housing will continue to update the HTC Program income and rent limits that HUD publishes annually.

~~9.05~~9.04 Monitoring Compliance During the Extended Use Period

The following is the monitoring procedure Minnesota Housing will follow during the extended use period:

1. **Annual Owner Certification and Occupancy Reporting~~.~~:** By February 15 of each year or the next business day, Minnesota Housing requires all owners to submit an annual certification of compliance along with reporting occupancy information in PORT. Instructions are provided with the December reminder notice and the PORT User Guide.
2. **Inspections~~.~~:** At least every five years, Minnesota Housing will perform a physical inspection of the property and review tenant files and other pertinent documentation. The first review in the extended use period will be no more than five years from the last inspection conducted during the compliance period. Ten percent of the low-income units up to 15 units in any development (a minimum of four units~~),~~) will be chosen at random for inspection. If the first four units pass inspection, the compliance officer may elect to discontinue inspecting the remaining units. Different units may be chosen for the file review as those receiving a physical inspection. Minnesota Housing compliance staff will continue to work with other inspection entities, including other government agencies, ~~Minnesota Housing staff etc., to share inspection information.~~avoid duplicative inspections. Minnesota Housing may accept ~~National Standards for Physical Inspection of Real Estate (~~NSPIRE~~)~~ inspections conducted by REAC or local housing and redevelopment authorities for ~~project-based section~~Project-Based Section 8 ~~voucher~~Voucher contracts when they are done in the same year as the agency's review. If inspected by Minnesota Housing compliance staff, the inspection will be pursuant to NSPIRE. In its sole discretion, Minnesota Housing may conduct a review of any building and 100% of the units and ~~to~~ examine all records pertaining to rental of HTC units at least through the end of the extended use period of the buildings in the project.
~~3.~~ **Annual Monitoring Fees~~.~~:** Monitoring fees are due annually until the last year of the LURA. Refer to the ~~MF Loan Programs and Fee Schedule.~~Multifamily Loan Programs and Housing Tax Credit Program Fee Schedule. Fees are due at the same time as the owner's annual certification.
~~4.~~3. Minnesota Housing may adjust the fee in its sole discretion due to increasing costs to monitor. ~~**Properties with HUD or Rural Development (RD) oversight.** No HTC inspections or fees will be required for properties with project-based Section 8, RD or other HUD programs since these properties are already subject to inspections and consequences under those programs are in place. Owners must submit the Owner's Certification of Continued Monitoring of Federal Program, indicating whether the property is subject to monitoring for such federal programs and identifying the date of the most recent inspection review. This certification is due on February 15 or the next business day. If a property is no longer subject to monitoring for~~

~~HUD and/or RD programs, then the property must be placed back on the HTC monitoring schedule. If the development is placed back on the HTC monitoring schedule, Minnesota Housing will resume all compliance monitoring activities, including charging a fee for monitoring. The timing of the next review will be based on the last inspection conducted by RD, HUD or its contract administrator.~~

~~5.~~4. **Transfer of Ownership or Ownership Interest~~.~~:** Refer to Chapter 7.

~~6.~~5. **Three-~~year~~Year Tenant Protection Period following Expiration or Termination of Extended Use Period~~.~~:** Refer to section 9.08.

The LURA allows for ~~an~~ amendment by written agreement between Minnesota Housing and the owner. ~~A~~During the Extended Use Period, an owner may request temporary ~~suspension of~~relief to remove or modify Minnesota Housing-imposed restrictions~~ or amendment to the LURA may be requested~~, including income or rent limits, in the event a property suffers from a decline in market conditions that is not expected to improve, and subsequent vacancies compromise the economic viability of the property. The owner must demonstrate that reasonable efforts have been made to meet all compliance requirements. ~~A change in applicable fraction, rent limits or other terms may be negotiated with~~ Minnesota Housing ~~in order~~will consider granting relief only to ~~preserve~~the extent that it complies with Section 42 and IRS requirements, preserves as many low-income units as possible ~~but still protect~~, stabilizes the economic viability of a property~~.~~, and does not result in a lease termination or non-renewal of lease for an occupied unit without good cause. The owner must submit a ~~Request for Action~~Request for Action to begin the process.

~~9.06~~9.05 Consequences of Noncompliance During the Extended Use Period

The following are the procedures for and consequence(s) of noncompliance:

- Properties whose compliance period has expired and are subject to the requirements of the extended use period will be included in the ~~Tax Credit Properties Monitored by Minnesota Housing list or in the Properties Not in Good Standing in the Extended Use Period~~Tax Credit Properties Monitored by Minnesota Housing List, Properties Not in Good Standing in the Extended Use Period List, and/or Participant Suspension list on Minnesota Housing's website.
- If an owner fails to comply with the monitoring requirements and/or terms of the LURA, Minnesota Housing will issue a Notice of Noncompliance and recommendations for correction similar to what is issued during the compliance period. All owners will be given a correction period~~ of time~~ not to exceed 90 days with which to clarify or correct noncompliance and report to Minnesota Housing that all corrections have been made. An~~ extension of an~~ additional 90 days may be granted~~,~~ with good cause. If a property has one or more compliance violations, but the owner is making a good faith effort to correct the violations within a reasonable time, then the property may be considered in good standing at the sole discretion of Minnesota Housing. If the violation(s) cannot be corrected within the 90-day correction period (or within the 90-day extension, if granted) Minnesota Housing may ~~request that~~require the owner and~~/or~~

management agent to formulate a plan and reasonable timeline to bring the violation(s) back into compliance and advise Minnesota Housing in writing of such a plan. Owners will have demonstrated good faith efforts by carrying out the plan within the referenced timeline and the property will remain in good standing.

- If an owner repeatedly delays or ignores requests for monitoring reviews~~;~~, fails to submit annual certifications, reports ~~and~~, or compliance monitoring fees~~;~~, does not correct violations in a timely manner or according to the agreed-upon plan, where applicable~~;~~, or otherwise chooses to ignore the compliance and monitoring requirements (serious and/or flagrant noncompliance) the following are consequences:
  - ~~o~~ At its sole discretion, Minnesota Housing may determine that the property and the owner are ~~Not~~not in ~~Good Standing~~good standing. If a management company is affiliated with, related to, or has common ownership with the owner (as determined at the sole discretion of Minnesota Housing), the management company will also be considered ~~Not~~not in ~~Good Standing.~~good standing. Minnesota Housing's website will reflect the change in status~~; and~~
  - ~~o~~ . A Report of Development Not in Good Standing (HTC 31) will be issued to the owner and filed with the Minnesota Housing development team. ~~No~~Until the property is back in good standing, no further Minnesota Housing funds or tax credits will be awarded to ~~the owner, its partners (and/or proposed developments to be managed by the management company, if affiliated with or related to the owner as described above) until the property is back in good standing.; and~~:
    - Projects involving the not-in-good-standing owner
    - Projects involving entities or individuals with controlling interests in the not-in-good-standing owner
    - Projects proposed to be managed by the management company (if affiliated with or related to the owner as described above).
  - The property may be ineligible for a lower property tax rate under the Low Income Rental Classification (LIRC~~); and~~).
  - Minnesota Housing ~~and~~or any eligible past, current, or prospective tenants have the right to enforce specific performance of the LURA through the court system.
  - Minnesota Housing may pursue any other remedies available in law or equity.

Once good faith efforts are demonstrated to Minnesota Housing's satisfaction, Minnesota Housing will reinstate the property, owner ~~and~~, management company, and other impacted individuals and entities to good standing status and update the website to reflect the change in status.

Owners and management agents must keep careful track of when a development, and in some cases certain buildings within a development, transitions from the compliance period into the extended use period. Premature implementation of the extended use period compliance and monitoring guidelines may result in noncompliance with Section 42 for which Minnesota Housing would be required to file IRS Form 8823.

~~9.07~~9.06 Eventual Tenant Ownership

Owners who are considering converting HTC rental units to homeownership should review the ~~Eventual Tenant Ownership (ETO) Guide~~Eventual Tenant Ownership (ETO) Guide. ~~For~~Contact the HTC team at htc.mhfa@state.mn.us with ETO questions or for additional information~~, contact the HTC team at htc.mhfa@state.mn.us.~~.

~~9.08~~9.07 Three-Year Tenant Protection Period Following Expiration or Termination of Extended Use Period

For three years after the extended use period naturally expires or is terminated pursuant to ~~Section~~section 42(h)(6)(E)(ii), owners may not evict or terminate tenancy (including lease non-renewal or refusal to enter into a new lease on substantially the same terms) for other than good cause and may not increase rents above the allowable Section 42 rent limit.

During this three-year period owners must:

- ~~1.~~• Submit an annual owner certification in PORT's AOC Submission Site~~,~~ certifying that no low-income residents were evicted or tenancy terminated for other than good cause and that rents do not exceed the allowable Section 42 rent limit.
- ~~2.~~• Report a recertification event in PORT for all low-income households that occupied a unit at the expiration or termination of the extended use period (Protected Households), including the respective rent and ~~utility allowance~~UA.
- ~~3.~~• Report the move-out date for Protected Households, where applicable.

Occupancy data on Protected Households and the owner certification are due on February 15 or the next business day for the preceding calendar year. No monitoring fees will be due. Minnesota Housing is not required to perform inspections.

Owners may request a release of the LURA~~,~~ by submitting a Request for Action after the three-year tenant protection period expires or earlier if no protected households remain in the property.

Chapter 10 – Tax Credit Assistance Program and Section 1602 (Tax Credit Exchange) Program

~~10.01 Background~~

The American Recovery and Reinvestment Act of 2009 established two temporary programs providing allocating agencies with tools to help certain HTC-financed rental housing projects close financing gaps created by reduced credit pricing and lack of syndicator equity: ~~the~~

1. The Tax Credit Assistance Program (TCAP), administered by HUD~~, and a program authorizing allocating agencies to exchange HTCs for cash (the~~
2. The Section 1602 Program~~),~~, administered by the U.S. Department of Treasury (U.S. Treasury~~). ~~), which authorized allocating agencies to exchange HTCs for cash that the allocating agency could loan or grant to projects in lieu of HTC.

TCAP funds ~~may only be~~were awarded only to projects where there ~~is~~was an allocation of HTCs. Section 1602 Program funds ~~may be~~were awarded to projects with or without HTCs.

~~10.02~~10.01 Compliance and Asset Management

Properties funded with TCAP and/or Section 1602 Program funds must comply with Minnesota Housing loan documents and with Section 42 for the full term of the compliance and extended use periods, as evidenced by a LURA. Additionally, during the compliance and extended use period, ~~both~~these programs ~~are~~may be subject to asset management oversight by Minnesota Housing.

~~10.03~~10.02 Monitoring and Reporting

Minnesota Housing will monitor compliance with TCAP and the Section 1602 Program in the same manner as the HTC Program as described in this guide; however, Section 1602 will require reporting violations to the U.S. Treasury in a form and manner required by the U.S. Treasury, and not to the IRS on IRS Form 8823. Asset management includes, but is not limited to, lease-up compliance monitoring, operational and financial reporting, and other monitoring pursuant to a Regulatory Agreement with Minnesota Housing.

Questions regarding asset management activities should be directed to ~~Eric Thiewes at eric.thiewes@state.mn.us.~~mhfa.am@state.mn.us.

Appendix A – Legal Addendum

1.01 Conflict and Control

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

1.02 Fraud

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

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

1.03 Misuse of Funds

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

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

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

1.04 Conflict of Interest

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

- **Actual Conflict of Interest:** An Actual Conflict of Interest occurs when a person's decision or action would compromise a duty to a party without taking immediate appropriate action to eliminate the conflict.
- **Potential Conflict of Interest:** A Potential Conflict of Interest may exist if a person has a relationship, affiliation or other interest that could create an inappropriate influence if the person is called on to make a decision or recommendation that would affect one or more of those relationships, affiliations or interests.
- **Appearance of a Conflict of Interest:** An Appearance of a Conflict of Interest means any situation that would cause a reasonable person, with knowledge of the relevant facts, to question whether another person's personal interest, affiliation or relationship inappropriately influenced that person's action, even though there may be no Actual Conflict of Interest.

A conflict of interest includes any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a Partner, Family Member, Relative, Friend, Business or other Outside Interest with which they are involved. Such terms are defined below.

- **Business:** Any company, corporation, partnership, proprietorship, firm, enterprise, franchise, association, organization, self-employed individual or any other legal entity which engages either in nonprofit or profit-making activities.
- **Family Member:** A person's current and former spouse; children, parents, and siblings; current and former children-in-law, parents-in-law, and siblings-in-law; current and former stepchildren and stepparents; grandchildren and grandparents; and members of the person's household.
- **Friend:** A person with whom the individual has an ongoing personal social relationship. "Friend" does not generally include a person with whom the relationship is primarily professional or primarily based on the person being a current or former colleague. "Friend" does not include mere acquaintances (that is, interactions are coincidental or relatively superficial). Social media friendships, connections, or links, by themselves, do not constitute friendship.
- **Outside Interest:** An Outside Interest may occur when an individual, their Family Member or their Partner has a connection to an organization via employment (current or prospective), has a financial interest or is an active participant.
- **Partner:** A person's romantic and domestic partners and outside Business partners.
- **Relative:** Uncle or aunt; first or second cousin; godparent; godchild; other person related by blood, marriage or legal action with whom the individual has a close personal relationship.

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

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

- Terminating the contracting party's participation

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

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

1.05 Assistance to Employees and Affiliated Parties

Any party entering into a contract with Minnesota Housing for the purpose of receiving an award or benefit in the form of a loan, grant, combination of loan and grant or other funding is restricted in issuing a loan, grant, combination of loan and grant or other funding to a recipient ("Affiliated Assistance") who is also: (1) a director, officer, agent, consultant, employee or Family Member of an employee of the contracting party; (2) an elected or appointed official of the state of Minnesota; or (3) an employee of Minnesota Housing, unless each of the following provisions are met:

- The recipient meets all eligibility criteria for the program;
- The assistance does not result in a violation of the contracting party's internal conflict of interest policy, if applicable;
- The assistance does not result in a conflict of interest as outlined in section 1.04 of this Addendum;
- The assistance is awarded utilizing the same costs, terms and conditions as compared to a similarly situated unaffiliated recipient and the recipient receives no special consideration or access as compared to a similarly situated unaffiliated recipient; and
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and independent of any Family Member of the recipient. Family Member is defined in section 1.04 of this Addendum.

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

1.06 Suspension

By entering into any contract with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of

the contract) has not been suspended from doing business with Minnesota Housing. Please refer to Minnesota Housing's website for a list of suspended individuals and organizations (go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing, then select Suspensions from the menu).

1.07 Disclosure and Reporting

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

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

1.08 Electronic Signatures

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

1.09 Fair Housing Policy

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

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

marketing and operating procedures comply with non-discrimination requirements. Housing providers and other entities involved in real estate related transactions must comply with all non-discrimination requirements related to the provision of credit, as well as access to services.

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

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

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

Under certain circumstances, applicants will be required to submit an Affirmative Fair Housing Marketing Plan at the time of application, to update the plan regularly and to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions.

As a condition of funding through Minnesota Housing, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a Housing Choice Voucher or other form of tenant-based rental assistance.

1.10 Minnesota Government Data Practices

Minnesota Housing, and any party entering into a contract with Minnesota Housing, must comply with the Minnesota Government Data Practices Act, Minnesota Statutes, Chapter 13, as it applies to all data provided by Minnesota Housing under the contract, and as it applies to all data created, collected, received, stored, used, maintained or disseminated by the contracting party under the contract. The civil remedies of Minnesota Statutes, section 13.08 apply to the release of the data referred to in this section by either the contracting party or Minnesota Housing. If the contracting party receives a request to release the data referred to in this section, the contracting party must notify Minnesota Housing. Minnesota Housing will give the contracting party instructions concerning the release of the data to the requesting party before the data is released. The contracting party's response to the request shall comply with applicable law.

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Housing Tax Credit Program

Compliance Guide

Last Updated: November 2026



The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, gender identity, or sexual orientation in the provision of services.

An equal opportunity employer.

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

November 2026

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Values Statement

Our vision is that all Minnesotans live and thrive in a stable, safe and accessible home they can afford in a community of their choice.

To achieve this vision, we will reorient how we work and expand who has a voice at the table and who participates in and benefits from our programs and the housing economy.

We acknowledge and understand the intentional harms of the past, how they came to be and persist today, and our responsibility to correct them and remove barriers.

We will:

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

Introduction

This guide establishes Minnesota Housing's compliance monitoring procedures for the HTCs allocated or awarded by Minnesota Housing in accordance with U.S. Code title 26, section 42 and other applicable federal and state law. This guide does not apply to the State Housing Tax Credit Program and Contribution Fund (SHTC Contribution Fund). To learn more about that program, visit Minnesota Housing's State Housing Tax Credit Program and Contribution Fund webpage.

Minnesota Statute 462A.223 designates the Minnesota Housing Finance Agency (Minnesota Housing) as the primary federal low-income housing tax credit (HTC) allocating agency in Minnesota. Minn. Stat. 462A.222, subdivision 1 directs Minnesota Housing to reserve a portion of the state's annual credit ceiling for HTC suballocators, which includes the cities of Duluth, Rochester, St. Cloud, St. Paul, and Minneapolis, and Washington County and Dakota County.

Foreword

Minnesota Housing shall be under no obligation to undertake an investigation of the accuracy of the information submitted for compliance monitoring. Minnesota Housing's review shall not constitute a warranty of the accuracy of the information, nor of the quality or marketability of the housing to be purchased, constructed, or rehabilitated pursuant to the HTC Program. Developers, potential investors, and interested parties should undertake their own independent evaluation of the feasibility, suitability, and risk of the project. If any information submitted by building owners to Minnesota Housing is later found to be incorrect in any material respect, it is the responsibility of the building owners to inform Minnesota Housing and to request a reexamination of the information. Interested parties should consult with a knowledgeable tax professional prior to entering into any commitment concerning the use and claim of HTCs.

The Internal Revenue Service (IRS) released its Guide for Completing Form 8823, the Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition Audit Technique Guide (8823 Guide) in January 2007, revised it in September 2009 and January 2011, and reformatted the 8823 Guide in 2024. The 8823 Guide was not intended to change any Section 42 rules or policies, but to clarify what the IRS considers "in compliance" and for consistency in reporting "out of compliance," and "back in compliance," on IRS Form 8823.

Minnesota Housing's compliance, monitoring, and reporting policies and procedures are reflective of instructions in the 8823 Guide.

This guide has not been reviewed or approved by the IRS and should not be relied on for interpretation of federal income tax law or regulations.

Background and Overview

Section 42(m)(1)(B)(iii) of the Internal Revenue Code (Section 42) requires allocating agencies to include in their Qualified Allocation Plan (QAP) a procedure to monitor all HTC projects for compliance with the requirements of Section 42 and notify the IRS of any noncompliance of which it becomes aware whether it is corrected or not. Refer to Code of Federal Regulations, title 26, section 1.42-5, as amended, for more information.

Minnesota Housing's QAP establishes this guide as the source of these procedures. The compliance monitoring requirements are subject to modification by the IRS, and income determination requirements are subject to modification by the U.S. Department of Housing and Urban Development (HUD). Minnesota Housing will revise this guide annually.

Owners should be aware that Treasury Regulations 1.42-5 explicitly provides that the credit agency monitoring procedures only address the requirements for allocating agency monitoring and do not address forms and other records that may be required by the IRS on examination or audit.

Some HTC projects receive HTCs from both Minnesota Housing and a suballocator. HTC compliance monitoring for those projects will be done by the entity that first allocated HTCs to the project unless the allocators make other arrangements regarding the project.

Tax-exempt bond developments must comply with the same IRS requirements and HTC compliance monitoring procedures as non-tax-exempt bond developments.

On September 30, 2025, the IRS amended Treas. Reg. 1.42-19, which provides guidance on the Average Income Test (AIT), including how the minimum set-aside is met, the timing for when units must be designated for income and rent limits, unit redesignations, unit transfer and available unit rules, and correction of noncompliance.

Chapter 1 – Program Summary

The following is a summary of the requirements of the HTC Program. It is not intended to be detailed or comprehensive.

1.01 Minimum Set-Aside Election

Three options are available for the minimum set-aside requirement:

1. **20/50 test:** No less than 20% of the housing units in a project must be set aside for tenants whose incomes are 50% or less of the Multifamily Tax Subsidy Project income limits (MTSP).
2. **40/60 test:** No less than 40% of the housing units in a project must be set aside for tenants whose incomes are 60% or less of MTSP.
3. **Average Income Test (AIT):** No less than 40% of the housing units in a project must be set aside for tenants whose income does not exceed the imputed income limitation designated by the owner with respect to the specific unit. The designated imputed income limitation for each unit shall be 20%, 30%, 40%, 50%, 60%, 70%, or 80% of MTSP, and the average of the imputed income limitations for the project shall be 60% or less of MTSP.

Each building is considered a separate project under Section 42(g)(3)(D), and the minimum set-aside applies separately to each building, unless the owner elects to treat buildings as a multiple-building project, in which case the minimum set-aside and other project rules apply to the identified project. Owners identify the building(s) in a multiple-building project by attaching a statement to the owner's first-year tax return. Refer to instructions on IRS Form 8609, line 8b for details. This election also determines to which buildings unit transfers may be made and the number of units that Minnesota Housing must inspect during an on-site review.

Property managers should confirm the set-aside that was established by the building owner on IRS Form 8609 for the first year of the credit period to ensure continued compliance. Once selected, the election *cannot* be changed. Note that this is only the *minimum* set-aside. All low-income units must comply with the corresponding income and rent limits. For example, for a 20/50 minimum set-aside, if a building's applicable fraction is 100%, all units must have an income and rent restriction of 50% of MTSP.

Owners may elect additional state-established set-aside requirements (such as additional rent restrictions, serving certain populations, etc.) as a condition of obtaining HTCs. These will be reflected in the allocation documents, which include the Carryover Agreement and Declaration of Land Use Restrictive Covenants for Low-Income Housing Tax Credits (LURA). If such additional set-asides are elected, they must be maintained throughout the compliance period and extended use period and will be monitored at the same time as, and in a manner similar to, Section 42 requirements.

If a property is financed using Native American Housing Assistance and Self-Determination Act (NAHASDA) or HOME Investment Partnerships (HOME) Program funds that 1) have not been subtracted from the basis calculation or 2) have an interest rate below the Applicable Federal Rate, and the owner receives HTCs at the 70% present value rate (that is, 9% HTC), then the owner must rent 40% of the units *in each building* to households whose income is 50% of MTSP or less.[1] There is not a corresponding rent restriction with this HOME income limit set-aside. Rent limits are set according to the elected HTC set-aside and/or any additional rent restrictions under which the allocation was made.

1.02 Rent and Income Requirements

The income necessary to be eligible to rent a unit is based on the household income limits adjusted for family size for the area in which the project is located. Income determination is consistent with Section 8 as described in 24 C.F.R. 5.609.

The formula for computing *maximum* gross rent is based on 1.5 persons per bedroom not to exceed 30% of the corresponding income election.

1.03 Rent and Income Figures

HUD annually publishes MTSP figures for all Minnesota counties. Minnesota Housing uses these figures to calculate the maximum allowable rents and tenant incomes for rental units receiving the HTCs. Minnesota Housing publishes MTSP income and rent limits for HTC projects on its Multifamily Rent and Income Limits webpage and notifies owners and managers of the updated limits as they become available.

Due to the Housing and Economic Recovery Act of 2008 (HERA), income limits for projects funded with HTCs are held harmless from decreases; therefore, they are calculated and presented separately from the Section 8 income limits.

Be sure to use the correct limits table for each property. To avoid confusion, Minnesota Housing produces different tables (for example, Table A, B, C, etc.) for income and rent limits. According to HERA, the placed in service (PIS) date for a project determines which table to use, although owners may make a rent floor election (referenced in last bullet, below). Refer to the MTSP income and rent limit tables on Minnesota Housing's Multifamily Rent and Income Limits webpage.

When determining which MTSP table to use for properties with PIS dates both before and after the income limit effective dates, consider the following:

[1] Buildings placed in service after July 30, 2008, are not subject to this provision.

- The earliest PIS date for a building governs. For example, if a building has acquisition HTCs with a PIS date prior to January 1, 2009, it uses Table A even if the rehabilitation HTC PIS date is after January 1, 2009.
- Under Section 42, each building is considered a separate project unless the owner elects to treat buildings as a multiple-building project. The multiple-building election is made by the owner on line 8b in Part II of IRS Form 8609. However, since IRS Form 8609 is typically issued well after the PIS date, owners of properties with buildings placed in service both before and after the publication of new limits must determine what this election will be and which buildings are part of the project. The owner must document this determination in the property's records and, when completing Part II of IRS Form 8609, the election must be consistent.
- The earliest PIS date for any building that is part of a multiple-building project (line 8b on IRS Form 8609 is or will be checked yes and the owner has identified the buildings that are part of the multiple-building project) determines which table will be used by all of the buildings that are part of that multiple-building project.
- If buildings are not part of a multiple-building project (line 8b is or will be checked no and therefore each building will be treated as a separate project), then each building may use a different table depending on their respective PIS dates.
- Under IRS Revenue Procedure 94-57, the owner may establish a different table for rent limits than the table used for income limits if the owner made a proper Statement of Election of Gross Rent Floor to use the carryover/preliminary determination date to set the rent floor and income and rent limits decrease prior to the PIS date. If the owner makes no election, the rent floor defaults to the carryover or preliminary determination date.

1.04 Building Regulations

The HTC amount allocated to each building in a project is partially calculated based on the eligible basis and applicable fraction.

Eligible Basis

In general, the eligible basis of a building is equal to the building's adjusted basis for acquisition, rehabilitation or construction costs for the entire building, subject to certain conditions and modifications set forth in Section 42(d). As a general rule, the adjusted basis rules of section 1016 apply, with the exception that no adjustments are made for depreciation. Some of the special provisions for determining eligible basis under Section 42(d) are:

- Buildings located in areas designated as a "qualified census tract" or "difficult development area" may qualify for an increase in eligible basis.
- Units intended for eligible HTC tenants must be comparable in size, location and quality to those rented to other tenants. If units rented to non-qualifying households are above the

average quality standards of the units rented to HTC households, then the eligible basis of the project which is used to determine the amount of tax credits must be reduced by the portion which is attributable to the excess costs of the above-standard units. This reduction in eligible basis need not occur if an election is made to exclude such excess costs pursuant to Section 42(d)(3) of the Code.

- The cost of depreciable property used in common areas or provided as comparable amenities to all residential units (for example, carpeting and appliances) is included in determining eligible basis. The cost of tenant facilities (for example, parking, garages and swimming pools) may be included in the eligible basis if there is no separate charge for use of the facilities and they are made available on a comparable basis to all tenants in the project.
- Eligible basis is reduced by federal grants, any historic rehabilitation credits, and nonresidential rental property.
- Eligible basis, as of the end of the first year of the credit period, is reported to the IRS on Part II of IRS Form 8609, and it does not change from year to year, unless a space that originally qualified as residential rental property changes character or a space that was designated for use by qualified tenants is no longer available to them.

Applicable Fraction

The applicable fraction is the lesser of:

- The unit fraction, which is the number of HTC units in a building divided by the total number of residential rental units; or
- The floor space fraction, which is the total floor space of the HTC units in the building divided by the total floor space of the residential rental units in the building.

When determining which units to include in the numerator (low-income units), and in the denominator (total units) of the applicable fraction, consider the following:

- Units that have never been occupied or are occupied by a non-qualified household cannot be included in the numerator but must be included in the denominator.
- Vacant units that were last occupied by a non-qualified household cannot be included in the numerator but must be included in the denominator.
- Units not suitable for occupancy, including HTC units being rehabilitated in the first year of the credit period, cannot be included in the numerator but must be included in the denominator.
- Common space units (units for full-time manager, full-time maintenance, or security) are not included in either the numerator or denominator. Refer to section 1.05 of this guide for more information.
- For projects that elected the AIT minimum set-aside, only units that are part of a qualified group of units (as defined in Treas. Reg. 1.42-19(b)(2)) may be included in the numerator of a building's applicable fraction. Unless a building is a separate project, units included in the

numerator of a building's applicable fraction do not need to be a qualified group of units on their own. See Treas. Reg. 1.42-19(e)(4).

1.05 Full-Time Resident Manager's Unit

The full-time resident or on-site manager's unit may or may not be included in determining the applicable fraction depending on the circumstances. According to IRS Revenue Ruling 92-61, the ways in which the on-site manager's unit may be considered are:

- For buildings that have been placed in service after September 9, 1992, the full-time manager's unit must be treated as common space (that is, it would not be included in either the numerator or denominator of the applicable fraction).
- For buildings that were placed in service prior to September 9, 1992, the full-time manager's unit may be treated as follows:
    - The full-time manager's unit is considered a qualified low-income unit (the rent is restricted to a qualifying amount and the resident manager is a certified low-income tenant); or
    - The full-time manager's unit is considered common space. As common space, the unit would not be included in either the numerator or the denominator of the applicable fraction.

Example: A building contains 24 units and the applicable fraction is 100%. HTCs were allocated based on 23 units. This means that the manager's unit was treated as common space when the HTC was allocated. The applicable fraction would be 23/23 or 100%.

A full-time manager or maintenance person must occupy a resident manager's unit. The number of hours worked does not define full-time; rather, it is defined by the fact that the manager's presence on site is reasonably required for the development. Some things to consider are what is warranted by the type, size and/or location of the development, as well as what is needed in terms of the resident population. Some developments may not need to employ a resident manager for what is normally considered full-time, and other developments may need to employ more than one on-site manager or maintenance person. Full-time is considered to be whatever is reasonably required to make operations run smoothly at the development. As a general guide, a manager who performs management functions such as leasing units, preparing certification paperwork, cleaning, general maintenance, preparing turnovers, collecting rent, etc., and who is available to the site on an on-call basis to respond to emergencies may be considered a full-time manager under this ruling. According to IRS Revenue Ruling 2004-82, dated August 30, 2004, a unit may also be occupied by a full-time security officer and be treated as common space, if reasonably required.

As noted in a Chief Counsel Advice Memorandum dated June 2, 2014, whether an owner charges rents, utilities, or both for common space units is not relevant in the treatment of the units as facilities that are reasonably required for the project. As such, the fact that the owner of a qualified low-income

building charges rents, utilities, or both for units for resident managers or maintenance personnel is not relevant in the treatment of such units as facilities reasonably required for the project. The character and size of the project are, among other things, relevant in determining whether any property, including an employee-occupied unit, is functionally related and subordinate to the project.

Owners of all developments, including those that have not yet received IRS Form 8609, must notify Minnesota Housing of the status of common space unit(s). Prior to issuance of IRS Form 8609, submit a Request for On-Site/Employee Unit and Treatment of Common Space Unit Pursuant to Revenue Ruling 92-61 to the assigned underwriter. After issuance of IRS Form 8609, submit a Request for Action Form along with a Request for On-Site/Employee Unit and Treatment of Common Space Unit Pursuant to Revenue Ruling 92-61 for any unit or change in status to a unit utilized as a site office or occupied by a full-time resident manager, a full-time maintenance person, or a full-time security person as defined in the 8823 Guide and IRS Revenue Ruling 92-61. The following conditions require submission of these forms at the time any change is anticipated:

- Initial request for a common space unit
- Change to a different unit
- Common space unit no longer required

Minnesota Housing will issue an acknowledgement of the common space unit or the reason for denial. For the most part, Minnesota Housing will rely on the owner's determination of whether a full-time unit is reasonably required by the development. However, if Minnesota Housing becomes aware that the unit is not occupied by a full-time manager, maintenance, or security personnel, as represented by the owner, it may become a noncompliance issue.

A unit occupied by a part-time manager, caretaker, or maintenance person must either be treated as a qualified low-income unit or as a market rate unit. If the unit is treated as a qualified low-income unit, then the household must meet all HTC eligibility criteria. Note that any reduction in rent in exchange for services must be considered as income.

1.06 Calculating the First Year Applicable Fraction

To determine the applicable fraction for the first year, find the low-income portion[2] as of the end of each full month that the building was in service during the year. Add these percentages together and divide by 12 (per instructions on IRS Forms 8609 and 8609-A). Note that the applicable fraction must be calculated for both the unit and floor space fraction.

[2] For projects that elected the AIT minimum set-aside, only units that are part of a qualified group of units (as defined in Treas. Reg. 1.42-19(b)(2)) may be included in the numerator of a building's applicable fraction. See section 2.04 of this guide for more information.

Assume that a low-income building was placed in service on January 15 and has the following lease-up schedule during the first year of the credit period.

Table 1: Sample First Year Applicable Fraction

Month	Low-Income Units	Total Units	Monthly Unit Fraction	Low-Income Square Feet	Total Square Feet	Monthly Square Foot Fraction
January	1	10	0%	1,000	12,000	0.00%[3]
February	2	10	20%	2,000	12,000	16%
March	4	10	40%	3,800	12,000	31.66%
April	6	10	60%	5,400	12,000	45%
May	7	10	70%	6,300	12,000	52.5%
June	7	10	70%	6,300	12,000	52.5%
July	7	10	70%	6,300	12,000	52.5%
August	8	10	80%	7,200	12,000	60%
September	9	10	90%	8,400	12,000	70%
October	10	10	100%	12,000	12,000	100%
November	10	10	100%	12,000	12,000	100%
December	10	10	100%	12,000	12,000	100%
N/A	**Sum of monthly unit fraction/12**		**66.66%**	**Sum of monthly square foot fraction/12**		**56.68%**

1.07 Qualified Basis

Qualified basis is the portion of the eligible basis applicable to HTC units in a building. Qualified basis is the product of a project's eligible basis multiplied by the applicable fraction. The original qualified basis is determined as of the last day of the first year of the credit period and is reported to the IRS on Part II of IRS Form 8609.

1.08 Claiming Credits

The HTCs are based on a percentage of the qualified costs of the building and may be claimed annually for 10 taxable years beginning in the year the project is placed in service or, at the owner's election, the year following placed in service. Minnesota Housing will issue IRS Form 8609 for each building with

[3] The owner may *not* count the unit occupied in January toward the first-year applicable fraction since the building was not placed in service the full month. For all other months, even if a resident moved into a unit on the last day of the month, that unit is considered occupied at the end of the month. The first-year applicable fraction for this building would be 56.68% based on this lease-up schedule.

Part I completed. The owner completes Part II and files the IRS Form(s) 8609 with the IRS at the Philadelphia Service Center, with an original signature in Part II, for the first taxable year in which the HTC was claimed. Refer to IRS Form 8609 and 8609-A for detailed instructions.

1.09 Compliance Period and Extended Use Period

All developments receiving HTCs must comply with eligibility requirements for a period of 15 years beginning with the first taxable year of a building's credit period. This is typically referred to as the compliance period. All developments receiving HTC allocations after December 31, 1989, must execute and record a LURA prior to the end of the first year of the credit period. The LURA requires developments to comply with eligibility requirements for a minimum additional 15 years beyond the 15-year compliance period for a total of 30 years or more. This is typically referred to as the extended use period. The LURA is a covenant that runs with the land. Refer to Chapter 9, ("Compliance and Monitoring After Year 15") of this guide for details on requirements after the 15-year compliance period has expired.

1.10 Outline of Minnesota Housing Monitoring Process

During the 15-year compliance period, Minnesota Housing's monitoring generally follows this summarized outline:

1. All HTC projects subject to monitoring by Minnesota Housing must submit a completed owner certification and annual occupancy report to Minnesota Housing by February 15 or the next business day of each calendar year (refer to Chapter 4 of this guide for further details).
2. Minnesota Housing will conduct a compliance inspection of each development at least once every three years and will perform a file review and physical inspection on 20% of the low-income units in each project. For new projects, Minnesota Housing will conduct a monitoring inspection no later than the end of the second year of the credit period.
3. If changes in equity ownership are planned, the owner must submit a Request for Action and other requested documentation (refer to Chapter 7 of this guide for additional information).
4. If Minnesota Housing 1) does not receive certification or documentation, 2) is not permitted to inspect tenant files or perform other inspections, or 3) upon inspection, review or otherwise, becomes aware of an aspect of the project that is not in compliance:
    a. Minnesota Housing will send a notice of noncompliance to the owner with a report that describes the noncompliance. The notice will identify the date by which the noncompliance must be corrected.
    b. Minnesota Housing must file IRS Form 8823 (Report of Noncompliance) no later than 45 days after the end of the correction period regardless of whether the noncompliance has been corrected. Refer to Chapter 8 of this document for more details.

c. Minnesota Housing may take other legal or administrative actions to enforce the terms of the LURA. Failure to take any such action does not release an owner from its obligation to comply.

1.11 Owner's Responsibility

Each owner has chosen to utilize the HTC Program to take advantage of the tax benefits provided. In exchange for these tax benefits, certain requirements must be met.

Prior to issuance of a final HTC allocation, the owner must certify to the total project costs. The owner must also certify that all program requirements have been met. Any violation of the requirements of the program could result in the loss or recapture of HTCs to the owner.

The owner is responsible for compliance with Section 42 and the LURA. The owner must take any lawful action to comply fully with Section 42 and with all applicable rules, rulings, policies, procedures, regulations, or other official statements promulgated or proposed by the U.S. Department of the Treasury, the IRS, or HUD from time to time pertaining to the owner's obligations under Section 42. Any financial consequences to the owner as a result of noncompliance, whether identified by Minnesota Housing or the IRS, will be the responsibility of the owner.

Successful operation of an HTC development is management intensive; the owner is responsible for ensuring that the project is properly administered. Thorough understanding of HTC requirements and compliance monitoring procedures requires training of owners and managers. This training should occur before a development is constructed, purchased, or rehabilitated, and should be provided to the on-site property management staff. At a minimum, such training should cover key compliance terms, qualified basis rules, determination of rents, tenant eligibility, file documentation, available unit procedures and unit vacancy rules, agency reporting and records retention, site visits, and fair housing and equal opportunity. Continuing education each year, or at a minimum every other year, is strongly recommended to keep current with regulatory and procedural changes.

1.12 Noncompliance

If the management agent or the owner determines that a building or entire project is not in compliance with program requirements, they must notify Minnesota Housing immediately. The management agent and the owner must formulate a plan to bring the project back into compliance and advise Minnesota Housing in writing of such a plan.

Chapter 2 – Internal Revenue Service Reporting Requirements

The IRS and Minnesota Housing require owners to file specific forms for compliance and reporting purposes. Failure to submit required forms as outlined in this guide to either the IRS or Minnesota Housing as appropriate will constitute noncompliance and may make the owner subject to disallowance or recapture of HTCs.

2.01 Low Income Housing Allocation Certification (IRS Form 8609)

IRS Form 8609 will be issued by Minnesota Housing for each building within a project. If allocations were issued in multiple years, a separate IRS Form 8609 will be issued for each year's allocation. If rehabilitation and acquisition HTCs are issued on the same building, the acquisition HTC and rehabilitation HTC will receive separate IRS Forms 8609.

Part I of the IRS Form 8609 will be completed by Minnesota Housing and sent to the owner after the project is placed in service and all documentation required by Minnesota Housing is reviewed and approved. Each year Minnesota Housing files IRS Form 8610 with the IRS, which includes the original IRS Forms 8609 issued that year. This allows the IRS to compare IRS Forms 8609 issued by the allocating agency with IRS Forms 8609 submitted with the taxpayer's return.

Minnesota Housing must complete Part I of IRS Forms 8609. Filing an IRS Form 8609 with the IRS in advance of the owner's receipt of the Minnesota Housing signed version of the approved IRS Form 8609, or filing an IRS Form 8609 that does not accurately reflect the information contained on the IRS Minnesota Housing signed version of the approved IRS Form 8609, is an unacceptable practice. Refer to the applicable QAP for more information on unacceptable practices and resulting penalties.

The owner completes Part II and files the IRS Form 8609 with the IRS at the Philadelphia Service Center, with an original signature in Part II, for the first taxable year in which the HTC was claimed. Refer to IRS Form 8609 and 8609-A for detailed instructions.

Owners should consult with their legal and/or tax advisors for advice on completing and filing the IRS tax forms. Minnesota Housing cannot give legal or tax advice on the filing or completion of tax forms.

2.02 Low Income Housing Credit (IRS Form 8586)

One Low-Income Housing Credit (IRS Form 8586) Form must be completed to claim HTCs for the first taxable year in which HTCs are taken and every year thereafter in the compliance period.

2.03 Declaration of Land Use Restrictive Covenants

The building owner must fill out, execute and record an approved Declaration of Land Use Restrictive Covenants (LURA) using the LURA form on Minnesota Housing's website that applies to that project's allocation year, and in accordance with the selection criteria attached to the Preliminary

Determination Letter (also known as 42M Letter) or Carryover Agreement. The executed and recorded LURA must be in effect on or before the end of the first taxable year HTCs are claimed (Section 42(h)(6)(A)). A copy of the executed and recorded LURA must be submitted to Minnesota Housing by the deadline provided by Minnesota Housing and no later than the owner's submission of the 8609 application. Failure to timely and properly record this LURA and submit a copy to Minnesota Housing is an event of noncompliance and will be reported to the IRS. During 8609 review, Minnesota Housing will work with the owner to draft, execute and record an Amended and Restated LURA, if necessary, to reflect changes to the project or financing.

Owners must comply with any occupancy restrictions required by Section 42 and the LURA throughout the compliance period and extended use period. Some LURAs contain relief provisions that allow an owner to petition Minnesota Housing for certain modifications to those requirements. Owners should refer to the LURA for the specific project to determine if relief provisions apply.

Single Room Occupancy Threshold Relief Provision

If the project selected the single room occupancy (SRO) housing threshold requirement and the LURA requires the owner to comply with that threshold, Minnesota Housing recognizes that under some circumstances it may be appropriate for an owner to seek relief from the SRO housing threshold requirement.

If, for a particular unit held to single room occupancy (SRO) housing threshold requirements that require units (SRO units) to be affordable by households whose income does not exceed 30% of MTSP, the necessary rental assistance or operating support (collectively SRO unit subsidy) is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) such withdrawal or termination materially adversely impacts the financial feasibility of the project; (iii) alternative funding is unavailable; and (iv) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to eliminate its requirements for the affected SRO unit(s). Such petition must contain all material facts and supporting documentation substantiating the owner's request including, but not limited to, items (i), (ii), and (iii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, the owner shall no longer be required to treat such SRO unit(s) as SRO unit(s) but must convert the rents of those units to the 50% HTC rent limit, provided that more restrictive thresholds and/or selection priority or funding requirements, if any, do not apply. If such conversion occurs, in order to retain the HTC allocation, the above-described 50% HTC rent limit and the Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the HTC compliance and extended use periods.

If Minnesota Housing shall at any time thereafter, at its sole discretion, determine that an SRO unit subsidy may be available for the remainder of the tax credit compliance and extended use periods, this would not adversely affect the full availability of the HTC allocation, and this would permit the SRO

unit(s) to again serve 30% income households, then at Minnesota Housing's request the owner shall promptly apply for such SRO unit subsidy for the SRO unit(s), upon terms reasonably acceptable to such owner. If such SRO unit subsidy is obtained, the owner shall again set aside such SRO unit(s), when and to the extent then available, to income qualifying individuals.

To request approval to exercise this SRO relief or any other occupancy requirement with a relief provision in the LURA, the owner must submit a Request for Action. During the review and approval process, Minnesota Housing will advise the owner of documentation that must be submitted.

2.04 Recapture of Low-Income Housing Credit (IRS Form 8611)

IRS Form 8611 is used by taxpayers who must recapture tax credits claimed in previous years. A copy of IRS Form 8611 must be filed with the IRS upon completion by the owner.

Chapter 3 – Recordkeeping and Records Retention Requirements

3.01 Recordkeeping

Under the recordkeeping provision of Treas. Reg. 1.42-5, the owner must keep records for each building in the project for each year in the compliance period showing:

- The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit)
- The number of occupants in each HTC unit and the household's student status
- The number and percentage of residential rental units in the building that are HTC units, offices, and management units
- The rent charged on each residential rental unit in the building (including utility allowance) as well as any additional charges to tenants; documentation must include tenant ledgers, leases, and utility allowances as required by the IRS
- The HTC unit vacancies in the building, marketing information, and information that shows when and to whom each of the next available units was rented
- The Tenant Income Certification (TIC), annual income recertifications (where applicable), and annual student certification of each HTC household
- Documentation to support each TIC, including an application disclosing household composition, income and assets, and all applicable verifications
- The character and use of the nonresidential portion of the building included in the building's eligible basis under Section 42(d) (for example, tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities or facilities reasonably required by the project)
- The eligible basis and qualified basis of the building at the end of the first year of the credit period
- Records demonstrating that any state-established set-aside elected by the owner has been complied with for each year of the compliance period
- For properties electing the AIT, both (1) the qualified group of units that satisfy the AIT minimum set-aside and (2) the qualified group of units to be used in determining the applicable fractions for the building(s) in the project must be identified and recorded annually in the owner's books and records; see Treas. Reg. 1.42-19(b)(3)(iii).

3.02 Records Retention

The owner must retain the records described above for at least six years after the due date (with extensions) for filing the federal income tax return for that year. The records for the first year of the credit period, however, must be retained for at least six years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period of the building.

Refer to Q&A 11 in IRS Revenue Ruling 2004-82, published August 30, 2004, which clarifies that owners may comply with the records retention provisions under Treas. Reg. 1.42-5(b) by using an electronic storage system instead of maintaining hardcopy (paper) books and records, provided that the electronic storage system satisfies the requirements of IRS Revenue Procedure 97-22.

Owners must maintain applicant and tenant information in a way to ensure confidentiality. Owners must dispose of records in a manner that will prevent any unauthorized access to personal information, such as burn, pulverize, shred, etc.

Chapter 4 – Monitoring: Certification and Review

4.01 Annual Certification

To comply with the certification and review provisions of Treas. Reg. 1.42-5, paragraph (c)(1), the owner must certify to Minnesota Housing, under penalty of perjury, at least annually for each year of the 15-year compliance period, on the Owner's Certification of Continuing Program Compliance, or other forms designated the following for the preceding 12-month period:

- The project met the minimum requirements of the 20/50 test under Section 42(g)(1)(A) of the Code; the 40/60 test under Section 42(g)(1)(B) of the Code; the Average Income Test under Section 42(g)(1)C) of the Code; or the 15/40 test for "deep rent-skewed" projects under Section 42(g)(4) and 142(d)(4)(B) of the Code, whichever applies to the project.
- There has been no change in the applicable fraction (as defined in Section 42(c)(1)(B) of the Code) for any building in the project, or that there was a change and a description of the change.
- At initial occupancy, the owner received a TIC with supporting documentation and an Annual Student Certification from each low-income household. At annual recertification, the owner has received an Annual Student Certification and, where applicable, a TIC with supporting documentation from each low-income household.
- Each low-income unit in the project has been rent-restricted under Section 42(g)(2).
- No tenants in low-income units were evicted or had their tenancies terminated other than for good cause, and no tenants had an increase in the gross rent with respect to a low-income unit not otherwise permitted under Section 42.
- All units in the project are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under Section 42(i)(3)(B)(iii)).
- No finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, has occurred for this project. A finding of discrimination includes an adverse final decision by the HUD Secretary, 24 C.F.R. 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. 3616a(a)(1), or an adverse judgment from a federal court.
- Each building and low-income unit in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low-income unit in the project.
- There has been no change in the eligible basis (as defined in Section 42(d)) of any building in the project since last certification submission, or that there was a change and description of that change.
- All tenant facilities included in the eligible basis under Section 42(d) of any building in the project, such as swimming pools, other recreational facilities, parking areas, washer/dryer

hookups, and appliances were provided on a comparable basis without charge to all tenants in the buildings.

- If a low-income unit in the project has been vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units were or will be rented to tenants not having a qualifying income.
- If the income of tenants of a low-income unit in the project increased above the limit allowed in Section 42(g)(2)(D)(ii) or Section 42(g)(2)(D)(iii), the next available unit of comparable or smaller size was or will be rented to residents having a qualifying income.
- An extended low-income housing commitment as described in Section 42(h)(6) was in effect, including the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f. The owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 Voucher and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment.
- If the owner received its HTC allocation from the portion of the state ceiling set-aside for a project involving qualified nonprofit organizations under Section 42(h)(5), that its nonprofit entity materially participated in the operation of the development within the meaning of section 469(h) of the Internal Revenue Code.
- There has been no change in the ownership or management of the project that has not been reported to Minnesota Housing.

4.02 Annual Submission Requirements

The annual owner's certification must be submitted to Minnesota Housing by February 15 or, if not a business day, the next business day to certify compliance for the prior 12-month calendar year. The first certification is required for the year following execution of a carryover allocation of HTCs or for the year of issuance of a preliminary determination letter in the case of tax-exempt bond HTC awards (even if the project has not yet been placed in service). Once the owner has established the first credit year, the certification is supported by a report of unit events starting when each respective building was placed in service.

The annual owner certification and occupancy reporting are completed in Minnesota Housing's Property Online Reporting Tool (PORT). Detailed instructions are provided with the December annual reminder notice and in the PORT User Guide. The December reminder notice that Minnesota Housing sends is considered notification of an upcoming compliance review. Unless otherwise clarified, Minnesota Housing may report on Form 8823 compliance violations that are uncorrected when the December reminder notice is sent.

Also submit IRS Form 8609 for each building, with Part II completed as filed with the IRS. *Submit IRS Forms 8609 for the first year of the credit period only.* Send a copy to your assigned compliance officer at the time they are filed with the IRS.

Annual monitoring fees are also due with the owner's certification, beginning with the first credit year. Refer to section 5.07 of this guide for details regarding monitoring fees.

Note that the owner's certification provides that all months within each 12-month period are subject to certification, and all certification items must be completed.

Unit event data entered in PORT must be complete and must report gross income at move-in and certification dates, student status, rent amounts and utility allowance information, gross income at annual recertification (or report if a unit is not subject to income recertification) and recertification dates (where applicable), move-out and transfer information, etc.

Note that Minnesota Housing uses this information for monitoring but must also supply information on occupants of HTC units to HUD annually to satisfy its obligations under HERA.

Failure to timely submit a complete and accurate annual owner certification, with all required occupancy information and other documentation, including IRS Form 8609 with Part II completed, is noncompliance.

Owners who received selection points for serving households who meet Minnesota Housing's definition of Long-Term Homeless or High Priority Homeless (LTH/HPH), have the following additional requirements:

(1) Annually, owners must supply operating data in a form and manner determined by Minnesota Housing.
(2) Annually, owners must complete and return a supportive housing assessment survey in a form and manner determined by Minnesota Housing.
(3) Owners must verify if a household meets the definition of LTH/HPH and obtain eligibility documentation from the Homeless Management Information System (HMIS), the coordinated entry provider, or complete the LTH verification or HPH verification for households not in HMIS. The documentation must be maintained in the resident file and provided to Minnesota Housing upon request.
(4) Owners must cooperate in good faith with the Institute for Community Alliances, an Iowa nonprofit corporation (Administrator), and any successors and/or assigns of Administrator's rights and responsibilities regarding the Minnesota HMIS computerized database to (a) participate in and receive any training which Administrator may require from time to time in order for owner to be a licensed user of HMIS and (b) satisfy other reasonable requirements which may be imposed by Administrator and Minnesota Housing in connection with HMIS.
(5) Owners must (a) request certain information from the individuals it serves through the HTC Program, pursuant to Owner's agreement with Administrator, (b) input such information into

HMIS in a timely manner, and (c) run reports and test data for accuracy, as directed by the Administrator and Minnesota Housing.

(6) Owners must obtain any and all necessary disclosures, releases, and consents to permit Minnesota Housing to access information and receive periodic reports from Administrator. additional information is available on the HMIS website. Owners must permit Minnesota Housing to access any and all such information.

4.03 Compliance Monitoring Review Requirements

Under Minnesota Housing's review process, owners must maintain ongoing tenant records on Minnesota Housing approved forms for each unit in the project. The forms provide a historical record of tenant compliance for each unit. Minnesota Housing reserves the right to conduct a review of *any* building after serving appropriate notice and to examine all records pertaining to rental of tax credit units.

Minnesota Housing must inspect each development at least once every three years during the compliance period. Minnesota Housing may adjust the inspection schedule for any reason. Minnesota Housing shall inspect the TIC(s), the documentation to support the TIC(s), and the rent record for each tenant in at least 20% of the low-income units in each project, based on the owner's IRS Form 8609, line 8b election to treat buildings as a single- or multiple-building project and at least 20% of the low-income units in each project. For larger projects, Revenue Procedure 2016-15 established a schedule of the minimum number of units to inspect based on the number of low-income units in the project.

Table 2: Inspection Sampling for Larger Projects

Number of Low-Income Units in the Low-Income Housing Project	Number of Low-Income Units Selected for Inspection or Low-Income Certification Review (Minimum Unit Sample Size)
82-101	21
102-130	22
131-175	23
176-257	24
258-449	25
450-1,461	26
1,462-9,999	27

Minnesota Housing may inspect up to and including 100% of the HTC units in any project for any reason. The first inspection for new projects will occur no later than the end of the second calendar year following the year the last building in the project is placed in service in accordance with Treas. Reg. 1.42-5(c)(2)(A).

The HTC units to be inspected or reviewed must be chosen in a manner that will not give advance notice that certain records will or will not be inspected. Minnesota Housing may give an owner reasonable notice of inspection, not to exceed 28 calendar days, so that the owner may assemble records. In accordance with IRS requirements, Minnesota Housing will not notify the owner which units will be inspected until the day of inspection. Notice of more than 28 calendar days, however, may be reasonable when extraordinary circumstances beyond Minnesota Housing's control exist, such as disasters and severe weather or illness or family emergency of the inspector or site representative, but only if reasonable efforts to find another inspector or site representative are unsuccessful. In addition, Minnesota Housing will inspect at least one vacant unit in each project, if applicable. Vacant units may be substituted for selected units or inspected in addition to selected units, at the inspector's discretion.

Noncompliance that is identified and corrected by the owner prior to notification of an upcoming compliance review or inspection need not be reported to the IRS. According to the Guide for Completing Form 8823, Publication 5913 (1-2024), the IRS considers the date of the notification letter a bright line date.

4.04 Procedure for Compliance Inspection

The compliance inspection includes, but is not limited to, a review of: (1) at least 20% of the low-income tenant files in each project (or the number of units identified in Rev. Proc. 2016-15, whichever is less), including a full inspection and calculation of income eligibility and student status, (2) utility allowance information and other property administrative records, and (3) an inspection of the general physical condition of the property, including 20% of the low-income units in each project (or the number of units identified in Rev. Proc. 2016-15, whichever is less). In addition, all buildings must be inspected, and the unit sampling must include vacant units.

In the year a compliance inspection is due, Minnesota Housing will notify the owner and manager by email. The owner or manager will be required to complete and submit a Pre-Inspection Form as part of the inspection. This form is used to answer questions regarding property characteristics and to identify and submit the applicable administrative records for review, such as utility allowance and source documentation, tenant selection plan, AFHMP, fire, boiler and elevator certificates, etc. Once the date and time of the inspection has been agreed to, Minnesota Housing will send a confirmation email. The confirmation email is considered Minnesota Housing's notification of an upcoming compliance review. Unless otherwise clarified, compliance violations that are uncorrected as of the date of the confirmation email may be reported on IRS Form 8823. If the file review and physical inspection will be conducted separately, separate confirmation emails may be sent. At least 24 hours prior to the inspection date, the owner must notify all occupants of restricted units that their unit may be inspected. A site representative must accompany the compliance officer during the inspection.

In accordance with IRS requirements, Minnesota Housing will not notify the owner which units will be inspected until the day of inspection. Owners must *notify occupants of all program-restricted units that*

their unit may be inspected at least 24 hours prior to the inspection date. Alternate units will be selected at random if there are unattended children under age 18 or if an occupant is sleeping or bathing/showering. The compliance officer will request a list of vacant units at the time of inspection and may substitute one or more vacant units for units selected or may inspect one or more vacant units in addition to units selected. If the inspector finds systemic noncompliance, up to 100% of the units may be inspected.

A re-inspection fee will be charged if the compliance officer is unable to complete the inspection due to owner/agent's failure to notify residents or owner/agent's failure to appear for the inspection. The re-inspection fee will be added to the next compliance monitoring fee. Refer to the Multifamily Loan Programs and Housing Tax Credit Program Fee Schedule for more information.

The Treasury Regulations require allocating agencies to conduct physical inspections consistent with standards governed by HUD's National Standards for the Physical Inspection of Real Estate (NSPIRE) which focuses on inside the building, outside the building, and within the units to ensure that they are "functionally adequate, operable, and free of health and safety hazards." HTC properties are not subject to NSPIRE's scoring protocol. However, noncompliance with any of the NSPIRE inspection standards is considered HTC noncompliance subject to reporting to IRS.

As described in NSPIRE standards, defect severity levels include the following characteristics:

- **Life-Threatening (LT):** Deficiencies that, if evident in the home or on the property, present a high risk of death to a resident. NSPIRE correction period is 24 hours.
- **Severe:** Deficiencies that, if evident in the home or on the property, present a high risk of permanent disability or serious injury or illness to a resident, or the physical security or safety of a resident or their property would be seriously compromised. NSPIRE correction period is 24 hours.
- **Moderate:** Deficiencies that, if evident in the home or on the property, present a moderate risk of an adverse medical event requiring a healthcare visit, cause temporary harm, or, if left untreated, cause or worsen a chronic condition that may have long-lasting adverse health effects, or the physical security or safety of a resident or their property could be compromised. NSPIRE correction period is 30 days.
- **Low:** Deficiencies critical to habitability but not presenting a substantive health or safety risk to resident. NSPIRE correction period is 60 days.

In addition, NSPIRE requires the following minimum Affirmative Habitability Requirements:

- Hot and cold running water in both bathroom and kitchen, including adequate source of safe drinking water in the bathroom and kitchen
- Bathroom or sanitary facility that is in proper operating condition and usable in privacy that contains a sink, a bathtub or shower, and flushable toilet
- At least one battery-operated or hard-wired smoke detector

    - Inside each sleeping room (for example, bedroom)
    - Outside each sleeping room
    - Within 21’ of all bedroom doors
    - On every level of a dwelling unit
- Living room and kitchen area with a sink, cooking appliance, refrigerator, food preparation area, and food storage area
- For units with Housing Choice Vouchers or Project-Based Vouchers, at least one bedroom or living/sleeping room for each two persons in the household
- Must meet carbon monoxide detection standards established through Federal Register notice
- Two working outlets or one working outlet and a permanent light within all habitable rooms
- Outlets within 6’ of a water source must be GFCI protected
- Must contain a permanently installed heating source; units may not contain unvented space heaters that burn gas, oil, or kerosene
- Must have a guardrail when there is an elevated walking surface drop off of 30” or more measured vertically
- Permanently mounted light fixture in the kitchen and each bath

As of December 29, 2024, all smoke detectors which are solely battery-operated must have sealed, tamper-proof batteries.

The following are NSPIRE’s specifications as to the location of each smoke alarm on a wall or ceiling:

- If mounted on the ceiling, it must be more than 4” from the wall.
- It cannot be closer than 4” or more than 12” from the ceiling if mounted on the wall.
- Smoke alarms should not be installed within 36” of windows, exterior doors, or ducts where drafts might interfere with their operation.
- Smoke alarms should not be painted or have stickers or other decorations present.

As of June 11,2024, these two smoke detector deficiencies were changed to recommendations:

- Not installed within 10’ of a cooking appliance
- Not installed within 3’ of ceiling fans, air ducts, exterior doors, or windows

The compliance officer will identify any NSPIRE deficiencies during the inspection so owners may begin making repairs immediately.

Notwithstanding the above inspection requirements, an HTC project must continue to satisfy local health, safety and building codes.

REAC Inspections: As permitted by Treas. Reg. 1.42-5, Minnesota Housing may accept a physical inspection conducted by HUD’s Real Estate Assessment Center (REAC) in the same year that Minnesota Housing’s inspection is due.

Minnesota Housing may conduct a review of *any* building after serving appropriate notice and to examine all records pertaining to rental of HTC units.

4.05 Compliance Forms

Minnesota Housing offers various sample forms to verify and certify income. These sample forms can be found under the Occupancy Forms section on our Documents, Forms and Resources webpage.

Minnesota Housing's sample forms are strongly recommended. Each form has a version date located in the lower right-hand corner. *Replace old forms with any that have been newly revised.* If using alternate or customized forms, they must, at a minimum, contain the information in the sample forms.

Minnesota Housing's form of TIC may only be generated from the Property Online Reporting Tool. Minnesota Housing will accept a TIC generated from property management software if it contains, at minimum, the same information as Minnesota Housing's TIC form.

In addition to the TIC and supporting documentation, the following completed forms must be in all tenant files:

- Minnesota Housing's Government Data Practices Act Disclosure Statement(other funder data practices forms will not be accepted)
- Annual Student Certification
- Resident Notification Letter and Low Income Housing Tax Credit Lease Rider (not required for Section 8 units using the HUD model lease)
- VAWA Lease Addendum and Minnesota Housing Attachment to VAWA Lease Addendum (the Minnesota Housing Attachment is not required for Section 8 units using the HUD model lease)

In addition, the Head of Household and Household Member Demographic Information Form is used to collect data for households approved for occupancy to satisfy the HERA requirement for monitoring agencies to submit tenant data to HUD. Collecting and reporting the data to Minnesota Housing is required; however, a tenant file will not be found out of compliance if the tenant refuses to supply the information or if a completed form is not on file.

4.06 Corrections to Documents

When a change is needed on a document for the HTC Program, the person making the correction must draw a line through the incorrect information, write or type the correct wording or number, and have *all parties initial and date the change.* A document that has been altered with correction fluid or "white-out" will not be accepted by Minnesota Housing.

If changes are made to a TIC, owner must update the respective certification event in PORT.

4.07 Annual Monitoring Fees

Minnesota Housing charges annual monitoring fees to cover the costs of conducting compliance monitoring. The annual fee must be submitted when the owner's certification is due, beginning with the first year of the credit period. Refer to the Multifamily Loan Programs and Housing Tax Credit Program Fee Schedule for more information.

Minnesota Housing may adjust fees in its sole discretion to cover increasing monitoring costs.

4.08 Minnesota Housing Records Retention

Minnesota Housing will retain records of noncompliance or failure to certify for six years beyond the filing date of the respective IRS Form 8823. In all other cases, Minnesota Housing will retain the certifications and records described in Treas. Reg. 1.42-5(c) for three years from the end of the calendar year the agency receives the certifications and records.

4.09 Liability

Compliance with the requirements of Section 42 is the responsibility of the owner of the building. Minnesota Housing's obligation to monitor for compliance with the requirements of Section 42 does not make the agency liable for an owner's noncompliance (Treas. Reg. 1.42-5(g)).

Chapter 5 – Project Rental Requirements

5.01 Allowable Fees and Charges

Section 42 allows owners of HTC developments to claim HTCs based on units that are rent-restricted, occupied by eligible tenants, and suitable for occupancy. To qualify as rent-restricted, the gross rent for a unit must not exceed the applicable rent limit.

Gross rents for the HTC Program are the rents paid by tenants (excluding federal or state rental assistance such as Section 8) plus an allowance for utility costs (except telephone, cable, or internet) paid either directly by tenants or pursuant to an actual consumption submetering arrangement and any other mandatory charges. Charges for non-optional facilities or services such as a washer and/or dryer hookup fee and built in/on storage sheds or lockers (paid month-to-month or in a single payment), utility costs paid by tenants to or through the owner, etc. must always be included in gross rent. The total gross rent cannot exceed the applicable MTSP rent limits for the project.

Permissible Fees

Treasury regulations permit owners to charge a fee for providing services other than housing. If the services are optional, the fee can be excluded from the gross rent computation. If the services are not optional, the fee must be included in the gross rent computation. A service is optional if payment for the service is not a required condition of occupancy.

The regulations also provide that an owner may not charge a separate fee for access to or use of tenant facilities (for example, parking, garage, storage, and other amenities) if the cost of such facilities was included in the eligible basis. Refundable deposits for use of tenant facilities that were included in the eligible basis (for example, a refundable deposit for use of a community room) are permissible and are not included in the gross rent computation.

At their discretion, owners may charge fees that are customary in the local rental housing market, provided that such fees are reasonable and that the amounts of any fees are clearly disclosed in the tenant's lease. Examples of such customary fees may include refundable damage/security and refundable pet deposits. Owners may collect pre-lease deposits as permitted by state law, provided that such deposits are applied to either security deposit or first month's rent upon move-in, and returned if a lease is not entered for any reason.

Fees related to the core functions of operating HTC properties are not permissible. As an example, application fees may be charged to cover the actual out of pocket cost of checking a prospective tenant's income, credit history, and landlord references. Out of pocket costs are amounts paid to a third party, not salaries of the owner or management company staff. Application fees that exceed out of pocket costs, or that otherwise pass onto the tenant the costs of staff time for processing applications, are impermissible.

Permissible fees may also include:

- Month-to-month lease
- Pet rent
- Renter's insurance
- Meal service
- Transaction fees or other charges associated with online rent payment systems

Any additional fee charged for a month-to-month lease must always be included in the gross rent calculation, even when tenants have the option to enter into either a month-to-month lease or a longer lease term. Pet rent, renters insurance, and meal services are rent when they are required as a condition of occupancy. Where applicable, the owner must include the actual amounts paid to the owner or its agent or third party in the lease. Transaction fees or charges associated with Walk-In Payment Systems (WIPS) or other online rent payment systems must be included in the gross rent calculation if the owner does not have another option for residents to pay rent that does not require a fee.

The following types of fees are also permissible provided that, unless otherwise stated below, the amount of the fee is limited to the average cost incurred by the owner or such lower amount as limited by law:

- Late rent fees
- Late utility payment fees
    - As required by Minn. Stat. 504B.216, subd. 9 late payment fees for all utilities billed must not exceed $5 per month and must not be compounded.
- Repairs or extra cleaning costs for tenant caused damage beyond normal wear and tear are limited to actual and reasonable cost
- Maintenance related to furnishings or tenant property completed by owners but normally required to be completed by households (for example, changing light bulbs, moving furniture) may be charged if such rates are stated in the lease/lease addendum.
- Returned check/insufficient funds (NSF) only on and after the second occurrence and only to the extent that the fee does not exceed the cost charged to the owner by the bank for processing the returned check
- Lockouts
- Key replacement/extra key
- Failure to return a key upon move-out
- Failure to put utilities in tenant's name when billed by a utility company (not through a submetering arrangement)
- Court filing, attorney, and sheriff fees are permissible only from tenants who wish to avoid or settle an eviction suit and only to the extent that such fees are permitted under state and local laws, appear reasonable, and do not exceed the actual costs incurred

- Extermination fees are permissible only if tenant is uncooperative
- Early lease termination fees may not exceed two months' rent and must release tenants from any further liability; such fees are prohibited when a lease termination is due to a VAWA, Minn. Stat. 504B.206, 504B.266, or reasonable accommodation request.
- Payments for utilities under a Ratio Utility Billing System (also known as RUBS), are permissible but are always considered rent (not a utility allowance)
    - RUBS is a formula that allocates a property's utility bill among its units based on the units' relative floor space, number of occupants, or some other quantitative measure, but not based on actual consumption. Because monthly utility bills fluctuate, Minnesota Housing recommends owners establish a RUBS payment cap in the lease to avoid rent noncompliance.
- Treasury Regulations also permit owners who provide certain utilities to tenants through actual consumption, submetering arrangements to charge an administrative fee; refer to section 6.05 of this guide for more information on utilities and administrative fees

Records demonstrating the owner's costs in relation to fees charged to tenants may be requested as part of a monitoring review.

Impermissible Fees

The following fees are not permissible and, if charged to a resident, will be treated as rent and must be refunded to the resident:

- Fees for the work involved in completing forms and documentation required to certify income
- A move-in fee that is not a refundable security deposit (this includes nonrefundable alternatives to security deposits such as security bonds or lease guarantees)
- An application fee that exceeds an owner's average expected out of pocket expense
- Decorating fees or fees for preparing a unit for occupancy; owners are responsible for physically maintaining units in a manner suitable for occupancy
- Mandatory professional carpet cleaning by departing residents
- Unit transfer fees unless the owner can clearly document that the fees cover owner's actual out-of-pocket costs and are not used for preparing a unit for occupancy
- Fees or charges for maintenance of common areas or exterior property (snow removal, lawnmowing, yardwork, exterior window washing, etc.) or for other landlord responsibilities under Minn. Stat. 504B.161
- Lease violation fines or other fees for unacceptable resident or guest behavior
- Fees associated with utility submetering systems that are not part of the allowable administrative fee
- Fees for tenant services or amenities that were included in eligible basis

Fees that exceed the limits described in the Permissible Fees section above are not permissible and will be treated as rent.

An owner may not charge a damage/security deposit, additional rent, or fees associated with a service or therapy animal associated with a person with disabilities. If charged to a resident, such amounts must be immediately refunded or Minnesota Housing may report the owner/agent to HUD's Fair Housing and Equal Opportunity Enforcement division.

Refer to the 8823 Guide: Category 11g – Gross Rent(s) Exceed Tax Credit Limits for more information.

Rent Increases Limited to Once Annually

Beginning on January 1, 2020, rent increases for occupied units are limited to once annually. Rents may not be increased until the anniversary of the initial lease or the last rent increase, whichever is later.

This limit applies to the rent charged for the unit and not the portion of tenant-paid rent for residents assisted with Section 8 or other rental assistance, which may increase or decrease based on changes in income; however, for units assisted with state or local project-based rental assistance, owners may increase contract rents in accordance with the respective project-based rental assistance contract. Owners may increase rents for units assisted with Housing Support (formerly Group Residential Housing) when the Minnesota Department of Human Services (DHS) adjusts the room and board rate, but only if it does not affect the tenant payment. Assisted living properties that utilize the DHS Room and Board Rate for the Housing Support Program to determine client obligation of rent and services may increase rent during a resident's first lease period to align future rent adjustments with the July 1 annual update to the DHS Room and Board Rate.[4] This is limited to units occupied by households receiving the benefit of Housing Support from the Department of Human Services, from the Elderly Waiver or CADI Waiver programs, or households who are taking the required spend-down steps to qualify for such programs. This limit also applies regardless of the term of the lease or any language in the lease that would allow rents to increase more than once annually. Rents must always comply with limits imposed by the program(s) that financed the development and/or respective unit. This includes Minnesota Housing funding sources as well as funding sources outside of the agency.

- **Example 1:** The last rent increase for an occupied unit on a month-to-month lease occurred on October 1, 2019. The owner may not increase the rent for that household until October 1, 2020, and if the same household continues to occupy the unit, a subsequent rent increase may not occur until October 1, 2021.

[4] An assisted living property for purposes of this section is property that is marketed or held out as an assisted living facility and provides assisted living services. Refer to Minn. Stat. 144G.08, subd. 10 for more information.

- **Example 2:** An initial six-month lease was signed on July 1, 2020. If the same household continues to occupy the unit, the owner may not increase the rent for that unit until July 1, 2021; a subsequent rent increase for that household may not occur until July 1, 2022.
- **Example 3:** Mid-month move-in will be treated as a full month. An initial lease began May 17, 2020, when the tenant moved in and rent for the month of May was pro-rated. The owner may increase rent starting May 1, 2021.

If after occupying a unit an eligible resident cannot pay the rent or is otherwise in violation of the lease provisions, the owner has the same legal rights in dealing with the eligible resident as with any other resident. Refer to Good Cause Termination language in section 6.03 of this guide for more information.

120-Day Notice for Rent Increases Exceeding 5%

The purpose of the HTC Program is to keep units affordable and provide stable, quality housing. Minnesota Housing encourages owners to increase rents no more than what is needed to keep pace with rising costs. To promote housing stability, incremental increases are easier for residents to absorb than sudden significant increases.

Beginning November 1, 2025, a rent increase greater than 5% is not effective unless and until the owner provides 120-days' notice in writing to tenants. If the owner fails to provide proper notice, the owner must return or credit, at tenants' election, any amounts collected in connection with the ineffective rent increase. This requirement does not apply to residents benefitting from rental assistance or Housing Support unless such increase affects the tenant's portion of the rent.

Examples below assume current lease rent is $1,000 with no rental assistance, that the increase complies with the once-annual requirement, that the increase is otherwise allowed under the terms of the lease, and that the increase does not cause the gross rent to exceed the applicable rent limit:

- In compliance: On July 1, 2025, owner provides notice of a rent increase to $1,051, effective November 1, 2025. While the increase is more than 5%, owner has provided more than the minimum 120-day notice.
- In compliance: Owner provides its standard 60-day notice of a rent increase to $1,030. Thirty dollars is 3% of $1,000, so the 120-day notice is not required.
- In compliance: Owner provides its standard 60-day notice of a rent increase to $1,050. Fifty dollars is 5% of $1,000 so the 120-day notice is not required.
- Out of compliance: Owner provides its standard 60-day notice of a rent increase to $1,051. The increase is more than 5%, but owner has not provided 120-day notice. To bring the unit into compliance, owner must decrease rent to $1,050, provide the minimum 120-day notice to the resident, refund or credit the resident $1 for all months that were overcharged until the minimum 120-day notice period has been fulfilled. At that time, owner may begin charging the resident $1,051 for rent.

5.02 Section 8 Rents

The portion of the rent paid by households receiving rental assistance under Section 8 or other comparable federal or state rental assistance programs can exceed the HTC rent ceiling as long as the owner receives a Section 8 or other government rental assistance payment (this includes assistance from Housing Support) on behalf of the resident. If no subsidy is provided, the tenant-paid rent plus utility allowance plus non-optional charges cannot exceed the maximum allowable HTC rent for the unit.

When considering rent to income ratios for tenant screening, managers must compare income only to the tenant-paid portion of the rent, not including the subsidy payments.

With the passage of the Omnibus Budget Reconciliation Act of 1993, owners are prohibited from refusing to lease to a prospective tenant based solely on the fact that the applicant holds a Section 8 Rental Voucher or Certificate.

5.03 Minimum Lease Requirements/Good Cause Termination

All tenants occupying HTC units are required to execute at least an initial six-month lease. Succeeding leases are not subject to a minimum lease period. Exceptions for housing for the homeless and single room occupancy (SRO) are listed below (tenants in SRO housing may share bathrooms, cooking facilities, and/or dining areas).

Federal rules allow for month-to-month leases for the following types of SRO housing for homeless individuals:

- SRO units in projects receiving McKinney Act and Section 8 Moderate Rehabilitation assistance
- SRO units intended as permanent housing and not receiving McKinney Act assistance
- SRO units intended as transitional housing that are operated by a governmental or nonprofit entity and providing certain supportive services

The lease must reflect the correct date of move-in, which is the date the tenant has the right to occupy the unit.

At a minimum, the lease must include:

- The legal name of parties to the agreement and all other occupants
- A description of the unit to be rented
- The date the lease becomes effective
- The term of the lease
- The amount of rent and all mandatory fees or charges
- Responsibilities of the parties regarding payment of utilities
- The use of the premises

- The rights and obligations of the parties, including the requirement of the household to annually recertify its student status and, where applicable, income
- The signatures of all household members 18 years of age or older and/or persons under the age of 18 who are the head of household, co-head, or spouse

VAWA Lease Addendum and Minnesota Housing Attachment to VAWA Lease Addendum

To comply with the statutory provisions of the Violence Against Women Act (VAWA), owners must attach to the lease the VAWA Lease Addendum Form HUD-91067 or its successor form. Refer to section 5.14 of this guide for more information about VAWA. In addition, beginning July 1, 2025, all new leases and all amended/renewed leases effective on or after July 1, 2025, must include the Minnesota Housing Attachment to VAWA Lease Addendum (not required for units with Project-Based Section 8 or a Project Rent Assistance Contract that use one of the HUD model leases 90105-A, B, C or D).

Resident Notification Letter and Lease Rider

To help residents understand their rights, a Resident Notification Letter must be provided at each lease signing, and an HTC Lease Rider must be executed and attached to the lease (existing HTC qualified households were to be provided a Resident Notification Letter and execute an HTC Lease Rider by December 31, 2020). The required Resident Notification Letter and HTC Lease Rider can be found under the Forms for Housing Tax Credit Assisted Units section on Minnesota Housing's Occupancy Forms webpage. The Resident Notification Letter and HTC Lease Rider are not required for units occupied by households assisted with Project-Based Section 8 or a Project Rent Assistance Contract that use one of the HUD model leases 90105-A, B, C or D.

Good Cause Termination

During the compliance period, extended use period, and for three years after expiration of the extended use period, households in qualified HTC units may not be evicted or have their tenancy terminated (including lease non-renewal or refusal to enter into a new lease on substantially the same terms) for other than good cause. Minnesota Housing defines good cause as serious or repeated violation(s) of the material terms and conditions of the lease. Any incidents described in the VAWA Lease Addendum Form HUD-91067 or its successor form do not constitute good cause for eviction of a survivor if the survivor is or is part of an otherwise eligible household. The owner must state the good cause in any eviction, lease non-renewal, or termination of tenancy notice. The tenant has the right to contest the eviction, lease non-renewal, or termination of tenancy in court.

5.04 Household Size

While IRS regulations do not specifically address occupancy requirements, Minnesota Housing encourages maximum utilization of space. Therefore, Minnesota Housing recommends that written occupancy policies be established that reflect maximum utilization. At least one person per bedroom is recommended as a minimum and *not less than* two persons per bedroom is recommended for a maximum. In situations where there is more than one qualified applicant for a unit, Minnesota Housing recommends giving preference to the household that is most suitable to the unit size. Owners should comply with federal, state, and local laws, regulations, and financing requirements (for example, if RHS, use RHS regulations).

5.05 Utility Allowance

The IRS requires that utility allowances be set according to Treas. Reg. 1.42-10 effective May 2, 1994, and amended July 29, 2008, as well as the Final Utility Allowance Treasury Regulations issued March 4, 2019. Please read these regulations carefully.

If a utility (other than telephone, cable television, or internet) is paid directly by the tenant, and not by or through the owner of the building, the gross rent includes a utility allowance (UA). If the costs of a particular utility are paid pursuant to an actual consumption submetering arrangement within the meaning of Treas. Reg. 1.42-10(e)(1), then that cost is treated as paid directly by the tenant and not by or through the owner. If all utilities are paid by the owner, the UA is zero.

UAs are applied individually to each building in the development. Therefore, depending on the development, an owner could have buildings in the same development using different UAs.

Annual Review

A building owner must review at least once during each calendar year the basis on which UAs have been established and must update the applicable UA. The review must take into account any changes to the building such as any energy conservation measures that affect energy consumption and changes in utility rates. It is the owner's responsibility to contact the appropriate organization to request current UA information. Minnesota Housing does not collect or maintain the various UAs. All costs incurred in obtaining a UA are the responsibility of the owner.

Failure to maintain or provide the UA and supporting documentation annually is considered noncompliance; without proof of the amount of the UA, there is no way to correctly compute the rent. In addition, an incorrect UA calculation may result in noncompliance for rents that exceed the HTC rent limits.

For all updated UAs, the new UA figures must be used to compute gross rents of the units due 90 days after the change. For example, if rent must be lowered because a local utility company estimate is

obtained that shows a higher utility cost than the otherwise applicable public housing authority (PHA) UA, the lower rent must be in effect for rent due at the end of the 90-day period.

For new buildings, owners are not required to review or implement new UAs until a building has achieved 90% occupancy for a period of 90 consecutive days or the end of the first credit year, whichever is earlier.

Regardless of the UA source, if a property has a submetering system, supporting documentation must include an Owner's Certification of Compliance with Utility Submetering Billing, a copy of a bill from each main meter, and a copy of a resident bill along with the formula used to convert main meter charges to individual tenant charges. Minnesota Housing will use this information to confirm the property has a qualified submetering system as required by Treas. Reg. 1.42-10. Refer to section 5.06 of this guide for more information.

Utility Allowance Sources

Treas. Reg. 1.42-10 lists the different sources of UAs for HTC developments:

- **USDA RHS financed projects:** If building receives assistance from the Rural Housing Service (RHS-assisted building), the applicable UA for all rent-restricted units in the building is the UA determined under the method prescribed by the RHS, whether or not the building or its tenants also receive other state or federal assistance.
- **Buildings with Rural Housing Service assisted tenants:** If any tenant in a building receives RHS rental assistance payments (RHS tenant assistance), the applicable UA for all rent-restricted units in the building (including any units occupied by tenants receiving rental assistance payments from HUD) is the applicable RHS UA.
- **Buildings regulated by HUD:** If neither a building nor any tenant in the building receives RHS housing assistance, and the rents and UAs of the building are regulated by HUD (HUD-regulated buildings), the applicable UA for all rent-restricted units in the building is the applicable HUD UA. Minnesota Housing considers HUD-regulated buildings to be those with Project-Based Section 8 contracts only.
- **Other buildings:** If a building is neither an RHS-assisted nor a HUD-regulated building, and no tenant in the building receives RHS tenant assistance, the applicable UA for rent-restricted units in the building may be determined under any of the following methods:
    - A PHA UA from the local housing authority administering Section 8 Vouchers for the area in which the property is located.
    - A utility company estimate. Any interested party (including a low-income tenant, a building owner, or an agency) may request the utility company estimation of utility consumption in the building's geographic area. The estimate is obtained when the interested party receives, in writing, information from a local utility company providing the estimated cost of that utility for a unit of similar size and construction for that

geographic area. Costs incurred in obtaining the estimate are borne by the initiating party. The party that obtains the local utility company estimate must retain the original of the utility company estimate and must furnish a copy to the owner and the monitoring agency. The owner of the building must make copies available to all tenants in the building. In the case of deregulated utility services, the interested party is required to obtain an estimate only from one utility company even if multiple companies can provide the same utility service to a unit. However, the utility company must offer utility services to the building in order for that company's rates to be used. The estimate should include all component deregulated charges for providing the utility service.

- An Average of Actual Consumption using the methodology described in the HUD published Multifamily Notice H-2015-4. This Notice provides instructions to owners and management agents of Section 8 and other HUD assisted properties for completing the required utility analysis. This analysis is also used for the USDA RHS program and allowed for HTC projects per Treas. Reg. 1.42-10(b)(3). Owners may use the methodology from the notice (including the required baseline utility analysis), the optional factor-based utility analysis, and the utility analysis sample size.
- A HUD Utility Schedule Model (HUSM). This model can be found on HUD's Utility Analysis webpage. Utility rates using the HUD utility model must be no older than the rates in place 60 days prior to the beginning of the 90-day period before UAs can be used in determining the gross rent.
- An Energy Consumption Model (ECM) using an energy and water and sewage consumption and analysis model. The model must, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics of the building location, and available historical data. The utility consumption estimates must be calculated by a mechanical engineer properly licensed in the state of Minnesota or a Residential Energy Services Network (RESNET) certified Home Energy Rating System (HERS) rater. The engineer or HERS rater and building owner must not be related within the meaning of Internal Revenue Code, sections 267(b) or 707(b), to which the engineer or HERS rater and building owner must certify. The owner and engineer or HERS rater must also certify that the model complies with the minimum requirements described above. Use of an ECM is limited to a building's consumption data and local rates for the 12-month period ending no earlier than 60 days prior to the beginning of the 90-day period before UAs can be used in determining the gross rent. In the case of new buildings with less than 12 months of consumption data, 12 months of data can be used for units of similar size and construction in the geographic area.

- **Tenants receiving HUD rental assistance:** The applicable UA for any rent-restricted units occupied by tenants receiving HUD rental assistance payments (HUD tenant assistance) is the applicable PHA UA established for the Section 8 Existing Housing Program.

A completed Utility Allowance Information Form stating the proposed UA figures for each unit size must be completed for all UA types. Minnesota Housing will accept a copy of the UA as approved by the Section 8 Contract Administrator in lieu of completing the grid section of the UA Information Form.

For projects eligible to use the ECM, HUSM, or Average of Actual Consumption, a request must be submitted to Minnesota Housing at the beginning of the 90-day period before these UAs can be used in determining the gross rent. Owners may only change methodology once in a 12-month period. The request must include the following:

- Review fee. Refer to Multifamily Loan Programs and Housing Tax Credit Program Fee Schedule. Also refer to section 5.06 of this document for additional information on submeters.
- Completed and signed Utility Allowance Certification Form.
- Completed Utility Allowance Information Form stating the proposed UA figures for each unit size.
- Copy of owner's notice to residents and description of how residents were notified (for example, copy sent to each unit, posted in common areas and office). If the property is not yet occupied at the time the request is made, indicate when the property is expected to be occupied in the cover letter or email.
- Rate information from applicable utility companies using currently published rates no older than 60 days from notice to residents and Minnesota Housing. Highlight all applicable rates, riders, franchise fees, and other charges used to determine the UA.
- Completed HUSM Excel file or report generated from HUD's online HUSM tool; or
- ECM calculation methodology and workbook or report generated from the engineer's ECM modeling system demonstrating how the applicable rates, tariffs, and taxes were applied within the modeling; or
- Printout of applicable state and local tax rates from Department of Revenue's Sales Tax Calculator.
- For individually metered utilities where the resident pays the utility supplier directly (or as a pass-through to the owner who then pays the utility supplier), a copy of a recent resident utility bill showing all rates and charges from each source. Owners may need to require utility release authorization forms to obtain a copy of utility bills. For new construction where there is no bill, evidence of who the utility supplier(s) will be and, if electric is part of the UA, evidence of whether electric lines are overhead or underground.
    - For any submetered utilities either billed by the owner or the owner's third-party billing company, a signed Owner's Certification of Compliance with Utility Submetering Form, along with a copy of a recent utility bill from the utility supplier for each building's primary meter(s), a copy of a bill from the billing company to a resident for the same billing period, and a detailed description of how the charges on the resident's bill were calculated. Also refer to Section 6.06 of this document.

If requesting the Average of Actual Consumption, submit items 1-4 above and the required items as stated in Multifamily Notice H-2015-4.

Minnesota Housing will review and base its decision for approval or non-approval of the methodology and allowance figures on the transparency, completeness, quality, and accuracy of information provided. Approval of the UA does not constitute a guarantee that the UA is absolutely correct. If at any time it is determined that a UA has been understated, and, therefore, some or all of the units are not rent restricted under Section 42(g)(2), then Minnesota Housing must report the noncompliance to the IRS on Form 8823.

Once the initial UA has been approved, the owner must update the UA at least once during each calendar year based on updated rate information, but submission to Minnesota Housing is not required. UA and source documentation will be reviewed as part of the inspection of administrative records.

The owner must also notify tenants of updated ECM, HUSM, or Average of Actual Consumption UAs and make the data upon which the UA is calculated available for inspection by the tenants at the beginning of the 90-day period before the effective date. Records must be made available at the resident manager's office during reasonable business hours or, if there is no resident manager, at the dwelling unit of the tenant, at the convenience of both the apartment owner and tenant. This is required for an initial change to these three methods and for all annual updates.

Any correction to the UA figures that results in a decrease to the UA after the resident notice is issued requires a new notice and will re-start the 90-day period. If utility rates have changed since the original notice was issued the new rates must be used.

With the exception of HUD and RD-regulated properties, owners may combine any methodology for each utility service type (electric, water gas etc.). For example, if residents are responsible for electricity and water, an owner may use the appropriate PHA allowance to determine the water portion of the allowance and use the Average of Actual Consumption to determine the electric portion of the allowance. Be advised, however, that the effective date of the PHA allowance will likely be different than the Average of Actual Consumption resulting in adjustments to UAs and potential reduction in rents multiple times during the year.

5.06 Submetering and Renewable Energy

IRS Notice 2009-44 clarified that effective July 29, 2008, under Treas. Reg. 1.42-10, utility costs paid by a tenant based on actual consumption in a submetered, rent-restricted unit are treated as paid directly by the tenant. Submetering measures tenants' actual utility consumption, and tenants pay for the utilities they use. A submetering system typically includes a main meter for the building, which is owned or controlled by the utility supplying the electricity, gas, or water, with overall utility consumption billed to the building owner. In a submetered system, building owners (or their agents)

use unit-based submeters to measure utility consumption and prepare a bill for each residential unit based on consumption. The building owners (or their agents) retain records of resident utility consumption, and tenants receive documentation of utility costs as specified in the lease.

An actual-consumption, submetering arrangement for a utility in a residential unit must meet the definition as stated in Treas. Reg. 1.42-10 (e), including:

- The tenants in the unit are billed for and pay the owner (or its agent) for the unit's consumption of the utility.
- The billed amount reflects the unit's actual consumption of the utility. In the case of sewerage charges, however, if the unit's sewerage charges are combined on the bill with water charges and the sewerage charges are determined based on the actual water consumption of the unit, then the bill is treated as reflecting the actual sewerage consumption of the unit.
- The utility rates charged to tenants in each submetered, rent-restricted unit must be limited to the utility company rates incurred by the building owners (or their agents). If building owners (or their agents) charge tenants a reasonable fee for the administrative costs of submetering, then the fee will not be considered gross rent under Section 42(g)(2). The fee must not exceed an aggregate amount per unit of the greater of (i) five dollars per month; (ii) an amount (if any) designated by publication in the Internal Revenue Bulletin (IRB); or (iii) the lesser of the amount (if any) specifically prescribed under state or local law or a maximum amount (if any) designated by publication in the IRB.

Treas. Reg. 1.42-10 provides that if an owner provides utilities through a renewable energy source, the rate charged to the tenant for the renewable energy cannot exceed the rate at which the local utility company would have charged for the utility if that entity had provided it to them. A utility is produced from a renewable source if (1) it is produced from energy property described in section 48, (2) it is energy produced from property that is part of a facility described in section 45(d)(1) through (4), (6), (9), or (11), or (3) is a utility described in guidance published for this purpose in the IRB. In addition, Minnesota Housing requires owners to comply with the certification statements listed in the Owner's Certification of Compliance with Submetering Billing.

5.07 Physical Requirements of Qualified Units Suitable for Occupancy

Qualified units rented to, or reserved for, eligible tenants:

- Must have substantially the same equipment and amenities (excluding luxury amenities such as a fireplace) as other units in the project;
- Must be substantially the same size as other units in the project;
- Cannot be geographically segregated from other units in the project; and
- Must be suitable for occupancy under HUD's National Standards for Physical Inspection of Real Estate (NSPIRE) and local health, safety, and building codes.

Units that are not suitable for occupancy, including previously qualified low-income units being rehabilitated in the first year of the credit period, are considered out of compliance. The noncompliance is corrected when the unit is again suitable for occupancy, and the unit's character will be determined based on the household that occupied the unit immediately preceding the rehabilitation.

NSPIRE does not supersede or preempt local health, safety, and building codes. An HTC development must also satisfy the local standards.

5.08 Fair Housing Policy, Affirmative Marketing, and General Public Use

Refer to section 1.09 of the Legal Addendum and the QAP for Minnesota Housing's Fair Housing Policy and requirements of the Fair Housing Act and Minnesota Human Rights Act.

The Fair Housing Act also mandates specific design and construction requirements for multifamily housing built for first occupancy after March 13, 1991, to provide accessible housing for individuals with disabilities. Anyone with questions regarding accessibility requirements should review HUD's Fair Housing Act Design Manual.

HUD enforces the Fair Housing Act, and the Minnesota Department of Human Rights (MDHR) enforces state-specific protections. Minnesota Housing will refer complainants to HUD or MDHR for follow-up and/or investigation. Any finding of discrimination, adverse final decision by HUD, adverse final decision by a substantially equivalent state or local fair housing agency, or an adverse judgment from a federal court is a violation that Minnesota Housing must report to the IRS.

On April 4, 2016, HUD's Office of General Counsel issued guidance on criminal background screening, focusing attention on the ways in which even well-intentioned tenant selection policies can act as tools of exclusion. This guidance applied to all housing providers, including owners and managers of HTC properties. In response, Minnesota Housing prepared Tenant Selection Plan (TSP) guidelines that identify best practices for TSPs. The TSP guidance is recommended for all HTC properties but is required for all HTC projects selected after March 31, 2021. The guidelines contain a summary of the HUD guidance on criminal background screening and reflects the agency's consideration of best practices, along with special factors affecting supportive housing programs. Note that various funding sources and jurisdictions may impose other tenant selection plan requirements. Owners and managers should consult with an attorney to ensure your TSP complies with program requirements, the Fair Housing Act, and the Minnesota Human Rights Act.

Owners must adhere to Equal Opportunity, Affirmative Marketing, and Fair Housing practices in all marketing efforts, eligibility determinations, and other transactions. The Equal Housing Opportunity logo or statement should be used in all advertising of vacant units:

"We do business in accordance with the Federal Fair Housing Law. It is illegal to discriminate against any person because of race, color, religion, sex, handicap, familial status, or national origin."

Owners must develop and implement an Affirmative Fair Housing Marketing Plan (AFHMP) in accordance with HUD and Minnesota Housing requirements. Owners must regularly review and update the AFHMP and use affirmative fair housing marketing practices in soliciting renters, determining eligibility, and concluding all transactions. Affirmative marketing includes actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status (persons with children under 18 years of age, including pregnant women), or disability. A file must be maintained with all marketing efforts related to the property including newspaper ads, social service contacts, photos of signs posted, etc. Records will be reviewed during on-site monitoring to determine adequate documentation of compliance with federal requirements.

In accordance with the Violence Against Women Reauthorization Act of 2013 (VAWA), tenant selection criteria cannot deny admission on the basis that the applicant has been a victim of domestic violence, dating violence, sexual assault, or stalking. Refer to section 5.14 of this guide for more information about VAWA.

Review the Affirmative Fair Housing Marketing Plans (AFHMP) section of Minnesota Housing's Documents, Forms and Resources webpage for more information. An online AFHMP Toolkit is available to assist in creating the AFHMP.

For Use by the General Public

Under Treas. Reg. 1.42-9(b), the IRS also requires that HTC properties be otherwise available to the general public. A residential rental unit is for use by the general public if the unit is rented in a manner consistent with housing policy governing non-discrimination, as evidenced by rules or regulations of HUD (24 C.F.R. subtitle A and chapters I through XX).

If a residential unit is provided only for a member of a social organization or provided by an employer for its employees, the unit is not for use by the general public and is not eligible for credit under Section 42. Residential rental units either designated for a single occupational group, or through a preference for an occupational group, also violate the general public use requirements.

Additionally, any residential rental unit that is part of a development that provides continual or frequent medical, psychiatric, or nursing services within the meaning of Treas. Reg. 1.42-11(b)(2) or that is a hospital, nursing home, intermediate-care facility, or a similar facility within the meaning of Treas. Reg. 1.42-9(b) is not for use by the general public and is not eligible for HTCs.

Note that the General Public Use Rule was clarified on July 30, 2008, to allow occupancy restrictions or preferences that favor tenants 1) with special needs, 2) who are members of a specified group under a federal or state program or policy that supports housing for such specified group, or 3) who are involved in artistic or literary activities.

5.09 Vacant Units

If a low-income unit in a property becomes vacant, reasonable attempts must be made to rent that unit or the next available unit of comparable or smaller size to a qualifying household before any units can be rented to non-qualified households. The owner or manager must be able to document reasonable attempts to rent the vacant units to eligible tenants.

Only units that have been previously occupied by an eligible household and are suitable for occupancy may be included as a qualifying low-income unit for compliance purposes. If a unit has never been occupied by an eligible household, has been vacated by a market rate household, or has not been timely prepared for occupancy, that unit is not counted as a qualifying low-income unit.

The Vacant Unit Rule is the subject of IRS Revenue Ruling 2004-82, Answering 12 Questions About Low-Income Housing Credit Under IRC Section 42 (refer to questions #8, #9, and #10), published August 30, 2004. The IRS Revenue Ruling clarifies that an owner may not move a household from building to building to qualify more than one unit in a property (question #8); that “reasonable attempts” are customary methods of advertising apartment vacancies in the area of the property for identifying prospective tenants and may include, but are not limited to, displaying a banner and for-rent signs at the entrance to the property, placing classified advertisements in local newspapers, and contacting prospective low-income tenants on a waiting list for the property and on a Section 8 and public housing waiting list with the local PHA (question #9); and that a unit is not an available vacant unit if the unit is no longer available for rent due to contractual arrangements that are binding under local law, such as a reservation entered into between the owner and a prospective tenant (question #10).

5.10 Other Stipulations

An owner or a person related to the owner may reside in a building if it contains five or more units. If a building contains four or fewer units, an owner, or a person related to the owner, occupying a unit in the building would cause the building to be in noncompliance, unless the building is acquired and rehabilitated pursuant to a development plan sponsored by the state or local government or qualified nonprofit organization.

5.11 Student Eligibility

Under Section 42, most households where all members are full-time students are not eligible, and units occupied by these households may not be counted as HTC units. Internal Revenue Code, section 151(c)(4) defines student as an individual who, during each of five calendar months during the calendar

year in which the taxable year of the taxpayer begins, is a full-time student at an educational organization described in Internal Revenue Code, section 170(b)(1)(A)(ii). Treas. Reg. 1.51-3(b) further provides that the five calendar months need not be consecutive.

The determination of student status as full or part-time should be based on the criteria used by the educational institution the student is or was attending.

An educational organization, as defined by Internal Revenue Code, section 170(b)(1)(A)(ii) is one that normally maintains a regular faculty and curriculum, and normally has an enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on. The term educational organization includes elementary schools, junior and senior high schools, colleges, universities, and technical, trade, and mechanical schools. It does not include on-the-job-training courses.

There are five exceptions to the limitation on households where all members are full-time students. Full-time student households that are income eligible and satisfy one or more of the following conditions are considered eligible:

- Students are married and entitled to file a joint tax return. A married couple that is entitled to file a joint tax return, but has not filed one, still satisfies the exception.
- The household consists of a single parent with child(ren) and the parent is not a dependent of someone else, and the child(ren) is/are not dependent(s) of someone other than a parent.
- At least one member of the household receives assistance under Title IV of the Social Security Act (formerly Aid to Families with Dependent Children (AFDC), now known as Temporary Assistance for Needy Families (TANF) or, in Minnesota, the Minnesota Family Investment Program (MFIP)).
- At least one member of the household participates in a program receiving assistance under the Job Training Partnership Act (JTPA) or other similar federal, state, or local laws.[5]

[5] The JTPA Program was repealed in 1998 and replaced with the Workforce Investment Act (WIA). In 2014, the WIA was replaced with the Workforce Innovation and Opportunity Act (WIOA). WIOA (and JTPA when it existed) funds programs such as adult literacy, English as a second language, General Education Diploma (GED) courses, vocational services for the blind, employment and training programs for Native Americans and migrant and seasonal farmworkers, job corps, veterans employment programs, summer youth employment and training, employment and training for dislocated workers and displaced homemakers, etc. Students in those programs are eligible for the JTPA exemption provided the school or community education department verifies that the applicant/tenant is a participant in a program similar to those funded under JTPA (now WIOA). Visit the U.S. Department of Labor's WIOA Workforce Programs webpage for a list of WIOA programs.

- At least one member of the household was previously in foster care.[6]

To properly document student eligibility, all households must complete an Annual Student Certification (Form HTC 35) as part of the initial certification and annually thereafter. Properties that are 100% tax credit qualified and not required to recertify income are not exempt from this annual requirement. Note this is a required form.

Verification also must be obtained, when applicable, to support the full or part-time student status (use the Student Status and Financial Aid Verification Form) and the applicable exemptions(s) (for example, tax return, marriage certificate, verification of participation in JTPA or similar program, verification of MFIP income, or verification from the state agency of previous participation in foster care). Refer to Chapter 6 of this guide for information regarding student financial assistance as it relates to income.

Part-time students are not considered students for this section, and their eligibility is not subject to special restrictions; however, verification of part-time status is required for households comprised entirely of students that do not meet one of the exemptions.

5.12 Loss of Eligibility Upon Becoming a Full-Time Student

If a previously qualified HTC household becomes a full-time student household, the household must meet at least one of the above exemptions and be able to prove such status for the unit to remain in compliance. Under current legal interpretations of federal HTC regulations and requirements, the available unit rule that applies to HTC units with households that are no longer income eligible does not apply to student households that qualify under one of the exceptions above and later ceases to qualify. Unlike changes in income, a unit occupied by a full-time student household that does not meet or no longer meets one of the above exceptions immediately ceases to count as an HTC unit.

5.13 Unit Transfers

The IRS considers each building in a property to be a separate project unless the owner elects to treat certain buildings as part of a multiple-building project. Owners make the election for multiple-building projects on Part II, line 8b of IRS Form 8609. Owners must also report their single- or multiple-building

[6] Foster care means substitute care for children placed away from parents or guardians and for whom the state agency has placement and care responsibility. This includes, but is not limited to, placement in foster family homes, foster homes of relatives, group homes, emergency shelters, residential facilities, childcare institutions, and pre-adoptive homes. A child is in foster care in accordance with this definition regardless of whether the foster care facility is licensed and payments are made by the state or local agency for the care of the child, whether adoption subsidy payments are being made prior to the finalization of an adoption, or whether there is a federal matching of any payments that are made.

election in the BIN pages of PORT. Refer to section 2.02 of the PORT User Guide for more information. Until Minnesota Housing becomes aware of an owner's election, Minnesota Housing will treat the property as if all buildings are separate projects.

According to the IRS, there is no such thing as a transfer between buildings that are *not part of the same multiple-building project.* If a household moves to another project within the same property, it must be reported as a move-out for the vacated unit. To treat the newly occupied unit as a qualified HTC unit, the household must be certified and meet initial eligibility requirements. The newly occupied unit must be reported as a new move-in.

Managers of properties containing buildings treated as separate projects must obtain copies of the owner-filed IRS Form 8609 and use caution when determining if a transfer or move-out/move-in applies.

Transfer Within Same Building

When a current household moves to a different unit within the same building, the newly occupied unit adopts the status of the vacated unit. Thus, if a current household whose income exceeds the applicable income limitation moves from an over-income unit to a vacant unit in the same building, the newly occupied unit is treated as an over-income unit. The vacated unit assumes the status the newly occupied unit had immediately before it was occupied by the current resident.

Transfer to Different Building/Same Project

When a household whose income is no greater than 140% of the income limit moves to a low-income unit in a different building within the same project during any year of the 15-year compliance period, the vacated unit assumes the status the newly occupied unit had immediately before it was occupied by the current resident. If a household whose income exceeds 140% of the applicable income limit wishes to move to a different building in the same project, the newly occupied unit will be treated as a non-qualifying unit. Mixed-income properties can rely on the most recent income certification. Properties that are exempt from income recertification requirements may allow transfers between buildings in the same project even though the household's current income is not known.

Example 1: Transfer to different building/same project. ABC Acres consists of building A and building B. Owner has elected to treat buildings A and B as part of a multiple-building project. If a household moves from building A to building B, it is a unit transfer.

Example 2: Move-out/move-in to different building/different project. XYZ Apts. consists of building 1 and building 2. Owner has not elected to treat buildings 1 and 2 as part of a multiple-building project. Even though the two buildings are both part of XYZ Apts., and are located next door to each other, if a household moves from building 1 to building 2, it is reported as a move-out for building 1 and a new move-in requiring a new initial certification for building 2.

Properties Electing the AIT Minimum Set-Aside

The above guidance regarding unit transfers also applies to properties electing the AIT, but the unit designations also swap status. For example, if a qualified household in a 40% designated unit transfers to a unit designated as a 70% unit, the newly vacated unit becomes a 70% designated unit and the unit the household moves into becomes a 40% designated unit. If a qualified household in a 50% designated unit transfers to a market-rate unit, the newly vacated unit becomes a market rate unit and the unit the household moves into becomes a 50% designated unit. Review the Unit Redesignation for Projects Electing the Average Income Test Minimum Set-Aside subsection in section 6.01 for more information.

Minnesota Housing's Documentation of Unit Transfer Form can be used to assist in documenting when a unit transfer occurs, and the status of the units involved.

5.14 Violence Against Women Act

The Violence Against Women Reauthorization Act of 2022 (VAWA 2022) continues to include the HTC Program as a covered program. The amendments that VAWA 2022 makes to the Housing Rights Chapter of VAWA build on the 2013 and 2016 amendments to strengthen VAWA's housing protections for survivors of domestic violence, dating violence, sexual assault, and stalking (collectively referred to as survivors). Owners have a legal obligation to comply with the statutory requirements found in VAWA.

VAWA 2022 enhances housing protections for survivors applying for and assisted under covered housing programs by authorizing HUD to enforce the law by the same process – and with the same rights and remedies – as the Fair Housing Act. Such rights include filing a discrimination complaint with HUD to investigate the allegations.

An applicant for or tenant of housing assisted under a covered housing program may not be denied admission to, denied assistance under, terminated from participation in, or evicted from the housing on the basis that the applicant or tenant is or has been a victim of domestic violence, dating violence, sexual assault, or stalking if the applicant or tenant otherwise qualifies for admission, assistance, participation, or occupancy. They also have the right to request an emergency transfer for safety reasons related to violence. VAWA 2022 ensures the right to call 9-1-1 without fear of losing housing, and it prohibits retaliation by housing providers for exercising VAWA rights or assisting others in doing so. These protections apply regardless of sex, gender identity, or sexual orientation.

To comply with the core statutory provisions of the law, owners/agents must provide and distribute the following forms to applicants/tenants:

- HUD Form 5380 – Notice of Occupancy Rights under the Violence Against Women Act; and
- HUD Form 5382 – Certification of Domestic Violence, Dating Violence, Sexual Assault, or Stalking, and Alternate Documentation.

These documents are to be provided:

- With the notice that an application has been denied
- At the time the household is admitted
- With any notice of eviction
- With any notice of lease non-renewal or termination of tenancy

If existing residents were not already provided HUD Forms 5380 and 5382, owners must provide a copy of each during their next annual recertification, lease renewal, or by other means.

Owners must also develop and implement an Emergency Transfer Plan using HUD's model Forms 5381 and 5383. The emergency transfer plan allows for survivors to move to another safe and available unit if they fear for their safety. Owners should be mindful of unit transfer rules outlined in section 5.13 of this guide when making their plan.

Owners must be familiar with the statutory requirements impacting their developments and consult with their legal counsel as needed. Also refer to HUD Notice H 2017-05 (Violence Against Women Act (VAWA) Reauthorization Act of 2013 – Additional Guidance for Multifamily Owners and Management Agents) for valuable definitions and examples of how to fully implement VAWA protections. Also refer to HUD, Multifamily Housing, Memo Housing Provisions of the Violence Against Women Act Reauthorization Act of 2022 (March 10, 2023).

Find VAWA Forms 5380, 5381, 5382, and 5383 on HUDClips5. Find VAWA lease addendum 91067 on HUDClips9. Should owners/agents customize the forms for use, they must maintain the base information and language. Beginning in 2025 leases must also include the Minnesota Housing Attachment to VAWA Lease Addendum (not required for units with Project-Based Section 8 using the HUD model lease).

Owners may bifurcate leases to evict or terminate tenancy of the perpetrator and continue housing the survivor if the survivor is or is part of an otherwise eligible household.

Chapter 6 – Income Determinations

According to the Trea. Reg. 1.42-5 for the HTC Program, "Tenant income is calculated in a manner consistent with the determination of annual income under Section 8 of the United States Housing Act of 1937 ("Section 8"), not in accordance with the determination of gross income for federal income tax liability." The Housing Opportunities Through Modernization Act (HOTMA) was signed into law on July 29, 2016 (Public Law 114–201, 130 Stat. 782). The HOTMA statute consists of 14 sections of law that affect the Public Housing and Section 8 rental assistance programs. On September 17, 2019, HUD issued a proposed rule to update its regulations according to HOTMA's statutory mandate. The proposed rule may be found at 84 F.R. 48820 (September 17, 2019). Sections 102 and 104 of HOTMA make sweeping changes to the United States Housing Act of 1937 (1937 Act), particularly those affecting income calculations and reviews. For guidance on HOTMA implementation, refer to HUD Notices 2023-10 and 2024-9, and any successor guidance found on HUD's HOTMA webpage.

For guidance in the determination of tenant income, HUD Handbook 4350.3, Occupancy Requirements of Subsidized Multifamily Housing Programs (HUD Handbook) is used as a reference. HUD Handbook 4350.3 and HUD notices can be obtained by calling 1.800.767.7468 or by visiting HUD's Occupancy Requirements of Subsidized Multifamily Housing Programs webpage. Note that as of the publication of this compliance guide, the HUD Handbook has not been revised to reflect changes resulting from HOTMA.

For purposes of this Chapter 6, the terms family and household use the definition in HUD Notice 2023-10. Some rental agents attempt to establish only that an applicant has sufficient income to support monthly rent payments; however, tax credit projects are both rent restricted and income restricted. Therefore, if a rental agent intends to include an applicant as an HTC eligible tenant, *income from all required sources must be verified and included in the income calculation.*

6.01 Income Certification/Recertification

It is the owner's responsibility to select and rent to qualified households. Minnesota Housing will not qualify or approve applicants for eligibility.

Applicants for rent-restricted units should be advised early in the application process of the maximum income limits that apply. Management should explain to all applicants that the anticipated income of all family members must be disclosed and verified and that full-time student households may be ineligible if they do not meet one of the Section 42 student exemptions.

Initial Eligibility Determination

Before approving a household for occupancy, owners must determine that the household will cause the unit to be a qualifying HTC unit (if a property is already occupied, refer to the Special Instructions

for Newly Placed in Service Properties with Existing Residents subsection below). The qualification process has three phases:

1. **Application and disclosure of household composition, student status, income, and assets:** A detailed application is critical to determining eligibility and is considered supporting documentation to the TIC. Minnesota Housing's Sworn Statement of Income and Assets Form is designed to collect the necessary information. Owners may collect additional information for screening purposes according to their TSP. The Annual Student Certification should be completed during the application process.
2. **Verification:** The owner/agent must verify all sources of income and assets following HUD's order of acceptability. Owners may accept a Self-Certification of Assets in lieu of third-party verifications if combined net family assets do not exceed the applicable HUD-published amount of net assets for which the owner may accept self-certification. HUD adjusts this amount annually based on inflation; refer to HUD's Annual Inflationary Adjustments and Passbook Rate webpage for the current figure. Where applicable, owners must verify any student exemption claimed on the Annual Student Certification.
3. **Certification:** After all verifications are received and any applicable follow-up conducted, the owner must calculate income and income from assets based on information provided on the verification forms and complete the TIC.

Unit Designations for Projects Electing the Average Income Test Minimum Set-Aside

For new projects electing the AIT minimum set-aside, the initial income and rent designation of each unit must be made no later than when a unit is first occupied as a low-income unit. For AIT projects placed in service on or before December 31, 2022, occupied HTC units are considered designated on January 1, 2023, based on the owner's existing designation. For AIT projects placed in service after December 31, 2022, vacant units must be designated before the move-in of a low-income household. For all AIT properties, when leasing units, owners must complete a TIC that is consistent with each unit's respective income and rent limit designation. Minnesota Housing will consider the owner to have designated a unit based on the highest MTSP that is recorded on page 2 of the TIC.

Special Instructions for Newly Placed in Service Properties with Existing Residents

Acquisition/Rehabilitation: For occupied units at the time of acquisition, an initial TIC may be completed up to 120 days after the date of acquisition using the income limits in effect on the day of acquisition. All verifications must be received, and the TIC must be fully completed, signed, and dated within that 120-day period for the effective date of the TIC to be the acquisition placed in service date (PIS date). This is the only exception to the general rule that all verifications must be completed prior to the effective date of the TIC. This exception does not apply if any verifications are received later than 120 days or any part of the TIC is completed or signed after the 120-day period. In that case, the effective date will be the date the last adult member of the household signs the TIC form.

Rehabilitation-Only Properties: the initial certification may be completed any time on or after the rehabilitation PIS date. The move-in date on the TIC may be the actual move-in date or the rehabilitation PIS date. The effective date is the date on which the TIC is fully completed, signed, and dated.

Properties with an Existing Allocation of HTCs that Receive an Additional Allocation: Households determined to be income-qualified for purposes of the HTC Program during the 15-year compliance period *may be* concurrently income-qualified households for purposes of the extended use period. As a result, if all Section 42 requirements are met, including qualified student status, verifying income and assets for annual recertification for mixed-income properties, rules regarding unit transfers, etc., any household determined to be qualified at the time of move-in for purpose of the extended use period is a qualified low-income household for any subsequent allocation of HTCs. If the new allocation is for rehabilitation only, vacant units will continue to be treated as low-income units subject to the vacant unit rule. If the new allocation is for acquisition and rehabilitation, vacant units lose their status as low-income units until they are occupied by qualified households that are properly certified.

Annual Recertification

Each year, owners must recertify HTC households to maintain continuing compliance. Annual recertification may or may not involve recertifying income:

- **All Projects:** The Annual Student Certification (MHFA HTC 35) and any applicable supporting documentation for exemptions is required annually, no later than the anniversary of the initial certification.
- **Mixed-Income Projects:** Owners of mixed-income projects are required to recertify income annually to determine whether the available unit rule has been triggered (see section 6.02 of this guide for more information). Income recertification must be performed in accordance with the verification requirements for an initial certification. The recertification process should begin 120 days prior to the anniversary date of the previous certification.
- **100% HTC Projects:** Effective January 1, 2009, annual income recertifications are not required for 100% low-income projects. A project is 100% low-income when the allocation was based on all units in the project (common space units are not part of the equation) and all units are occupied by qualified households. It is essential that each initial certification in a 100% low-income project be done very carefully and thoroughly. If a TIC has insufficient documentation of gross annual household income or it is determined for any reason that one or more households do not qualify, the owner must resume conducting annual income recertifications until 100% of the units are back in compliance.

Important Reminder: The IRS considers buildings to be separate projects unless the owner elects to treat certain buildings as a multiple-building project. Owners make the election for multiple-building projects on Part II, line 8b of IRS Form 8609. Minnesota Housing will treat the property as if all

buildings are separate projects until the owner notifies Minnesota Housing of a multiple-building election. Managers of properties containing some 100% buildings and some mixed-income buildings must obtain copies of the filed IRS Forms 8609 and use caution when determining if 100% buildings are exempt from recertification. If 100% buildings are part of a multiple-building project that includes mixed-income buildings, the 100% buildings do not qualify for the exemption. If the 100% buildings are treated as a separate project or are part of a multiple-building project that contains only 100% HTC buildings, then they do qualify for the exemption.

Example 1: Recertification exemption does not apply. A property consists of building A (100% HTC) and building B (mixed-income). Owner has elected to treat buildings A and B as part of a multiple-building project. Building A is not exempt from recertification because the project is not 100% HTC.

Example 2: Recertification exemption applies but only to certain buildings. A property consists of building A (100% HTC) and building B (mixed-income). Owner has not elected to treat buildings A and B as part of a multiple-building project. Building A is exempt from recertification because it is a 100% project. Because building B is mixed-income, annual income recertifications must be completed for building B.

Example 3: Recertification exemption applies but only to certain buildings. A property consists of building A (100% HTC), building B (mixed-income), building C (100% HTC) and building D (mixed-income). Owner has elected to treat buildings A and B as part of a multiple-building project. Owner has elected to treat buildings C and D as separate projects. Building A is not exempt from recertification because the project is not 100%. Building C is exempt from recertification because it is a separate 100% project. Because building D is mixed-income, annual income recertifications must be completed for building D.

Example 4: Recertification exemption applies. A property consists of building A (100% HTC) and building B (100% HTC). Regardless of whether the owner elected to treat buildings A and B as separate projects or as part of a multiple-building project, both building A and building B are exempt from annual income recertification.

The recertification exemption applies only to the HTC Program. Units funded by certain other programs (for example, tax-exempt bonds, HOME, National Housing Trust Fund, Section 8, MARIF) have income recertification requirements that must be met separately.

All owners are advised to read IRS Revenue Procedure 2003-82, which became effective November 24, 2003. This revenue procedure provides safe harbors under which the IRS will treat a residential unit in a building as low income if the household income has been certified as eligible in the year before the first credit year, but household income exceeds the income limit at the beginning of the first taxable year of the credit period. Revenue Procedure 2003-82 was issued as a result of questions from taxpayers regarding when individuals must satisfy the applicable income limit when they move into an existing building (or are existing residents) on or after the date a taxpayer acquires a building to be

rehabilitated, but before the beginning of the first credit year. Because of those questions, some taxpayers required that the household income not exceed the applicable income limit at the beginning of the first credit year, even though the household income was below the income limit when the household moved into the unit (or was initially certified). This has resulted in some households being evicted, where permissible under local law, from HTC properties.

Note that the purpose of Revenue Procedure 2003-82 is to provide taxpayers protection from challenges by the IRS on this issue. Testing for application of the available unit rule referred to in the Revenue Procedure consists of confirming with the household(s) that the sources and amounts of anticipated income included on the TIC are still current. If additional sources or amounts are identified, the TIC must be updated based on the household's documentation. It is not necessary to complete third-party verifications. Minnesota Housing is not required to monitor for compliance with Revenue Procedure 2003-82.

Addressing Noncompliance due to Late Certification or Insufficient Documentation in Tenant Files

The IRS and Minnesota Housing expect that owners will conduct timely and proper certifications as discussed above. An initial TIC that is not fully completed on or before the date a household moves into a unit causes the unit to be out of compliance. This includes supporting documentation in the form of the household's income and asset disclosure, all required verifications, signed and dated TIC, and Annual Student Certification. The unit is out of compliance for over income and/or ineligible full-time student from the move-in date to the last signature on the TIC and/or student certification. However, if an applicant is unable to sign the TIC timely due to extenuating circumstances beyond their control, the owner must document the attempts to obtain signature, the reason for the delay, and the plan for how and when the proper signature will be provided in the tenant file. If the tenant file contains such documentation, a "true and correct as of" statement is unnecessary when the tenant does sign. Failure to follow up with the tenant to obtain the signature when indicated in the documentation may result in noncompliance.

If an initial certification or annual recertification was not properly or timely documented, the noncompliance can be addressed as follows:

1. Owner can perform a new (re)certification using current income and asset sources, student status, and current income limits. Assuming the household is eligible, the unit would be out of compliance on the date of move in or when the recertification was due and back in compliance on the date the new TIC and student certification are signed by all parties; or
2. Owner can perform a retroactive (re)certification which completely and clearly documents the sources of income and assets (and/or student status) that were in place at the time the (re)certification should have been effective and applies income and rent limits that were in effect on that date. All supporting documents, including the Sworn Statement of Income and

Assets and verifications as well as any clarification records must contain information reflective of the intended effective date. Calculating gross annual household income based on income, asset, or other data that occurred after the intended effective date will render the certification late or unacceptable, not retroactive, regardless of any "true and correct as of" statement. When requesting income or asset verification directly from the source, make it very clear that the information requested must be information that was known and in effect for the intended effective date. It may help to contact third parties directly to explain what is needed from them before sending verification forms. Any documents signed by residents that are intended to apply retroactively must be signed and dated using the current date (no back-dating). The head of household must add their initials and the current date next to a statement such as, "This certification is true and correct as of (inserting the intended effective date)," below the signatures on the TIC form and HTC35 Annual Student Certification. While retroactive (re)certifications are allowed, they must not be done routinely. Owners may be subject to serious risks if a household is determined to not be income eligible after they have been allowed to occupy a unit or if the owner has unknowingly violated the available unit rule.

If an owner sends timely notice that an annual recertification is due, but the household does not cooperate with the recertification process because they gave notice to vacate the unit (or vacated without notice), the unit will not be considered out of compliance. Owners must document the file regarding attempts to timely obtain the recertification and the date the household moves out of the unit. This must also be disclosed on the Owner's Certification of Continuing Program Compliance. For further information on how Minnesota Housing will review and report noncompliance, refer to the 8823 Guide. Search for "Household Vacates Unit."

If an owner takes timely action to enforce annual recertification or student status requirements of its lease for a noncompliant household, the unit will not be considered out of compliance. If the household does not vacate the unit (that is, court does not grant the unlawful detainer), a recertification will be required within 120 days of the determination.

Unit Redesignation for Projects Electing the Average Income Test Minimum Set-Aside

Treas. Reg. 1.42-19 allows owners to change a unit's income and rent designation in the following circumstances, provided that the owner designates the new limit in the same taxable year that the change occurs and otherwise follows the rules of 1.42-19:

- **Federally permitted changes:** If permission for the change is contained in IRS forms, instructions, or guidance published in the Internal Revenue Bulletin.
- **As the housing credit agency permits:** In accordance with Treas. Reg. 19(d)(ii), Minnesota Housing permits changes in circumstances other than those listed in Treas. Reg. 19(d)(i) and 19(d)(iii)-(v) as follows:

  - Owners may establish a written policy and procedure regarding the circumstances under which it would redesignate an occupied unit to a different income and rent limit than currently designated. Redesignations in compliance with that policy and procedure are permitted. Owners may redesignate an occupied unit to a lower income and rent limit designation for any reason if the household is qualified for the lower income limit.
- **As appropriate to other laws:** A change in designation is permissible when the change is required or appropriate to enhance protections contained in the following, as amended:
  - The Americans with Disabilities Act of 1990 (ADA)
  - The Fair Housing Amendments Act of 1988 (FHA)
  - The Violence Against Women Act of 1994 (VAWA)
  - The Rehabilitation Act of 1973 (section 504)
  - Any other state, federal, or local law or program that protects tenants and that is identified by the IRS or Minnesota Housing.
- **As households transfer:** If a current income-qualified resident moves to a different unit in the same building or project. Refer to section 5.13 of this guide for additional information on unit transfers.
- **To address noncompliance with AIT minimum set-aside or project average:** When an event occurs that causes a previously qualifying group of units identified for either the minimum set-aside or the applicable fraction to no longer be described in Treas. Reg. 1.41-19(b)(2)(ii), redesignation may be allowed. This is limited to units that are vacant or are occupied by a household that would satisfy the new lower imputed income limitation. However, if an issue is not discovered and corrected within the taxable year that the problem occurs, owners may not retroactively redesignate units for the closed tax year. Note that rent may need to be lowered to avoid noncompliance with rent limits. Such correction may also include adding or removing units to the qualified group of units to achieve an average of imputed income limitations at or below 60% MTSP.
  - Any correction or retroactive correction to designations must be made within 180 days of discovery by the owner or Minnesota Housing. If discovered by the owner, the issue and owner's intended corrective action must be promptly reported to Minnesota Housing's assigned compliance officer to benefit from this discretionary correction period. On a case-by-case basis, and only if waived within 180 days of discovery, Minnesota Housing has the discretion to waive in writing a failure to comply with the requirements of Treas. Reg. 1.42-19(c)(1) or (2) or (c)(3)(iv), subject to any restrictions under Treas. Reg. 1.42-19 or subsequent IRS published regulations or guidance. Minnesota Housing does not have authority to waive the prohibition of retroactive designation for a prior taxable year, nor to allow a change to a unit's imputed income limitation except as permitted in Treas. Reg. 1.42-19(d).

When redesignating an occupied unit, a new initial certification must be completed if the household's income on the original initial certification would not qualify the household for the new designation. For

mixed-income properties, use the household income from the most recent annual recertification to make this determination. A new certification is not necessary for unit transfers within a building or within the same multiple-building project when unit designations swap status.

6.02 Available Unit Rule

Following initial certification, an eligible household whose income exceeds the maximum income level by more than 140% (an over-income household) will remain in compliance if the unit continues to be rent restricted and the next available unit or any available unit of comparable or smaller size in the same building is rented to an eligible household at the qualifying rent. The owner must continue to rent any available comparable unit to a qualified household until the percentage of low-income units in a building (excluding the over-income units) is equal to the percentage of low-income units on which the credit is based. At that point, failure to maintain the over-income units as low-income units has no immediate significance.

If an owner elects the AIT, a low-income unit will be considered over-income if the household's income exceeds:

- 140% of 60% MTSP if the unit's designated income limit is 60% or less; or
- 140% of the unit's designated income if the unit's designated income limit is 70% MTSP or 80% MTSP.

Under the AIT, an over-income unit ceases to be a qualified low-income unit if any unit of a comparable or smaller size in the building is rented to a new household whose income exceeds the applicable imputed income limit. The applicable imputed income limitation depends on whether the unit being occupied was a low-income unit before becoming vacant. If the unit being occupied was previously considered a low-income unit prior to becoming vacant, then the applicable imputed income limitation is the limitation designated prior to the unit becoming vacant. If the unit was not previously occupied by a low-income household (a market-rate unit), then the owner designates the income limit such that the project continues to meet the Average Income Test. In other words, if the comparable or smaller vacant unit is an HTC unit, rent the unit based on the existing income designation of the vacant unit. If the comparable or smaller vacant unit is market rate, rent the unit based on the income designation of the over-income unit. If multiple units with different income designations trigger the available unit rule, owners are not required to rent available units in any specific order. See Treas. Reg. 1.42-15(c)(2)(ii).

If any comparable unit that is available or that subsequently becomes available is rented to a nonqualified household, all over-income units for which the available unit was a comparable unit within the same building lose their status as HTC units; thus, comparably sized or larger over-income units would lose their status as HTC units.

A comparable unit must be measured by the same method the taxpayer used to determine qualified basis for the credit year in which the comparable unit became available (that is, floor space fraction or unit fraction). An owner may consider a residential unit with similar square footage and amenities to be a comparable unit. A unit that is no longer available for rent due to a reservation that is binding under local law is not an available unit for purposes of this rule.

6.03 Changes in Household Composition

For all properties, prior to a change in household composition within the first six months of occupancy, owners or managers must certify the household, including any new member, as if it were a new move-in. This requirement to certify does not apply in cases of natural changes such as birth, adoption, or death, or in cases covered under the Violence Against Women Reauthorization Act of 2013 (VAWA). If the family does not qualify, the owner should deny the change until at least six months of occupancy has been achieved. The purpose of this rule is to avoid intended manipulation of move-in eligibility. Anticipated changes to household composition should be disclosed at the time of move-in and accounted for in the original TIC.

After six months of occupancy, the addition of a person to a low-income unit requires the income certification for the new member, including income and asset verification and Annual Student Certification, prior to occupancy. The new member's income is added to the income disclosed on the most recent TIC (this may be the initial TIC for 100% low-income properties not subject to annual income recertification). This new certification is an "Other Cert." The effective date of the Other Cert is the date the new member moves in. The household continues to be considered income-qualified; however, if the combined income exceeds 140% of the applicable income limit, owners must apply the available unit rule. Note that an Other Cert done in conjunction with adding a member does not reset the due date for the annual recertification. The annual recertification will be due on its regular anniversary date.

Minnesota Housing strongly recommends owners apply the same screening criteria as any new move-in (for example, credit check, landlord reference) prior to allowing a new member to occupy a unit and to add them to the lease at the time they move in.

Decreases in family size after the first six months of occupancy do not trigger an immediate income certification. Subsequent annual income recertifications will be based on the income of the remaining members of the household. A Documentation of Decrease in Family Size form can be found on Minnesota Housing's website to assist in documenting when the change occurs and who is being removed from a unit.

A household may continue to add and remove members as long as at least one member of the original low-income household continues to live in the unit. Once all original members have moved out of the unit, the remaining occupants must be income-qualified unless the remaining occupants were part of an income-qualified household at the time they moved into the unit. For this reason, managers must

document all decreases in household composition even where an annual income recertification is not required.

6.04 Tenant Income Certification Form

The TIC form is used to certify a project's eligible households. The TIC is a legal document that, when fully executed, certifies the tenant is qualified to live in an HTC unit and that the information is complete, true, and correct and that no false or misleading information has been provided. The TIC must be signed and dated by all family members over age 18 and by any members under age 18 who are treated as adults because they are the head of household, co-head, or spouse. The owner representative must also sign and date the TIC to certify that the household is qualified for the low-income unit and the rent complies with the rent limit. For these reasons the effective date cannot be earlier than the last signature date on the TIC form. As noted above, if an applicant is unable to sign the TIC timely due to extenuating circumstances beyond their control, the owner must document the attempts to obtain signature, the reason for the delay, and the plan for how and when the proper signature will be provided in the tenant file. If the tenant file contains such documentation, a “true and correct as of” statement is unnecessary when the tenant does sign. Failure to follow up with the tenant to obtain the signature when indicated in the documentation may result in noncompliance.

Supporting documentation (application/sworn income and asset statement, income verifications, asset verifications, student certification, clarification records etc.) is considered part of the TIC and must be included in each tenant file. An Income and Asset Calculation Worksheet form can be used to assist in showing the individual calculations of income and asset income. This is *highly recommended* and will greatly assist an inspector during a file review.

6.05 Government Data Practices Act Disclosure Statement Form

Owners will create, collect, receive, store, use, maintain, and/or disseminate tenant data subject to applicable data privacy laws and regulations, including the Minnesota Government Data Practices Act (MGDPA). As the monitoring agency, Minnesota Housing must review such tenant data.

To comply with MGDPA and other applicable law, Minnesota Housing requires that owners collect a signed and dated Government Data Practices Act (DPA) Disclosure Statement from all HTC families. Note that the DPA Disclosure Statement is *not* a release authorization for verification of income and assets and must not be used as such. The property name and each adult family member’s name must be printed clearly at the top in the boxes provided. An unsigned and/or undated DPA Disclosure Statement is not valid and will be noted at the time of file inspection.

- The DPA Disclosure Statement may be signed one time and is valid for as long as the family lives at the property. If a family moves from one unit to another, the original signed and dated DPA Disclosure Statement should be moved to the file for the new unit. A copy should be kept in the file for the old unit.

- A valid DPA Disclosure Statement *must* include all relevant attachments. Some properties or units within a property may require two or more attachments for multiple programs. Each attachment contains Part A, which is data that must be disclosed as a condition of occupancy for the program(s) listed on the attachment, and Part B, which is data that is requested but is not a condition of occupancy.
- The head of household, spouse, co-head, and all family members over the age of 18 must sign and date the DPA Disclosure Statement.
- If an adult is added later or a minor reaches age 18, they can add their name, signature, and date to the existing DPA Disclosure Statement or complete a new DPA Disclosure Statement.
- A copy must be made available to the applicant/tenant. It is acceptable to provide an unsigned copy.
- For new applicants, provide the DPA Disclosure Statement with the initial application packet.

6.06 Annual Income

The HTC Program uses HUD's definition of annual income as contained in the U.S. Housing Act of 1937 as amended. HUD's definition of annual income is very specific and is not simply the amount contained on tax returns.

Annual income corresponds to gross income, with no adjustments (deductions) for child-care, medical expenses, dependents, etc. Adjusted income is used in some federal housing programs, such as Section 8 and Rural Development Section 515, to determine the level of benefit provided to a household. However, it is not used in the HTC Program.

For certifications and recertifications effective before HOTMA implementation, refer to HUD Handbook 4350.3 for a complete listing and discussion of earned/unearned income and asset income.

For certifications and recertifications conducted pursuant to HOTMA or when HUD requires HOTMA to be fully implemented, refer to the guidance below and HUD Notice 2023-10. Attachment F to Notice 2023-10 defines annual income to include all amounts received from all sources by each member of the family who is 18 years of age or older, the head of household, or spouse of the head of household, in addition to unearned income received by or on behalf of each dependent who is under 18 years of age. Annual income does not include amounts specifically excluded in paragraph (b) of 24 C.F.R. 5.609.

Factors that Affect Household Size for Income Limits

When determining family size for establishing income eligibility, the owner must include all persons living in the unit except the following:

- **Foster adult:** A member of the household who is 18 years or older and meets the definition of foster adult under state law.

- **Foster child:** A member of the household who meets the definition of foster child under state law.
- **Live-in aide/attendant (live-in aide):** A person who resides with one or more elderly persons, near-elderly persons, or persons with disabilities, and who:
    - Is determined to be essential to the care and well-being of the person(s);
    - Is not obligated for the support of the person(s); and
    - Would not be living in the unit except to provide the necessary supportive services.

Change 4 to HUD Handbook 4350.3, published in 2013, required that foster adults and foster children be counted as household members for both income and occupancy purposes. With the implementation of HOTMA, foster adults and foster children are no longer considered in family size for income purposes but must be considered for unit size purposes.

A live-in aide qualifies for occupancy as a non-family member only as long as the individual needing supportive services requires the live-in aide's services and remains a tenant. The live-in aide will not qualify for continued occupancy as a remaining family member. Owners must obtain verification from the person's physician, psychiatrist, or other medical practitioner or health care provider that the live-in aide is needed to provide the necessary supportive services essential to the care and well-being of the person and should not add the attendant to the lease. The owner may not require applicants or tenants to provide access to confidential medical records or to submit to a physical examination. While a relative may be a live-in aide they must meet the above requirements, or they must be treated as a family member and their income must be included.

When determining family size for income limits, the owner must include the following individuals who are not living in the unit:

- Children temporarily absent due to placement in a foster home
- Children in joint custody arrangements who are present in the household 50% or more of the time
    - If disputed, determine which parent claimed the children as dependents for purposes of filing a federal income tax return.
- Children who are away at school but who live with the family during school recesses
- Unborn children of pregnant women
    - When a pregnant woman is an applicant, the unborn child is included in the size of the household and may be included for purposes of determining the maximum allowable income. The rental application should ask, "Will there be any changes in household composition within the next 12-month period?" If an applicant answers that a child is expected, the manager should explain to the tenant that to count the child as an additional household member and use the corresponding income limit, a self-certification of pregnancy must be provided.
- Children who are in the process of being adopted

- Temporarily absent family members who are still considered family members
    - For example, the owner may consider a family member who is working in another state on assignment to be temporarily absent. Persons on active military duty are considered temporarily absent (except if the person is not the head, co-head, or spouse or has no dependents living in the unit). If the person on active military duty is the head, co-head, or spouse, or if the spouse or dependents of the person on active military duty resides in the unit, that person's income must be counted in full.
- Family members in the hospital or at a rehabilitation facility for periods of limited or fixed duration. These persons are temporarily absent as defined above
- Persons permanently confined to a hospital or nursing home
    - The family decides if such persons are included when determining family size for income limits. If such persons are included, they must be listed on the TIC as "other adult family member." If the family chooses to include the permanently confined person as a member of the household, the owner must include income received by these persons in calculating family income.

Deployment of Military Personnel to Active Duty

Owners are encouraged to accommodate the unique circumstances of households where a member is called to active duty in the Armed Forces. Specific actions that an owner can take and remain in compliance include, but are not limited to:

- Allowing a guardian to move into the low-income unit on a temporary basis to provide care for any dependents the military person leaves in the unit. The guardian's income is not included in the household's income.
- Allowing a tenant living in a low-income unit to provide care for any dependents of persons called to active duty in the Armed Forces on a temporary basis as long as the head and/or co-head of the household continues to serve in active duty. Income of the dependent (for example, Supplemental Security Income (SSI) benefits, military benefits) is not included in the household's income.
- Allowing leases to remain in effect for a reasonable period without recertification (if required) depending on the length of deployment beyond that required by the Soldiers' and Sailors' Civil Relief Act of 1940, 50 U.S.C. 501-591, even though the adult members of the military family are temporarily absent from the unit.

Annual Income

Annual income has two components: Earned/unearned income and asset income.

Earned/Unearned Income + Income from Assets = Annual Income

If a particular type of income is not specifically mentioned as being excluded, then it is included in annual income. The following are examples of income that are included:

- The gross amount (before any payroll deductions) of wages and salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services of all adults in the household (including persons under the age of 18 who are the head, spouse, or co-head).
- Net income, salaries, and other amounts distributed from a business. This includes salaries received from a family-owned business.
- The gross amount (before any deductions for Medicare, etc.) of periodic Social Security payments. Include payments received by adults on behalf of individuals under the age of 18, or by individuals under the age of 18 for their own support.
- The full amount of periodic amounts received from annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts (for example, Black Lung Sick Benefits, Veterans Disability, Dependent Indemnity Compensation). The withdrawal of cash or assets from an investment received as periodic payments is counted as income.
- Delayed periodic payments received because of delays in processing unemployment, welfare, or other benefits.
- Payments in lieu of earnings, such as unemployment and disability compensation and severance pay.
- Recurring monetary or non-monetary contributions or gifts regularly received from persons not living in the unit. These sources may include rent, utility, other payments paid on behalf of the household, and other cash or non-cash contributions provided on a regular basis.
- All regular pay, special pay, and allowances of a member of the Armed Forces.
    - Note that until January 1, 2012, Basic Pay Allowance for housing is disregarded for properties located in a county that contains a qualified military installation to which the number of members assigned to units based out of the military installation as of June 1, 2008, has increased by 20% or more from December 31, 2005. This applies to the county that contains the military installation and also to adjacent counties. A qualified military installation is a military installation or facility with 1,000 or more members as of June 1, 2008.
- Welfare assistance.
- Alimony and child support. Alimony or child support paid by a member of the household is not deducted from income, even if it is garnished from wages.

Student Financial Assistance

Prior to HOTMA, all forms of student financial assistance (grants, scholarships, educational entitlements, work study programs, Bureau of Indian Affairs student assistance programs, and financial aid packages) were excluded from annual income except for students receiving Section 8 assistance.

For students receiving Section 8 assistance, all financial assistance a student received, 1) under the Higher Education Act of 1965, 2) from private sources, or 3) from an institution of higher education that is in excess of amounts received for tuition and any other required fees and charges (refer to HUD Notice H2015-12) was included in annual income except if the student was over the age of 23 with dependent children or living with parents receiving Section 8 assistance.

The primary difference between the Section 8 and HOTMA student assistance approaches are how the Higher Education Act of 1965 (HEA) assistance and money from private sources (such as parents and grandparents) are counted. Under HOTMA, HEA assistance is not counted as income, and money from private sources is gift income, not student financial assistance.

Income from Student Financial Assistance

The treatment of student financial assistance depends on the type of financial assistance received by the student. The student financial assistance rules apply to both full-time and part-time students.

The two types of student financial assistance applicable to HUD and HTC programs are described below:

1. **Amounts received under section 479B of the Higher Education Act (HEA) of 1965, as amended.** Section 479B of the HEA provides that certain types of student financial assistance are to be excluded in determining eligibility for benefits made available through federal, state, or local programs financed with federal funds. The list below of 479B programs was last updated as of July 1, 2024, and may not be exhaustive:
    - Federal Pell Grants
    - Federal TRIO and early outreach/student services programs
    - Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)
    - Model Program grants (Community Partnership and Counseling Grants)
    - National Student Savings Demonstration grants
    - Federal Supplemental Educational Opportunity Grants (FSEOG)
    - Leveraging Educational Assistance Partnership grants
    - Special programs for migrant/seasonal farmworker families
    - Robert C. Byrd Honors Scholarships
    - Childcare Access Means Parents in School (CAPS) grants
    - TEACH Grants
    - Scholarships for veteran’s dependents
    - Federal Family Education Loan (FFEL) programs
    - Federal Work-Study
    - William D. Ford Federal Direct Loans
    - Federal Perkins Loans
    - HEA Relief Opportunities for Students (HEROES Act adjustments)

- Higher Education Tribal Grant (formerly under the Bureau of Indian Affairs)
- Tribally Controlled Colleges or Universities Grant Program
- Workforce Innovation and Opportunity Act (WIOA) section 134 employment/training program (adult/dislocated worker workforce training)

2. **Other student financial assistance** includes grants or scholarships received from the following sources:
    - The Federal government
    - A state (including U.S. territories), Tribe, or local government
    - A private foundation registered as a nonprofit under 26 U.S.C. 501(c)(3)
    - A business entity (such as a corporation, general partnership, limited liability company, limited partnership, joint venture, business trust, public benefit corporation, or nonprofit entity)
    - An institution of higher education

Other student financial assistance does not include:

- Financial support provided to the student in the form of a fee for services performed (for example, a work study or teaching fellowship that is not excluded under section 479B of the Higher Education Act HEA)
- Gifts, including gifts from family or friends

Other student financial assistance may be paid directly to the student or to the educational institution on the student's behalf. The owner must verify that other student financial assistance is for the student's actual covered costs.

The treatment of the two above-described types of student financial assistance is described below.

All assistance received under 479B of the HEA by students is excluded from income. Other student financial assistance received by the student that, either by itself or in combination with HEA assistance, exceeds the actual covered costs is not excluded from income.

Actual covered costs include tuition, books, supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, and fees required and charged to a student by an institution of higher education (as defined under section 102 of the Higher Education Act of 1965 (20 U.S.C. 1087uu)). For a student who is not the head of household, co-head, or spouse, actual covered costs also include the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit.

The formula for calculating the amount of other student financial assistance that is excluded from income always begins with deducting the assistance received under 479B of the HEA from the total actual covered costs, because the 479B assistance is intended to pay the student's actual covered costs. This formula is illustrated below (this and other examples are in HUD Notice 2023-10,

Attachment G). Note that the Consolidated Appropriations Act, 2026 (H.R. 7148, Public Law 119-75) removed the exception for certain students receiving Section 8 assistance, so the Section 8 examples in HUD Notice 2023-10 no longer apply.

Example 1: Calculating Student Financial Assistance

Juan is a full-time student, and he received the following grants and scholarships to cover his first year of college: Federal Pell Grant: $25,000; University Scholarship: $15,000; Rotary Club Scholarship: $3,000.

- Total assistance received under 479B of HEA: $25,000 (Federal Pell Grant)
- Total other student financial assistance received: $18,000
- Juan's actual covered costs: $28,000

Step 1: Determine amount of actual covered costs exceeding section 479B assistance.

$28,000 (actual covered costs)
- $25,000 (total assistance received under 479B of HEA)
= $ 3,000

Step 2: Determine amount of student financial assistance to include in income.

$18,000 (other student financial assistance received)
- $ 3,000 (actual covered costs exceeding section 479B assistance)
= $15,000 (if negative, then use $0)

Amount of student financial assistance included in Juan's income: $15,000

Student loans are not considered student assistance and are never counted as income.

Use the Affidavit of Student Financial Assistance to obtain information from the applicant or resident as to their source(s) of financial assistance.

6.07 Exclusions from Annual Income

For certifications and recertifications effective before implementing HOTMA, refer to HUD Handbook 4350.3 for a complete listing and discussion of income exclusions.

Refer to HUD Notice 2023-10 Attachment G for changes in exclusions for certifications conducted under HOTMA or when HUD requires full HOTMA implementation.

Nonrecurring Income

Income that will not be repeated beyond the coming year (that is, the 12 months following the effective date of the certification), based on information provided by the family, is considered nonrecurring income and is excluded from annual income. However, income received as an independent contractor, day laborer, or seasonal worker is not excluded from income under 24 C.F.R. 5.609(b)(24), even if the source, date, or amount of the income varies.

Income that has a discrete end date and will not be repeated beyond the coming year during the family's upcoming annual reexamination period will be excluded from a family's annual income as nonrecurring income. This does not include unemployment income and other types of periodic payments that are received at regular intervals (such as weekly, monthly, or yearly) for a period of greater than one year that can be extended. For example, an increasing number of cities and states are piloting guaranteed income programs that have discrete beginning and end dates. This income can be excluded as nonrecurring in the final year of the pilot program. For example, for an annual recertification effective July 1, 2025, guaranteed income that will be repeated in the coming year but will end before the next reexamination on July 1, 2026, will be fully excluded from annual income. Income amounts excluded under this category may include, but are not limited to, nonrecurring payments made to the family or to a third party on behalf of the family to assist with utilities, eviction prevention, security deposits to secure housing, payments for participation in research studies depending on the duration, and general one-time payments received by or on behalf of the family.

The following list of exclusions is codified at 24 C.F.R. 5.609(b)(24) as nonrecurring income. Note that the list is not exhaustive:

- Payments from the U.S. Census Bureau for employment lasting no longer than 180 days and not culminating in permanent employment;
- Direct federal or state economic stimulus payments;
- Amounts directly received by the family as a result of state refundable tax credits or state tax refunds at the time they are received;
- Amounts directly received by the family as a result of federal refundable tax credits or federal tax refunds at the time they are received;
- Gifts for holidays, birthdays, or other significant life events or milestones (for example, wedding, baby shower, or anniversary gifts);
- In-kind donations (for example, food, clothing, or toiletries received from a food bank or similar organization); and
- Lump-sum additions to net family assets (for example, lottery winnings, contest winnings, etc.).

Excluded Recurring Income

Below is a list of income that is not counted as part of household income (refer to 24 C.F.R. 5.609(b) for the full list and to Attachment G in HUD Notice 2023-10 for additional detail):

- Earned income of children under age 18.
- Payments received for the care of foster children or foster adults, or State or Tribal kinship or guardianship care payments.
- Insurance payments and settlements for personal or property losses, including but not limited to payments through health insurance, motor vehicle insurance, and workers' compensation.

Any workers' compensation is always excluded from annual income, regardless of the frequency or length of the payments.

- Amounts received by the family that are specifically for, or in reimbursement of, the cost of health and medical care expenses for any family member.
- Any amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to a family member arising out of law, that resulted in a member of the family becoming disabled.
- Income of a live-in aide, foster child, or foster adult.
- Income and distributions from any Coverdell education savings account under section 530 of the Internal Revenue Code of 1986 or any qualified tuition program under section 529 of such Code; and income earned by government contributions to, and distributions from, baby bond accounts created, authorized, or funded by Federal, State, or local government.
- The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
- Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS).
- Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (such as special equipment, clothing, transportation, child-care, etc.) and which are made solely to allow participation in a specific program.
- Amounts received under a resident service stipend not to exceed $200 per month. A resident service stipend is a modest amount received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development.
- Incremental earnings and benefits resulting to any family member from participation in training programs funded by HUD or in qualifying Federal, State, Tribal, or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives and are excluded only for the period during which the family member participates in the employment training program unless those amounts are excluded under paragraph (b)(9)(i) of this section.
- Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
- Earned income of dependent full-time students in excess of the annually adjusted amount of the deduction for a dependent.
- Adoption assistance payments for a child in excess of the annually adjusted amount of the deduction for a dependent.
- Deferred periodic amounts from Supplemental Security Income and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts, or any deferred

Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts.

- Payments related to aid and attendance under 38 U.S.C. 1521 to veterans in need of regular aid and attendance. This income exclusion applies only to veterans in need of regular aid and attendance and not to other beneficiaries of the payments, such as a surviving spouse.
- Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit.
- Payments made by or authorized by a State Medicaid agency (including through a managed care entity) or other State or Federal agency to a family to enable a family member who has a disability to reside in the family's assisted unit. Authorized payments may include payments to a member of the assisted family through the State Medicaid agency (including through a managed care entity) or other State or Federal agency for caregiving services the family member provides to enable a family member who has a disability to reside in the family's assisted unit. Both the person providing the care and the person who has the disability must be family members (not foster adult, foster child or live-in aides) and must live in the same household. The exclusion does not apply to income earned by the family for other caregiving services provided to individuals outside of the assisted household.
- Loan proceeds (the net amount disbursed by a lender to or on behalf of a borrower, under the terms of a loan agreement) received by the family or a third party (such as proceeds received by the family from a private loan to enable attendance at an educational institution or to finance the purchase of a car).
- Payments received by Tribal members as a result of claims relating to the mismanagement of assets held in trust by the United States, to the extent such payments are also excluded from gross income under the Internal Revenue Code or other Federal law. Generally, payments received by tribal members in excess of the first $2,000 of per capita shares are included in a family's annual income for purposes of determining eligibility. However, payments made under the Cobell Settlement, and certain per-capita payments under the recent Tribal Trust Settlements, must be excluded from annual income in programs that adopt the definitions of annual income in 24 C.F.R. 5.609. Note that payment received by a tribal member from the tribe for distribution of Indian gaming profits is not a per-capita payment within the meaning of the Per Capita Distribution Act and does not qualify for income exclusion. If a family member who is a tribal member receives the IRS Form 1099–MISC, Miscellaneous Income, from the tribe for reporting Indian gaming profits, then this payment must be counted toward the family's annual income.
- Amounts that HUD is required by Federal statute to exclude from consideration as income for purposes of determining eligibility or benefits. HUD will publish a notice in the Federal Register to identify the benefits that qualify for this exclusion. Updates will be published when necessary. Examples include:
    - The value of the allotment provided to an eligible household under the Food Stamp Act of 1977.

  - Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (including employment through AmeriCorps, Volunteers in Service to America [VISTA], Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, and senior companions).
  - Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program.
  - The first $2,000 of per capita shares received from judgment funds awarded by the National Indian Gaming Commission or the U. S. Claims Court, the interests of individual Indians in trust or restricted lands, and the first $2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands. This exclusion does not include proceeds of gaming operations regulated by the Commission.
  - Payments received from programs funded under Title V of the Older Americans Act of 1985 (such as Green Thumb, Senior Aides, and Older American Community Service Employment Program).
  - Any amount received under the Richard B. Russell School Lunch Act and the Child Nutrition Act of 1966, including reduced-price lunches and food under the Special Supplemental Food Program for Women, Infants, and Children (WIC).
- Replacement housing gap payments made in accordance with 49 C.F.R. 24 that offset increased out-of-pocket costs of displaced persons that move from one federally subsidized housing unit to another Federally subsidized housing unit. Such replacement housing gap payments are not excluded from annual income if the increased cost of rent and utilities is subsequently reduced or eliminated, and the displaced person retains or continues to receive the replacement housing gap payments.
- Nonrecurring income, which is income that will not be repeated in the coming year based on information provided by the family. Income received as an independent contractor, day laborer, or seasonal worker is not excluded from income under this paragraph, even if the source, date, or amount of the income varies. See the Nonrecurring Income section above for more information.
- Civil rights settlements or judgments, including settlements or judgments for back pay.
- Income earned on amounts placed in a family's Family Self Sufficiency Account.

The amount of rental subsidy paid to the owner on behalf of a household by a PHA or other government administrator is also not included in income. Private or philanthropic rental assistance is considered regular contributions by persons not living in the unit and must be included in income.

Excluded Income Per IRS

Under Revenue Procedure 2024-38, all Department of Veterans Affairs (VA) service-connected disability benefits are excluded from annual income, but only for applicants or tenants approved for or receiving a tenant-based or project-based VASH Voucher. This revenue procedure applies to income

determinations effective on or after October 24, 2024. The HUD-VASH program is administered by local PHAs that have partnered with local VA medical facilities or other entities designated by the VA to provide case management and clinical services to assist veterans experiencing homelessness.

Earned Income Disregard

The Earned Income Disregard (EID) will not apply to any family who is not eligible for *and already participating in* the disallowance as of December 31, 2023.

The EID allowed eligible families to have a portion of their earned income excluded from annual income for a maximum period of 24 consecutive months. Although HOTMA eliminates the EID from HUD regulations, families who were receiving the EID benefit as of December 31, 2023, may continue to receive the full benefit until the remaining timeframe for an individual family's EID expires. Because the EID lasts up to 24 consecutive months, no family will still be receiving the EID benefit after December 31, 2025.

6.08 Annualized Income

Income determination is based on the annual gross income a household anticipates it will receive for the 12-month certification period. Disclosure and verification of all sources of current and anticipated income for all household members age 18 and older, persons under the age of 18 who are treated as adults because they are the head of household, co-head or spouse, and unearned income of minor children must be obtained in order to establish that the income limits are not exceeded.

Convert all verified incomes to annual amounts.

To annualize full-time employment, multiply:

- Hourly wages by 2,080 hours
- Weekly wages by 52
- Bi-weekly wages by 26
- Semi-monthly wages by 24
- Monthly wages by 12

To annualize income from other than full-time employment, multiply:

- Hourly wages by the number of hours the individual is expected to work per week by 52; if verification shows a range of hours, use the average number of hours (for example, verification shows 30-35 hours per week, use 32.5 hours)
- Average weekly amounts by the number of weeks the individual is expected to work
- Other periodic amounts (for example, monthly, bi-weekly) by the number of periods the individual expects to work

Some HTC professionals use non-conforming methodologies for calculating wages including using the highest of a range of hours provided by the employer or basing income determinations on the higher calculation of income provided by the employer and a calculation of annual income based on year-to-date information. As noted above, Minnesota Housing uses the average of a range of hours given and anticipated wage information supplied by the employer, consistent with Section 8. More conservative methodologies are not prohibited; however, using more conservative methodologies may exclude households that qualify based on Section 8 methodologies. In any event, any approach developed by an owner/agent must be consistently applied to all applicants and tenants to avoid the risk of a fair housing violation.

Seasonal Income

If an applicant is in a seasonal line of work, for example a job dependent on weather conditions such as roofing, and normally collects unemployment during the off months, both incomes are used for the appropriate number of months. For example, if an individual makes $1,800 a month during a nine-month roofing season and collects unemployment in the amount of $800 a month for the remaining three months, income is calculated as follows:

$$\$1,800 \times 9 = \$16,200$$

$$\$800 \times 3 = \$2,400$$

$$\$16,200 + \$2,400 = \$18,600 = \text{Total Annualized Income}$$

Zero Income Members

If an adult member of an applicant family has no regular verifiable income or income from assets from any source and claims zero income, a Certification of Zero Income must be completed. Note that the current HUD Handbook requires non-monetary contributions (excluding groceries) to be counted as income. Under HOTMA, non-monetary in-kind donations from a food bank or similar organization cannot be assigned a monetary value (including food, clothing, or toiletries).

6.09 Income from Assets

Assets are items of value, other than necessary personal items, and are considered along with verified income to determine HTC eligibility.

For certifications and recertifications effective before implementing HOTMA, refer to HUD Handbook 4350.3 for a complete listing and discussion of income from assets.

Refer to HUD Notice 2023-10 Attachment F for changes in assets and asset income for certifications conducted under HOTMA or when HUD requires full HOTMA implementation.

Under HOTMA, assets have three categories:

- Necessary Personal Property
- Non-Necessary Personal Property
- Real Property

Assets include the net cash value of all real property and the net cash value of all non-necessary items of personal property.

Necessary Personal Property

Necessary Personal Property (NPP) are items that are essential to the family for maintenance, use, and occupancy of the residence, or necessary for employment, education, or health and wellness. NPP also includes items that assist persons with disabilities, including items for disability-related needs and items required for reasonable accommodation. NPP does not include luxury items.

Owners must determine whether an item is considered necessary or non-necessary to determine whether it should be included as an asset.

This is a highly fact-specific determination. Therefore, owners must collect enough facts to make this determination. If an item is considered necessary personal property, it is not included as an asset.

Examples of NPP (list is not exhaustive):

- Car(s)/vehicle(s) that a family relies on for transportation for personal or business use (for example, bike, motorcycle, skateboard, scooter)
- Furniture, carpets, linens, kitchenware
- Common appliances
- Common electronics (for example, radio, television, DVD player, gaming system)
- Clothing
- Personal effects that are not luxury items (for example, toys, books)
- Wedding and engagement rings
- Jewelry used in religious/cultural celebrations and ceremonies
- Religious and cultural items
- Medical equipment and supplies
- Healthcare-related supplies
- Musical instruments used by the family
- Personal computers, phones, tablets, and related equipment
- Professional tools of trade (for example, professional books)
- Educational materials and equipment, including equipment to accommodate persons with disabilities

- Equipment used for exercising (for example, treadmill, stationary bike, kayak, paddleboard, ski equipment

Non-Necessary Personal Property

If personal property is not deemed necessary, as HUD guidance provides, then it is considered Non-Necessary Personal Property (NNPP) and may need to be included as an asset.

Under HOTMA, the combined value of NNPP up to the amount that HUD allows to be self-certified is excluded from net family assets, but any income earned by these assets is included in gross annual household income. Refer to HUD's Annual Inflationary Adjustments and Passbook Rate webpage for the current amount of assets HUD allows to be self-certified (updated annually, adjusted for inflation).

If the total value of NNPP exceeds the amount HUD allows to be self-certified, owners must verify all asset amounts and any income earned. If an asset does not earn income, owners must use HUD's passbook savings rate to calculate an imputed income. Refer to HUD's Annual Inflationary Adjustments and Passbook Rate webpage for the current passbook savings rate (updated annually, adjusted for inflation).

Examples of NNPP (list is not exhaustive):

- Bank accounts or other financial investments (for example, checking account, savings account, stocks/bonds, money market or mutual funds, certificates of deposit)
- A mortgage or deed of trust held by an applicant or resident (for example, contract for deed or deed of trust); payments on this type of asset are often received as one combined payment of principal and interest with the interest portion counted as income from the asset
- Cash value of life insurance policies available to the individual before death (for example, the surrender value of a whole life policy or a universal life policy)
- Recreational car/vehicle not needed for day-to-day transportation (for example, campers, motorhomes, travel trailers, all-terrain vehicles (ATVs))
- Recreational boat/watercraft
- Expensive jewelry without religious or cultural value, or which does not hold family significance
- Collectibles (for example, coins/stamps)
- Equipment/machinery that is not used to generate income for a business
- Items such as gems/precious metals, antique cars, artwork, etc.
- Assets disposed of for less than fair market value within two years of the effective date of the certification
    - Assets lost to foreclosure, bankruptcy, and divorce or separation settlements are not counted as disposed of assets. Assets put into an irrevocable trust for another member of the same household are also not counted as disposed. Neither are assets that are simply used to buy goods or services that are not counted as assets.

Bank accounts include amounts in cash apps and digital wallets that hold balances. Examples include Venmo, PayPal, GoFundMe, Cash App, Google Pay, Google Wallet, etc., and cards used to receive government and other cash benefits. Retailers such as Wal-Mart, Target, and Starbucks may also have cash-holding apps.

Apps that merely facilitate transferring funds from one account to another and do not actually hold any money, are not assets (for example, Zelle).

Stocks, bonds, treasury bills, certificates of deposit, money market accounts, mutual funds, interest, or dividends earned are counted as income from assets even when the earnings are reinvested. The value of stocks and other assets vary from one day to another. The value of the asset may go up or down the day before or after income is calculated and multiple times during the year thereafter. The owner may assess the value of these assets at any time after the authorization for the release of information has been received.

Real Property

The value of real property is always counted as an asset.

Equity in rental property or other capital investment. Include the current fair market value less (a) any unpaid balance on any loans secured by the property; and (b) reasonable costs that would be incurred in selling the asset (that is, penalties, broker fees, etc.). If the person's main business is real estate, then count any income as business income. Do not count it as an asset and as business income.

Only the interest portion of the monthly payment received by the tenant is included as income. For interest income from the sale of real property, if said property was sold on an installment sales contract, request one of the following:

- A letter from an accountant, attorney, real estate broker, the buyer, or a financial institution stating interest due for the next 12 months; a copy of the check(s) paid by the buyer to the tenant is not sufficient since appropriate breakdowns of interest and principal are not included
- Amortization schedule showing interest for the 12 months following the date the purchaser intends taking occupancy

For rental income from property owned by the tenant, request each of the following:

- IRS Form 1040 with Schedule E (Rental Income)
- Lease between the tenant and the tenant's renter
- Lessee's written statement identifying monthly payments due the tenant and tenant's affidavit as to net income realized

6.10 Household Asset Exclusions

Household assets do not include:

- NPP including clothing, furniture, cars, etc.
- Retirement accounts under IRS-recognized retirement plans (for example, IRA, employer retirement plans, and retirement plans for self-employed individuals)
    - Note that regular distributions or withdrawals from such accounts are treated as income.
- Real property without legal authority to sell
- Legal settlements from civil actions or settlement based on a claim of malpractice, negligence or other breach of duty owed to a family member, for an incident resulting in a disability
- Interests in Indian land trusts
- Coverdell or 529 education savings accounts, ABLE accounts, baby bond accounts
- Term life insurance policies
- Equity in a manufactured home where the family receives assistance under 24 C.F.R. 982 (Housing Choice Voucher)
- Equity in property under the Homeownership Option for which a family receives assistance under 24 C.F.R. 982
- Family Self-Sufficiency Accounts
- Federal tax refunds or refundable tax credits from the 12 months prior to the certification effective date (for example, Earned Income Tax Credits)
    - Note that HUD instructs owners to subtract the value of any tax return that a household has received in the last 12 months from total net assets. This may mean self-certification of assets is allowed if subtracting the refunds or refundable credits puts the total value of net assets below the amount HUD allows to be self-certified.
- Trust funds that are not revocable by, or under the control of, any family member as long as they continue to be held as such
    - When a trust is in the control of a household it is an asset to the household, and income is counted as the trust generates it.
    - Distributions/withdrawals from the trust in the household's control are not counted as income. When a trust is not in the control of a household it is not an asset to the household.
    - Distributions received from the trust are income except for the following two exclusions: 1) distributions from the principle or corpus of the trust and 2) distributions that are made to pay for the health and medical expenses of a minor child.
- Assets that are part of an active business (not including rental of properties that are held as investment and not a main occupation)
- Assets that are not effectively owned by the applicant; that is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone

else who is not a member of the household, and that other person is responsible for income taxes incurred on income generated by the assets

- Assets not accessible to the applicant and provide no income to the applicant
    - For example, a battered spouse owns a house with her husband. Because of the domestic situation, she receives no income from the asset and cannot convert the asset to cash.

6.11 Assets Owned Jointly

For assets jointly owned by one or more individuals outside of the family, owners must include the total value of the asset in the calculation of net assets, unless the asset is otherwise excluded, or unless the applicant can demonstrate that the asset is inaccessible to them, or that they cannot dispose of any portion of the asset without the consent of another owner who refuses to comply. If the applicant demonstrates that they can only access a portion of an asset, then only that portion's value shall be included in the calculation of net assets. Likewise, any income from a jointly owned asset must be included in annual income, unless that income is specifically excluded, or unless the applicant demonstrates that they do not have access to the income from that asset, or that they only have access to a portion of the income from that asset.

If an individual is a beneficiary who is entitled to access the account's funds only upon the death of the account's owner, and may not otherwise withdraw funds from an account, then the account is not an asset, and the individual should provide proper documentation demonstrating that they are only a beneficiary on the account.

6.12 Instructions for Valuing Assets

In computing assets, owners must use the cash value of the asset; that is, the amount the family or household would receive if the asset were converted to cash. Cash value is the market value of the asset minus reasonable costs that were or would be incurred in selling or converting the asset to cash. Expenses which may be deducted include:

- Penalties for withdrawing funds before maturity
- Broker/legal fees assessed to sell or convert the asset to cash
- Settlement costs for real estate transactions

For non-liquid assets, enough information should be collected to determine the current cash value: the net amount the family would receive if the asset were converted to cash.

Owners must count assets disposed of for less than fair market value during the two years preceding certification or recertification. The amount counted as an asset is the difference between the cash value and the amount received, if the difference is more than $1,000. If a tenant has sold their home

(either a private residence or rental) or disposed of other assets within the past two years for less than fair market value, request:

- Copies of closing documents (HUD-1, settlement statement) showing the selling price, the distribution of the sales proceeds and the net amount to the tenant
- Divestiture of Assets Verification identifying the disposed-of asset, the cash value and amount actually received

Actual income from assets is always included in a family's annual income, regardless of the total value of net family assets, unless that income is specifically excluded by 24 C.F.R. 5.609(b).

Income or returns from assets are generally considered to be interest, dividend payments, and other actual income earned on the asset, and not the increase in market value of the asset. The increase in market value is relevant to the cash value of the asset for the purpose of determining total net family assets and imputing income.

When total net assets exceed the amount HUD allows to be self-certified (when HOTMA implementation guidance was released, this amount was $50,000), income from assets is no longer determined based on the greater of actual or imputed income from the assets. Instead, imputed asset income must be calculated for specific assets when three conditions are met:

1. The value of net family assets exceeds the amount HUD allows to be self-certified
2. The specific asset is included in net family assets
3. Actual asset income cannot be calculated for the specific asset

Imputed asset income is calculated by multiplying the net cash value of the asset, after deducting reasonable costs that would be incurred in disposing of the asset, by the current HUD-published passbook rate.

To properly calculate income from assets:

1. Review the list of assets provided by the applicant or resident.
2. Categorize assets as NPP, NNPP, and real property.
3. Exclude any NPP.
4. Determine the total value of NNPP.
    a. If the total value of all NNPP is less than the amount HUD allows to be self-certified, assign a $0 value to each asset, but calculate income, if any.
    b. If the total value of all NNPP exceeds the amount HUD allows to be self-certified, fully verify the assets, assign the net value of the asset and calculate actual or imputed income to each asset.
5. Add NNPP to any real property. If the total value exceeds the amount HUD allows to be self-certified, all assets must be verified. Impute income for any assets that cannot otherwise have income determined.

6. Subtract any federal tax return or refundable tax credit the household received in the past 12 months (if an applicant anticipates a $500 federal tax refund but only receives $250, then only $250 will be excluded from net assets because that is the amount actually received). If the subtraction results in a negative number, then net family assets are considered $0.

Refer to the examples in Attachment F to HUD Notice 2023-10.

Owners should not conflate an asset with an actual return of $0 with an asset for which an actual return cannot be computed, such as could be the case for some non-financial assets. If the asset is a financial asset and there is no income generated (for example, a bank account with a 0% interest rate or a stock that does not issue dividends), then the asset generates zero actual asset income, and imputed income is not calculated. When a stock issues dividends in some years but not others (for example, due to market performance), the dividend is counted as the actual return when it is issued, and when no dividend is issued, the actual return is $0. When the stock never issues dividends, the actual return is consistently $0.

6.13 General Income Verification Requirements

The Sworn Income and Asset Statement (or owner's application containing, at a minimum, the information on the Sworn Income and Asset Statement) must be used as the basis for determining the necessary verifications.

Refer to Table J2 in HUD Notice 2023-10 for Verification Hierarchy and order of acceptability. Note that HUD's EIV system *cannot* be used for the HTC Program.

Owners must follow up on any incomplete, inconsistent, or missing information with the verification source and document such follow-up in the resident file. A Phone Verification/Clarification Record form is recommended for this purpose. Verifications and follow-up records are considered supporting documentation to the TIC.

Owners are not allowed to use information obtained through Enterprise Income Verification (EIV) for non-HUD programs, including the HTC Program. If a property has both HUD and HTC, EIV cannot be used to verify income for Section 42, nor can it be in the HTC portion of a tenant's file.

Acceptable Verification Descriptions and Guidance

Upfront Income Verification (UIV) (Level 6/5)

The verification of income, before or during a family reexamination, through an independent source that systematically and uniformly maintains income information in computerized form for a number of individuals. HUD encourages owners to use tools such as The Work Number (an automated verification system) and state government databases to verify tenant-reported income.

Written, Third-Party Verification (Level 4)

An original or authentic document generated by a third-party source dated within 120 days of the date received by the owner. For fixed-income sources, a statement dated within the appropriate benefit year is acceptable documentation.

Such documentation may be in the possession of the tenant (or applicant) and is commonly referred to as tenant-provided documents. Owners may obtain any tenant-provided documents and follow up directly with the third-party source to obtain necessary verification of information when necessary.

Examples of acceptable tenant-provided documentation (generated by a third-party source) include but are not limited to pay stubs, payroll summary report, employer notice/letter of hire/termination, SSA benefit verification letter, bank statements, child support payment stubs, welfare benefit letters and/or printouts, and unemployment monetary benefit notices.

Owners are required to obtain a minimum of two current and consecutive pay stubs for determining annual income from wages. If a family disagrees with the income calculation, owners may request additional paystubs for a more accurate calculation. For new income sources or when two pay stubs are not available, use the verification hierarchy level 3, then level 2 if necessary, then level 1 if attempts to obtain level 3 and level 2 verifications are not successful (see definitions and documentation requirements below).

Income tax returns with corresponding official tax forms and schedules attached and including third-party receipt of transmission for income tax return filed (that is, tax preparer's transmittal receipt, summary of transmittal from online source, etc.) are an acceptable form of written, third-party verification.

When verification of assets is required, owners are required to obtain a minimum of one statement that reflects the current balance of banking/financial accounts.

Written, Third-Party Verification Form (Level 3)

This type of verification uses forms specifically developed to collect information from a third-party source. Owners send the form directly to the third-party source by mail, fax, or email. The form is completed by the third party by hand (in writing or typeset) and returned to the owner.

Minnesota Housing provides sample verifications and other forms to assist owners with this method. The release of information (at the top of the form) must be completed and signed by the person who is the subject of the verification prior to sending the form to an employer or other source.

Oral Third-Party Verification (Level 2)

Independent verification of information by contacting the individual income/expense source(s), as identified through the UIV technique, or identified by the family, via telephone or in-person visit.

Owner must document in the tenant file the date and time of the telephone call (or visit to the third party) and the name of the person contacted and their telephone number, along with the confirmed information.

This verification method is commonly used when the independent source does not respond to the owner's faxed, mailed, or emailed request for information in a reasonable time frame (for example, 10 business days).

Non-Third-Party Verification: Self-Certification (Level 1)

The tenant submits a signed statement of reported income and/or expenses to the owner. This verification method should be used as a last resort when obtaining information via all other required verification techniques is not successful and the tenant file must contain documentation of why third-party verification was not available.

The self-certification is not required to be notarized; however, the following language should be included on any self-certification to ensure the certifier understands the consequences of knowingly providing false information:

> *"I/We, the undersigned, certify under penalty of perjury that the information provided here is true and correct, to the best of my knowledge and recollection. WARNING: Anyone who knowingly submits a false claim or knowingly makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. 287, 1001, 1010, 1012; 31 U.S.C. 3279, 3802)"*

Self-Certification of Assets

Minnesota Housing allows self-certification of assets when the net value does not exceed the amount HUD allows to be self-certified (when HOTMA implementation guidance was released, this amount was $50,000).

Minnesota Housing's monitoring procedure and IRS Revenue Procedure 94-65 do not permit an owner to rely on a low-income tenant's signed, sworn statement of annual income from assets if a reasonable person in the owner's position would conclude that the tenant's income is higher than the tenant's represented annual income. In this case, the owner must obtain other documentation of the low-income tenant's annual income from assets to satisfy the documentation requirement of third-party asset verification.

Optional Streamlined Income Determination for Fixed-Income Source

During the annual income recertification, owners may use a streamlined income determination to adjust a family's income according to the percentage of a family's unadjusted income that is from fixed income (refer to list of fixed income sources below) as follows:

- When 90% or more of a family's unadjusted income consists of fixed income, owners must apply a cost-of-living adjustment (COLA) to the family's fixed income sources, provided that the family certifies both that 90% or more of their unadjusted income is fixed income and that their sources of fixed income have not changed from the previous year. Owners may accept a self-certification by the tenant to adjust income for non-fixed sources.
- When less than 90% of a family's unadjusted income consists of fixed income, owners must apply a COLA to each of the family's sources of fixed income. Owners must verify all non-fixed income sources using regular verification methods.

The following are fixed income sources eligible for the streamlined approach:

- Social Security, Supplemental Security Income, Supplemental Disability Insurance
- Federal, state, local, or private pension plans
- Annuities or other retirement benefit programs, insurance policies, disability or death benefits, or other similar types of periodic receipts
- Any other source of income subject to adjustment by a verifiable COLA or current rate of interest (for example, Veteran's Administration (VA) Disability, TANF, federal pensions)

The current COLA or rate of interest specific to the fixed source of income must be used to adjust the income amount. Verification of the COLA or rate of interest must be obtained from a public source or through tenant-provided, third-party generated documentation and a copy must be placed in the tenant file. If no such verification is available, this streamlined process cannot be used and regular, third-party verification will be required.

This streamlined process can only be used for two years following regularly verified income and only for the sources described above. Every third year, third-party verification must be obtained. Assets are not subject to streamlining and must be verified each year.

6.14 Determination of Income Using Other Means Tested Public Assistance

Owners may determine a family's annual income, including income from assets, using income determinations from the following types of means-tested federal public assistance programs (Safe Harbor):

- The Temporary Assistance for Needy Families block grant (42 U.S.C. 601, et seq.)
- Medicaid (42 U.S.C. 1396 et seq.)
- The Supplemental Nutrition Assistance Program (42 U.S.C. 2011 et seq.)

- The Earned Income Tax Credit (26 U.S.C. 32)
- The Special Supplemental Nutrition Program for Woman, Infants, and Children (42 U.S.C. 1786)
- Supplemental Security Income (42 U.S.C. 1381 et seq.)
- Other programs administered by the Secretary
- Other means-tested forms of federal public assistance for which HUD has established a memorandum of understanding
- Other federal benefit determinations made by other means-tested federal programs that the Secretary determines to have comparable reliability and announces through a Federal Register notice

If owner elects to use the annual income determination from one of the above-listed forms of means-tested federal public assistance, they must obtain the income information by means of a third-party verification. The third-party verification must state the family size, must be for the entire family (that is, the family members listed in the documentation must match the family's composition in the assisted unit, except for household members), and must state the amount of the family's annual income. The annual income need not be broken down by family member or income type. Annual income includes income earned from assets, therefore when using Safe Harbor to verify a family's income, owners will neither further inquire about a family's net family assets, nor about the income earned from those assets. The Safe Harbor verification may be in the form of an award letter from the relevant federal program and must show that the family's income determination was made in the previous 12 months. HUD clarifies that the verification will be considered acceptable if the documentation meets the criteria that the income determination was made within the 12 months prior to the receipt of the verification by the owner. The Safe Harbor documentation will be considered acceptable if any of the following dates fall into the 12-month period prior to the receipt of the documentation by the owner:

- Income determination effective date
- Program administrator's signature date
- Family's signature date
- Report effective date
- Other report-specific dates that verify the income determination date

The only information owners are permitted to use to determine income under this Safe Harbor is the total income determination made by the federal means-test program administrator. Other federal programs may provide additional information about income inclusions and exclusions in their award letters; however, these determinations and any other information must not be considered for purposes of the HOTMA Safe Harbor provision. Owners are not permitted to mix and match Safe Harbor income determinations and other income verifications.

If an owner does not accept Safe Harbor documentation, is unable to obtain Safe Harbor documentation, or if the family disputes the other program's income determination, the owner must calculate the family's annual income using regular verification methods.

If the owner uses a Safe Harbor to determine the family's income, this might mean that a certain source of income was not considered in the family's income, because the other program did not consider the source to be income. For example, if a family begins receiving a new source of income on February 1, 2026, and the owner completed a TIC effective March 1, 2026, using a Safe Harbor income determination, the new source of income would not be included. This aligns with the Section 8 program's Safe Harbor determination which would require the new source of income to be reported and included at the next income reexamination.

Minnesota Housing will also consider the gross income determination for project-based and tenant-based Section 8 and USDA Rural Development to be Safe Harbor income determinations for HTC. A fully completed, signed, and dated TIC for those programs will satisfy all third-party verification requirements.

6.15 Effective Term of Verification

Verifications are valid for 120 days from the date of receipt by the owner, not the effective date of the TIC. If verifications are more than 120 days old from the date of receipt by the owner, the owner must obtain new verifications. For fixed-income sources, a statement dated within the appropriate benefit year is acceptable documentation.

6.16 Date Stamp

All income, asset, and eligibility verifications should be date-stamped as they are received. If verifications are not date stamped, Minnesota Housing may use the date the document was signed by the verification source or generated from the web to determine its age.

6.17 Electronic Signatures

Minnesota Housing will not fail a tenant file solely because it contains documents signed by electronic means as long as the owner has followed the guidance in HUD Notice H 20-10. Applicants and tenants must still be given the option to use wet signatures on paper, if requested.

As part of the inspection of administrative records, compliance staff may review the owner's e-signature policy and procedures, if applicable, to determine whether the requirements of HUD Notice H 20-10 are satisfied for the use of electronic signatures.

Chapter 7 – Sale, Transfer, or Disposition of the Project and Reporting Casualty Losses

During the 15-year compliance period, Minnesota Housing must notify the IRS of any sale, foreclosure, abandonment, casualty loss, or destruction by filing IRS Form 8823. The IRS has suggested in Treas. Reg. 1.42-5 that, if a building is sold or otherwise transferred by the owner, the transferee should obtain from the transferor all information related to the first year of the tax credit period so the transferee can substantiate HTCs claimed. Under section 42(j)(6), revised July 30, 2008, there is no recapture on dispositions as long as 1) it is reasonably expected the building will continue to be operated as a qualified low-income building and 2) the taxpayer elects to be subject to the new longer statute of limitations. Owners are not required to post a Credit Disposition Bond or pledge Treasury Securities to avoid recapture.

All unexpended funds remaining in development reserve accounts must remain for development use during the term of the compliance period and extended use period

7.01 Reporting the Sale, Transfer, or Disposition of a Project

Throughout the term of the LURA, including the 3-year tenant protection period, owners must notify Minnesota Housing in advance of any sale, transfer of ownership interest, foreclosure, or abandonment. Failure to notify Minnesota Housing from the time of selection or preliminary determination letter throughout the term of the extended use period will be considered noncompliance and may have an adverse effect on all individuals/entities from the development team on each side of the transfer that submits applications in future rounds.

Under some HTC Qualified Allocation Plans (QAPs), a sale or transfer of ownership interest from the date of reservation to five years after the PIS date may have an adverse effect on individuals/entities that wish to submit applications for tax credits in future years. Under more recent QAPs, Minnesota Housing's approval is required and unapproved changes from the time of selection or preliminary determination letter throughout the term of the extended use period may have an adverse effect on individuals/entities from the development and management team on each side of the transfer that submits applications in future rounds. Refer to the applicable QAP for specific language regarding penalties.

To begin the notification process, the owner must submit a Request for Action. Minnesota Housing will advise the owner of documentation that must be submitted for review, and, if applicable, Minnesota Housing approval. Documents for property sales may include, but are not limited to:

- Copies of purchase agreements and assignments or amendments
- Minnesota Secretary of State Certificate of Good Standing
- Organizational documents of the purchaser

- A copy of the warranty deed

Any prospective purchaser, member, or partner must certify that they have the training and/or experience to successfully operate a tax credit property. Drafts may be submitted for review prior to closing, but final documentation must be submitted within 10 days after the closing date. Minnesota Housing will update its records to recognize an ownership or ownership interest change after Minnesota Housing staff has reviewed all requested documentation. All compliance requirements and any consequences for failing to comply are the responsibility of the owner of record that Minnesota Housing has listed on file.

7.02 Reporting Casualty Losses

Owners must notify Minnesota Housing within 30 days of any casualty loss and/or destruction of any part of the property that affects habitability. Minnesota Housing must file IRS Form 8823 to notify the IRS of such casualty losses. Under section 42(j)(4)(E), taxpayers are provided relief from the credit recapture provisions in the event of a casualty loss if the loss is restored within a reasonable period established by the Secretary, which has been interpreted by the IRS to be up to two years following the end of the tax year in which the casualty loss occurred. Refer to CCA 200134006; also refer to section 165 of the Internal Revenue Code. This standard applies throughout the extended use period.

Submit a Report of Casualty Loss Form following any casualty loss that includes units out of service for more than one rental period or loss of usability of common areas or other areas of the project.

Chapter 8 – Correction and Consequences of Noncompliance

Minnesota Housing uses the IRS Guide for Completing Form 8823, Low Income Housing Credit Agencies Report of Noncompliance or Building Disposition (8823 Guide), which contains instructions for monitoring agencies to determine noncompliance, what constitutes correction, and how and when noncompliance and property dispositions are to be reported.

Owners and property managers are encouraged to read the 8823 Guide and refer to it when questions arise as to how to correct noncompliance.

8.01 Notice to Owner

Minnesota Housing is required to provide prompt written notice to the owner of an HTC project if Minnesota Housing does not receive the Owner's Certification of Continuing Program Compliance in Extended Use Period and other forms. Minnesota Housing is also required to provide prompt written notice to the owner of an HTC project if it does not receive or is not permitted to inspect the TICs, supporting documentation, and rent records or if it discovers by inspection, review, or in some other manner that the project is not in compliance with the provisions of Section 42 or its LURA. All compliance violations will be recorded in PORT with a status of UC (uncorrected), CL (clarified), or CR (corrected).

8.02 Correction Period

The owner will be given a correction period to be established by Minnesota Housing and set forth in a Notice of Noncompliance sent via email to the owner with instructions on how to respond to the notice. In accordance with Treasury Regulations, the correction period will not exceed 90 days from the date of the Notice of Noncompliance and may be a shorter period. At its discretion, Minnesota Housing may extend the correction period if Minnesota Housing determines there is good cause for granting the extension.

Requests for an extension must be in writing from the owner (email is acceptable), must be received by Minnesota Housing no later than the last day of the correction period identified on the Notice of Noncompliance, and must include each of the following:

- A description of efforts to make corrections within the correction period
- A plan to correct all remaining violations
- A timeline for when corrections are expected to be made

Minnesota Housing will not extend the correction period beyond six months from the date of the Notice of Noncompliance.

Minnesota Housing will review the owner's response and supporting documentation, if any, to determine whether the noncompliance has been clarified or corrected and will update the status of the violation in PORT accordingly.

8.03 Notice to the IRS

Minnesota Housing is required to file IRS Form 8823, "Low Income Housing Credit Agencies Report of Non-Compliance or Building Disposition," with the IRS no later than 45 days after the end of the correction period (permitted extensions).

Minnesota Housing must check the appropriate box on IRS Form 8823 indicating the nature of the noncompliance or failure to certify and indicate whether the owner has corrected the noncompliance or failure to certify. If the noncompliance or failure to certify is corrected, Minnesota Housing will provide a date on which the noncompliance was corrected. If Minnesota Housing cannot determine that an owner's actions have corrected all noncompliance, no correction date will be provided; however, an attachment to Form 8823 will be provided that identifies any noncompliance that has been corrected. Any change in either the applicable fraction or eligible basis, under paragraph (c)(1)(ii) and (vii) of Treas. Reg. 1.42-5 respectively, that results in a decrease in the qualified basis of the project under section 42(c)(1)(A) is noncompliance that must be reported to the IRS. Minnesota Housing will send the owner a copy of IRS Form 8823.

If uncorrected noncompliance is reported to the IRS, a corrective IRS Form 8823 cannot be filed until all instances of noncompliance that were the subject of IRS Form 8823 are corrected for that building.

If Minnesota Housing reports on IRS Form 8823 that a building is entirely out of compliance and will not be in compliance at any time in the future, it is not necessary to file IRS Form 8823 in subsequent years to report that building's continued noncompliance.

8.04 Recapture of Credit

Generally, during the compliance period, a project is out of compliance and recapture applies if:

- There is a decrease in the qualified basis of the building from one year to the next; or
- The building no longer meets the minimum set-aside requirements of section 42(g)(1), the gross rent requirements of section 42(g)(2), or the other requirements for the units which are set aside.

Vacant units that were previously occupied by HTC tenants can continue to be counted for minimum eligibility if the owner has made reasonable attempts to rent the unit to an eligible tenant and the unit is suitable for occupancy. Refer to IRS Revenue Ruling 2004-82, Q9 for guidance on what constitutes reasonable attempts.

If the project is out of compliance, a penalty will apply to all units in the project (IRS Form 8611). Penalties may include:

- Recapture of the accelerated portion of the tax credits for prior years
- Disallowance of the credit for the entire year in which the noncompliance occurs
- Assessment of interest for the recapture year and previous years

If the noncompliance is due to a reduction in qualified basis and the minimum eligibility requirements of 20% or 40% are still met, recapture and disallowance of credit will apply only to units not in compliance.

If there is a minimal reduction in the floor space fraction or number of qualified units, no recapture will occur, provided the building remains a qualifying HTC building.

Recapture will not occur if, within a reasonable time after the noncompliance was discovered, the situation is corrected.

In the event of a casualty loss, recapture will not occur if the property is restored or replaced within a reasonable period of time.

The above information has been provided for informational purposes to give a general understanding of recapture procedures. The IRS bears the responsibility for determining whether a building owner has claimed the correct amount of credit each year and whether a building owner is subject to recapture. Minnesota Housing is not responsible for determining whether a specific event of noncompliance is a recapture event.

Chapter 9 – Compliance and Monitoring After Year 15

Trea. Reg. 1.42-5 requires allocating agencies to perform certain compliance monitoring procedures for each year of the compliance period. However, Treasury regulations do not require allocating agencies to monitor according to Trea. Reg. 1.42-5 for the years after the 15-year compliance period has expired. For years occurring after Year 15, the IRS does not accept noncompliance filings from allocating agencies using Form 8823. Therefore, Minnesota Housing has established policies for monitoring HTC properties during the extended use period and imposing certain consequences for noncompliance during the extended use period.

Based on the requirements of the extended use period specified in Section 42 and in the LURA referenced below, Minnesota Housing has the authority to establish modified monitoring procedures for certain HTC requirements and has established the modified procedures described below.

Before implementing any changes noted in this chapter, management agents should consult with their owners to determine whether the owner intends to apply for a new allocation of HTCs before the extended use period expires. This is known as resyndication. For a resyndication, households determined to be income-qualified for purposes of the original LURA may be concurrently income-qualified households for purposes of the new allocation of HTCs *if all Section 42 requirements are met in the original LURA's extended use period.* This includes, but is not limited to, certifying student status and not renting to ineligible, full-time student households, verifying income and assets for annual recertification for mixed-income properties, following rules regarding unit transfers between buildings that are not part of the same project as defined by Section 42.

9.01 Compliance Period

Under section 42(j)(1), the compliance period means, with respect to any building, the period of 15 taxable years, beginning with the first taxable year of the credit period.

The first year of the compliance period is the first year in which the owner claimed HTCs. The first year must be either the year the building(s) are placed in service or, at the owner's election, the year following the placed in service year. All requirements of Section 42, including the Trea. Reg. 1.42-5 monitoring requirements, are in effect during the 15-year compliance period.

9.02 Extended Use Period

Section 42(h)(6) establishes that buildings are eligible for HTCs only if there is a minimum long-term commitment to low-income housing. Specifically, to receive an HTC allocation in 1990 and later, the owner must record an extended low-income housing commitment. The document that evidences this commitment is called the Declaration of Land Use Restrictive Covenants for Low Income Housing Tax Credits and is referred to throughout this guide as the LURA. The LURA is recorded with the respective

county recorder and/or registrar of titles and runs with the land, regardless of subsequent changes in ownership.

For purposes of this section, the term extended use period means the period:

- Beginning on the day after the last day in the compliance period on which such building is part of a qualified low-income housing project, and
- Ending on the later of:
    - The date specified by Minnesota Housing in the LURA, or
    - The date that is 15 years after the close of the compliance period.

Section 42(h)(6)(E) provides exceptions to the extended use period in the case of a legitimate foreclosure or deed in lieu or, for projects that have not waived this right, if Minnesota Housing is unable to present a qualified contract pursuant to section 42(h)(6)(F). This guide does not contain guidance for the provisions of section 42(h)(6)(F) regarding the qualified contract referenced in section 42(h)(6)(E)(i)(II).

Under section 42(h)(6)(E)(ii), the termination of an extended use period due to foreclosure or deed in lieu or for failure to present a qualified contract shall not be construed to permit before the close of the three-year period following such termination:

- The eviction, lease non-renewal, or termination of tenancy of an existing tenant of any low-income unit other than for good cause
- Any increase in the gross rent with respect to such unit not otherwise permitted by the applicable rent limits

Under Minnesota Housing's LURA, the owner agrees to comply for the term of the agreement with requirements that include, but are not limited to, the following:

- The owner will maintain the applicable fraction by leasing units to individuals or families whose income is at or below 50% or 60% of MTSP (or other MTSPs per the AIT), as irrevocably elected by the owner at the time of allocation (including adjustments for family size) and as determined in accordance with Section 42.
- The owner will maintain the Section 42 rent and income restrictions.
- All units subject to the credit shall be leased and rented or made available to members of the general public who qualify as low-income tenants (or otherwise qualify for occupancy of the low-income units) under the applicable election specified in section 42(g).
- The owner agrees to comply fully with the requirements of the Fair Housing Act as may, from time to time, be amended.
- The owner will not refuse to lease a unit to the holder of a Section 8 Voucher or other form of tenant-based rental assistance because of the status of the prospective tenant as such holder

and will not evict or otherwise terminate tenancy (including lease non-renewal) for other than good cause.
- Each low-income unit will remain suitable for occupancy.
- The determination of whether a tenant meets the low-income requirement shall be made by the owner at least annually on the basis of the current income of such low-income tenant.
- The owner will comply with other restrictions as required under the specific year's QAP and related points the owner received to obtain an HTC allocation. These restrictions are property-specific within the respective LURAs, and to the extent they are not otherwise time-limited, the additional restrictions remain in force and effect during the extended use period.

Note that the LURAs have changed from year-to-year according to the respective QAPs; however, the basic language pertaining to the extended use period required by Section 42 has not materially changed.

9.03 Tenant Eligibility Criteria During the Extended Use Period

During the extended use period, Minnesota Housing monitors tenant eligibility and certification of income as follows:

- **TIC:** At initial occupancy, an initial income certification is required (calculated in a manner consistent with the determination of annual income under Section 8 of the United States Housing Act of 1937 (Section 8), not in accordance with the determination of gross income for federal income tax liability).
- **Annual recertification** is monitored as follows:
    - Mixed-income HTC properties must recertify income annually, but owners are not required to verify income and income from assets unless there is other financing or a rental subsidy program that requires verification. Households must complete a Sworn Statement of Income and Assets or similar form provided by the owner. From information provided by the tenant household, owners must calculate gross annual income, complete and sign the TIC form, and report the recertification in Minnesota Housing's Property Online Reporting Tool (PORT).
    - 100% HTC properties have no recertification requirements; however, on the anniversary date of move-in or the last certification effective date, owners must report the unit and household in PORT and complete all information except current income and student status.
    - Any household that experiences a change in composition within the first six months of occupancy (not including birth or death) must meet initial eligibility requirements and a new initial TIC must be performed.
- **Student Status:** Minnesota Housing does not monitor student status after the expiration of the Compliance Period.

- **Unit Transfers:** Unit transfers from building to building are allowed without triggering noncompliance regardless of the multiple-building election or whether a household's income is over the applicable limit at the time of transfer.
- **Available Unit Rule:** The available unit rule is revised to provide that if a household's income goes over 140% of the applicable income limit, a currently vacant unit or the next unit in the same building must be rented to a qualifying household (the comparable or smaller requirement no longer applies). This is essentially a one-for-one unit replacement.
- **Applicable Fraction:** Only the unit fraction will be examined to determine if a building met its required applicable fraction.
- **Rent Limits:** Rent limits as elected by the owner at the time of allocation continue to be in force during the extended use period. Owners of properties that were awarded selection points for additional rent restrictions should refer to the respective QAP or LURA to determine whether those additional rent restrictions are time-limited or if they are in effect for the full term of the extended use period.
- **Utility Allowances (UAs):** UAs must continue to be updated annually. Revised UAs must be implemented within 90 days of their published effective date.

Minnesota Housing will continue to update the HTC Program income and rent limits that HUD publishes annually.

9.04 Monitoring Compliance During the Extended Use Period

The following is the monitoring procedure Minnesota Housing will follow during the extended use period:

1. **Annual Owner Certification and Occupancy Reporting:** By February 15 of each year or the next business day, Minnesota Housing requires all owners to submit an annual certification of compliance along with reporting occupancy information in PORT. Instructions are provided with the December reminder notice and the PORT User Guide.
2. **Inspections:** At least every five years, Minnesota Housing will perform a physical inspection of the property and review tenant files and other pertinent documentation. The first review in the extended use period will be no more than five years from the last inspection conducted during the compliance period. Ten percent of the low-income units up to 15 units in any development (a minimum of four units) will be chosen at random for inspection. If the first four units pass inspection, the compliance officer may elect to discontinue inspecting the remaining units. Different units may be chosen for the file review as those receiving a physical inspection. Minnesota Housing compliance staff will continue to work with other inspection entities, including other government agencies, to avoid duplicative inspections. Minnesota Housing may accept NSPIRE inspections conducted by REAC or local housing and redevelopment authorities for Project-Based Section 8 Voucher contracts when they are done in the same year as the agency's review. If inspected by Minnesota Housing compliance staff, the inspection will be

pursuant to NSPIRE. In its sole discretion, Minnesota Housing may conduct a review of any building and 100% of the units and examine all records pertaining to rental of HTC units at least through the end of the extended use period of the buildings in the project.

3. **Annual Monitoring Fees:** Monitoring fees are due annually until the last year of the LURA. Refer to the Multifamily Loan Programs and Housing Tax Credit Program Fee Schedule. Fees are due at the same time as the owner's annual certification. Minnesota Housing may adjust the fee in its sole discretion due to increasing costs to monitor.
4. **Transfer of Ownership or Ownership Interest:** Refer to Chapter 7.
5. **Three-Year Tenant Protection Period following Expiration or Termination of Extended Use Period:** Refer to section 9.08.

The LURA allows for amendment by written agreement between Minnesota Housing and the owner. During the Extended Use Period, an owner may request temporary relief to remove or modify Minnesota Housing-imposed restrictions, including income or rent limits, in the event a property suffers from a decline in market conditions that is not expected to improve, and subsequent vacancies compromise the economic viability of the property. The owner must demonstrate that reasonable efforts have been made to meet all compliance requirements. Minnesota Housing will consider granting relief only to the extent that it complies with Section 42 and IRS requirements, preserves as many low-income units as possible, stabilizes the economic viability of a property, and does not result in a lease termination or non-renewal of lease for an occupied unit without good cause. The owner must submit a Request for Action to begin the process.

9.05 Consequences of Noncompliance During the Extended Use Period

The following are the procedures for and consequence(s) of noncompliance:

- Properties whose compliance period has expired and are subject to the requirements of the extended use period will be included in the Tax Credit Properties Monitored by Minnesota Housing List, Properties Not in Good Standing in the Extended Use Period List, and/or Participant Suspension list on Minnesota Housing's website.
- If an owner fails to comply with the monitoring requirements and/or terms of the LURA, Minnesota Housing will issue a Notice of Noncompliance and recommendations for correction similar to what is issued during the compliance period. All owners will be given a correction period not to exceed 90 days with which to clarify or correct noncompliance and report to Minnesota Housing that all corrections have been made. An additional 90 days may be granted with good cause. If a property has one or more compliance violations, but the owner is making a good faith effort to correct the violations within a reasonable time, then the property may be considered in good standing at the sole discretion of Minnesota Housing. If the violation(s) cannot be corrected within the 90-day correction period (or within the 90-day extension, if granted) Minnesota Housing may require the owner and management agent to formulate a plan and reasonable timeline to bring the violation(s) back into compliance and advise

Minnesota Housing in writing of such a plan. Owners will have demonstrated good faith efforts by carrying out the plan within the referenced timeline and the property will remain in good standing.

- If an owner repeatedly delays or ignores requests for monitoring reviews, fails to submit annual certifications, reports, or compliance monitoring fees, does not correct violations in a timely manner or according to the agreed-upon plan, where applicable, or otherwise chooses to ignore the compliance and monitoring requirements (serious and/or flagrant noncompliance) the following are consequences:
    - At its sole discretion, Minnesota Housing may determine that the property and the owner are not in good standing. If a management company is affiliated with, related to, or has common ownership with the owner (as determined at the sole discretion of Minnesota Housing), the management company will also be considered not in good standing. Minnesota Housing's website will reflect the change in status. A Report of Development Not in Good Standing (HTC 31) will be issued to the owner and filed with the Minnesota Housing development team. Until the property is back in good standing, no further Minnesota Housing funds or tax credits will be awarded to:
        - Projects involving the not-in-good-standing owner
        - Projects involving entities or individuals with controlling interests in the not-in-good-standing owner
        - Projects proposed to be managed by the management company (if affiliated with or related to the owner as described above).
    - The property may be ineligible for a lower property tax rate under the Low Income Rental Classification (LIRC).
    - Minnesota Housing or any eligible past, current, or prospective tenants have the right to enforce specific performance of the LURA through the court system.
    - Minnesota Housing may pursue any other remedies available in law or equity.

Once good faith efforts are demonstrated to Minnesota Housing's satisfaction, Minnesota Housing will reinstate the property, owner, management company, and other impacted individuals and entities to good standing status and update the website to reflect the change in status.

Owners and management agents must keep careful track of when a development, and in some cases certain buildings within a development, transitions from the compliance period into the extended use period. Premature implementation of the extended use period compliance and monitoring guidelines may result in noncompliance with Section 42 for which Minnesota Housing would be required to file IRS Form 8823.

9.06 Eventual Tenant Ownership

Owners who are considering converting HTC rental units to homeownership should review the Eventual Tenant Ownership (ETO) Guide. Contact the HTC team at htc.mhfa@state.mn.us with ETO questions or for additional information.

9.07 Three-Year Tenant Protection Period Following Expiration or Termination of Extended Use Period

For three years after the extended use period naturally expires or is terminated pursuant to section 42(h)(6)(E)(ii), owners may not evict or terminate tenancy (including lease non-renewal or refusal to enter into a new lease on substantially the same terms) for other than good cause and may not increase rents above the allowable Section 42 rent limit.

During this three-year period owners must:

- Submit an annual owner certification in PORT's AOC Submission Site certifying that no low-income residents were evicted or tenancy terminated for other than good cause and that rents do not exceed the allowable Section 42 rent limit.
- Report a recertification event in PORT for all low-income households that occupied a unit at the expiration or termination of the extended use period (Protected Households), including the respective rent and UA.
- Report the move-out date for Protected Households, where applicable.

Occupancy data on Protected Households and the owner certification are due on February 15 or the next business day for the preceding calendar year. No monitoring fees will be due. Minnesota Housing is not required to perform inspections.

Owners may request a release of the LURA by submitting a Request for Action after the three-year tenant protection period expires or earlier if no protected households remain in the property.

Chapter 10 – Tax Credit Assistance Program and Section 1602 (Tax Credit Exchange) Program

The American Recovery and Reinvestment Act of 2009 established two temporary programs providing allocating agencies with tools to help certain HTC-financed rental housing projects close financing gaps created by reduced credit pricing and lack of syndicator equity:

1. The Tax Credit Assistance Program (TCAP), administered by HUD
2. The Section 1602 Program, administered by the U.S. Department of Treasury (U.S. Treasury), which authorized allocating agencies to exchange HTCs for cash that the allocating agency could loan or grant to projects in lieu of HTC.

TCAP funds were awarded only to projects where there was an allocation of HTCs. Section 1602 Program funds were awarded to projects with or without HTCs.

10.01 Compliance and Asset Management

Properties funded with TCAP and/or Section 1602 Program funds must comply with Minnesota Housing loan documents and with Section 42 for the full term of the compliance and extended use periods, as evidenced by a LURA. Additionally, during the compliance and extended use period, these programs may be subject to asset management oversight by Minnesota Housing.

10.02 Monitoring and Reporting

Minnesota Housing will monitor compliance with TCAP and the Section 1602 Program in the same manner as the HTC Program as described in this guide; however, Section 1602 will require reporting violations to the U.S. Treasury in a form and manner required by the U.S. Treasury, and not to the IRS on IRS Form 8823. Asset management includes, but is not limited to, lease-up compliance monitoring, operational and financial reporting, and other monitoring pursuant to a Regulatory Agreement with Minnesota Housing.

Questions regarding asset management activities should be directed to mhfa.am@state.mn.us.

Appendix A – Legal Addendum

1.01 Conflict and Control

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

1.02 Fraud

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

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

1.03 Misuse of Funds

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

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

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

1.04 Conflict of Interest

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

- **Actual Conflict of Interest:** An Actual Conflict of Interest occurs when a person's decision or action would compromise a duty to a party without taking immediate appropriate action to eliminate the conflict.
- **Potential Conflict of Interest:** A Potential Conflict of Interest may exist if a person has a relationship, affiliation or other interest that could create an inappropriate influence if the person is called on to make a decision or recommendation that would affect one or more of those relationships, affiliations or interests.
- **Appearance of a Conflict of Interest:** An Appearance of a Conflict of Interest means any situation that would cause a reasonable person, with knowledge of the relevant facts, to question whether another person's personal interest, affiliation or relationship inappropriately influenced that person's action, even though there may be no Actual Conflict of Interest.

A conflict of interest includes any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a Partner, Family Member, Relative, Friend, Business or other Outside Interest with which they are involved. Such terms are defined below.

- **Business:** Any company, corporation, partnership, proprietorship, firm, enterprise, franchise, association, organization, self-employed individual or any other legal entity which engages either in nonprofit or profit-making activities.
- **Family Member:** A person's current and former spouse; children, parents, and siblings; current and former children-in-law, parents-in-law, and siblings-in-law; current and former stepchildren and stepparents; grandchildren and grandparents; and members of the person's household.
- **Friend:** A person with whom the individual has an ongoing personal social relationship. "Friend" does not generally include a person with whom the relationship is primarily professional or primarily based on the person being a current or former colleague. "Friend" does not include mere acquaintances (that is, interactions are coincidental or relatively superficial). Social media friendships, connections, or links, by themselves, do not constitute friendship.
- **Outside Interest:** An Outside Interest may occur when an individual, their Family Member or their Partner has a connection to an organization via employment (current or prospective), has a financial interest or is an active participant.
- **Partner:** A person's romantic and domestic partners and outside Business partners.
- **Relative:** Uncle or aunt; first or second cousin; godparent; godchild; other person related by blood, marriage or legal action with whom the individual has a close personal relationship.

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

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

- Terminating the contracting party's participation

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

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

1.05 Assistance to Employees and Affiliated Parties

Any party entering into a contract with Minnesota Housing for the purpose of receiving an award or benefit in the form of a loan, grant, combination of loan and grant or other funding is restricted in issuing a loan, grant, combination of loan and grant or other funding to a recipient ("Affiliated Assistance") who is also: (1) a director, officer, agent, consultant, employee or Family Member of an employee of the contracting party; (2) an elected or appointed official of the state of Minnesota; or (3) an employee of Minnesota Housing, unless each of the following provisions are met:

- The recipient meets all eligibility criteria for the program;
- The assistance does not result in a violation of the contracting party's internal conflict of interest policy, if applicable;
- The assistance does not result in a conflict of interest as outlined in section 1.04 of this Addendum;
- The assistance is awarded utilizing the same costs, terms and conditions as compared to a similarly situated unaffiliated recipient and the recipient receives no special consideration or access as compared to a similarly situated unaffiliated recipient; and
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and independent of any Family Member of the recipient. Family Member is defined in section 1.04 of this Addendum.

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

1.06 Suspension

By entering into any contract with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of

the contract) has not been suspended from doing business with Minnesota Housing. Please refer to Minnesota Housing's website for a list of suspended individuals and organizations (go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing, then select Suspensions from the menu).

1.07 Disclosure and Reporting

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

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

1.08 Electronic Signatures

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

1.09 Fair Housing Policy

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

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

marketing and operating procedures comply with non-discrimination requirements. Housing providers and other entities involved in real estate related transactions must comply with all non-discrimination requirements related to the provision of credit, as well as access to services.

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

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

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

Under certain circumstances, applicants will be required to submit an Affirmative Fair Housing Marketing Plan at the time of application, to update the plan regularly and to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions.

As a condition of funding through Minnesota Housing, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a Housing Choice Voucher or other form of tenant-based rental assistance.

1.10 Minnesota Government Data Practices

Minnesota Housing, and any party entering into a contract with Minnesota Housing, must comply with the Minnesota Government Data Practices Act, Minnesota Statutes, Chapter 13, as it applies to all data provided by Minnesota Housing under the contract, and as it applies to all data created, collected, received, stored, used, maintained or disseminated by the contracting party under the contract. The civil remedies of Minnesota Statutes, section 13.08 apply to the release of the data referred to in this section by either the contracting party or Minnesota Housing. If the contracting party receives a request to release the data referred to in this section, the contracting party must notify Minnesota Housing. Minnesota Housing will give the contracting party instructions concerning the release of the data to the requesting party before the data is released. The contracting party's response to the request shall comply with applicable law.

MINNESOTA HOUSING

Item: Approval, Amendments to the HOME Investment Partnership Act and National Housing Trust Fund Compliance Guide

Consent Item: 6.D
Date: November 19, 2026
Staff Contacts: Renee Dickinson, 651.539.9871, renee.dickinson@state.mn.us
Eric Thiewes, 651.539.9694, eric.thiewes@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff request approval of amendments to the Multifamily HOME Investment Partnership Act and National Housing Trust Fund (NHTF) Compliance Guide.

Fiscal Impact

The Agency receives administrative fees for the administration of HOME and NHTF programs.

Agency Priorities

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

Attachments

- Background
- Multifamily HOME Investment Partnership Act and National Housing Trust Fund Compliance Guide (with red lines)
- Multifamily HOME Investment Partnership Act and National Housing Trust Fund Compliance Guide (clean copy)

Background

Minnesota Housing has administered the federal HOME Investment Partnerships (HOME) Program since 1992, which includes HOME Targeted, HOME Rental Rehabilitation and HOME Affordable Rental Preservation. Minnesota Housing has administered the federal National Housing Trust Fund (NHTF) Program since 2016. Properties that have been developed using these funds are subject to specific rules designed to ensure they remain affordable throughout the required period of affordability. The Multifamily HOME Investment Partnership and NHTF Compliance Guide (HOME/NHTF Compliance Guide) is designed to assist owners and their agents to plan and maintain compliance with the regulatory requirements associated with the utilization of these funds in multifamily properties.

The board last approved program guide updates on May 22, 2025.

New updates are necessary due to a variety of factors. The U.S. Department of Housing and Urban Development (HUD) delayed required implementation for changes to tenant income certification relating to the Housing Opportunities Through Modernization Act (HOTMA). There is new HUD guidance on the treatment of student financial aid. In 2025, HUD published updated final rules for HOME. None of the updates reflect changes in Agency policy.

The updates are also necessary to reference new forms for utility submetering and billing, a combined asset management and compliance pre-inspection form, remove redundancies and add clarifying language, fix broken hyperlinks, and other non-substantive changes.

Below is a summary of proposed changes to the HOME/NHTF Compliance Guide (this list does not include non-substantive or formatting changes):

1. Updated to current Minnesota Housing's Values Statement.
2. Removed references to HUD's July 1, 2026, required HOTMA implementation date throughout. HUD has changed this date since the guide was last updated. Therefore, the guide now refers to the date on which HUD will require full implementation.
3. Section 1.05, page 7 – Clarified that the *actual* amount of pet rent, renter's insurance and meal services must be included as rent when they are required as a condition of occupancy.
4. Section 1.08, page 12 – Added language that a completed Utility Allowance Information form must be completed for all Utility Allowance (UA) types, and that Minnesota Housing will accept a copy of the UA as approved by the Section 8 Contract Administrator in lieu of completing the grid section of the form.
5. Section 1.08, page 12 – Added requirement for an Owner 's Certification of Compliance with Submetering and Billing for any submetered utility. The form is currently in use; it is now being referenced in the guide.

6. Section 1.13, page 16 – Removed redundant text regarding NSPIRE affirmative habitability requirements.
7. Section 3.04, page 28 – Added language advising owners to carefully track the sixth year of affordability, based on anniversary of the start of the affordability period, for full recertification requirements.
8. Section 3.08, page 34 – Removed references to and examples for student financial assistance for Section 8 properties, since the Consolidated Appropriations Act, 2026 (H.R. 7148, Public Law 119-75) removed language that made student financial assistance rules different for Section 8 and non-Section 8 units. Now, all student financial assistance is treated the same.
9. Section 3.08, page 34 – Expanded the list of 479B Higher Education Act programs as updated in July 2024.
10. Chapter 5, page 57 – Replaced references and links to Compliance Review Information and Administrative Records form with new Pre-Inspection form. The form is currently in use; it is now being referenced in the guide.
11. Chapter 8, page 62 – Updated contact information for asset management questions.
12. Appendix A Legal Addendum, page 63 – Updated to conform with current Agency template.

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MINNESOTA HOUSING

Multifamily HOME Investment Partnerships and National Housing Trust Fund Program

Compliance Guide

Last Updated: ~~May 2025~~November 2026



The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, gender identity, or sexual orientation in the provision of services.

An equal opportunity employer.

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

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Values Statement

~~All~~Our vision is that all Minnesotans live and thrive in a stable, safe~~,~~ and accessible home they can afford in a community of their choice.

To achieve ~~the concept of One Minnesota where everyone thrives~~this vision, we will reorient how we work and expand who has a voice at the table and who participates in and benefits from our programs and the housing economy.

We acknowledge and understand the intentional harms of the past, how they came to be and persist today, and our responsibility to correct them and remove barriers.

We will:

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

Introduction

Minnesota Housing has administered the HOME Investment Partnerships (HOME) Program, which includes HOME Targeted, HOME Rental Rehabilitation, and HOME Affordable Rental Preservation, since 1992 and the National Housing Trust Fund (NHTF) Program since 2016. Properties that have been developed using these funds are subject to specific rules designed to ensure that they remain affordable throughout the required period of affordability (also referred to herein as the effective period or compliance period). This guide is designed to assist owners and their agents to plan and maintain compliance with the regulatory requirements associated with the utilization of these funds in multifamily properties.

It is the responsibility of the Minnesota Housing Finance Agency (Minnesota Housing) to monitor the continuing compliance of units that have received HOME funds in accordance with ~~HUD~~the U.S. Department of Housing and Urban Development (HUD) regulations contained in Code of Federal Regulations, title 24, part 92, and for units that have received NHTF funds in accordance with NHTF regulations contained in 24 C.F.R. 93. It is also Minnesota Housing's responsibility to ensure that property owners retain the housing units as affordable throughout the period of affordability. The following procedures apply to all rental properties that have received funds under the HOME or NHTF program. Any violation of the requirements could result in acceleration of the repayment of funds.

Unless a provision is noted as "HOME Only" or "NHTF Only," all provisions of this guide apply to both programs. Noncompliance by the owner may result in serious financial consequences.

Successful operation of a HOME or NHTF funded property is management intensive; the owner is responsible for ensuring that the property is properly administered. Thorough understanding of program requirements and compliance monitoring procedures requires training of owners and managers. Owners should know and understand the requirements of the financing and the compliance requirements, as failure to comply may have very serious consequences. Minnesota Housing recommends owners, management agents and site managers receive compliance training before certifying or leasing any assisted units. At a minimum, training should cover key compliance terms, determination of rents, tenant eligibility, file documentation, procedures for maintaining the required unit mix, reporting and records retention requirements, property condition standards, ongoing lead-based paint maintenance, and site visits. Continuing education each year, or at a minimum every other year, is strongly recommended to keep up with regulatory and procedural changes. Minnesota Housing does not provide direct training; however, training resources from national or local trainers are posted on Minnesota Housing's website.

Minnesota Housing's obligation to monitor for compliance does not make Minnesota Housing liable for an owner's noncompliance.

This compliance guide has not been reviewed or approved by the ~~Department of Housing and Urban Development (HUD)~~HUD and should not be cited or relied upon for interpretation of federal

regulations. This guide can be accessed on ~~Minnesota Housing's website.~~Minnesota Housing's Oversight and Support for Property Managers webpage.

For HOME, this guide should be used in conjunction with, and as a supplement to, 24 C.F.R. 92. If Minnesota Housing or HUD determines that any provision of this guide conflicts with 24 C.F.R. 92, 24 C.F.R. 92 will govern.

For NHTF, this guide should be used in conjunction with, and as a supplement to, 24 C.F.R. 93. If Minnesota Housing or HUD determines that any provision of this guide conflicts with 24 C.F.R. 93, 24 C.F.R. 93 will govern.

This guide may be superseded without notice by changes in income determinations under 24 C.F.R. 5 of the Section 8 ~~program~~Program and technical revisions in the HOME or NHTF Programs.

For more information, visit HUD's ~~HUD's~~ HOME ~~website~~Investment Partnerships Program webpage or HUD's ~~HUD's NHTF website~~Housing Trust Fund~~.~~

webpage.

This guide provides information related only to HOME and NHTF requirements. Properties may be subject to additional requirements due to other funding streams. Owners are responsible for complying with all applicable requirements.

Chapter 1 – Compliance Overview

The following is a summary of the requirements of the HOME and NHTF programs. It is not intended to be detailed or comprehensive.

1.01 Period of Affordability

HOME Only

HOME-assisted units are rent and income controlled for varying lengths of time depending upon the average amount of HOME funds invested per HOME-assisted unit. Rent limits and income targeting requirements must be maintained during the period of affordability, which begins at project completion (also sometimes referred to as the affordability period, effective period or compliance period). Owners will be required to keep the property in compliance with HOME restrictions for the number of years specified in the Affordability Period Certificate which is executed at the time of project completion.

Owners should also refer to the Declaration of Covenants, Conditions and Restrictions (Declaration) to determine the specific terms and conditions that govern their property.

NHTF Only

All NHTF-assisted units are subject to a 30-year affordability period, which begins at project completion. Rent and income requirements must be maintained during the entire period of affordability.

1.02 Income and Rent Requirements

HOME Only

Properties with five or more HOME-assisted units:

- Initial occupancy at project completion:
    - At least 90% of all HOME-assisted units must be initially occupied by families with annual gross incomes at or below 60% of the area median income with rents at or below the High HOME rent limits.
    - At least 20% of the HOME-assisted rental units must be initially occupied by families with annual gross incomes at or below 50% of the area median income with rents at or below the Low HOME rent limits unless a greater percentage is specified in the Declaration.

    - The remainder of the HOME-assisted rental units must be initially occupied by families with annual gross incomes at or below 80% of the area median income with rents at or below the High HOME rent limits.
- Subsequent to initial occupancy:
    - The minimum percent of the HOME-assisted units designated in the Declaration must continue to be occupied by families with annual gross incomes at or below 50% of area median income with rents at or below the Low HOME rent limit. The remaining HOME-assisted units must be occupied by families with annual gross incomes at or below 80% of the area median income with rents at or below the High HOME rent limit.

A project must have ~~at~~ ten or more HOME-assisted units to qualify for any High Home units.

Properties with fewer than five HOME-assisted units:

- Initial occupancy at project completion:
    - All HOME-assisted units must be initially occupied by families with annual gross incomes at or below 60% of the area median income with rents at or below the High HOME rent limit.
- Subsequent to initial occupancy:
    - All HOME-assisted units must continue to be occupied by families with gross annual incomes at or below 80% of area median income, with rents at or below the High HOME rent limit.

On and after April 20, 2025, the rent limits do not apply to any rental assistance or subsidy payment provided under a Federal, State, or local rental assistance or subsidy program and Low HOME units paired with Housing Tax Credits (HTC) comply with Low HOME rent limits if rent does not exceed the applicable HTC rent limit.

NHTF Only

All NHTF-assisted units must be affordable to extremely low-income (ELI) renter households. ELI renter households mean low-income families whose annual incomes do not exceed 30% of the area median family income or the federal poverty line (whichever is greater), with adjustments for smaller and larger families, as determined by HUD.

For tenants who are ELI, their rent plus an allowance for tenant-paid utilities must not exceed the greater of 30% of the federal poverty line or 30% of the income of a family whose annual income equals 30% of AMI for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit.

1.03 Student Eligibility Requirements – HOME Only

Properties where HOME funds were committed on or after August 23, 2013, have additional eligibility requirements for students. The HOME program has adopted the Section 8 Housing Choice Voucher Program restrictions on student participation found at 24 C.F.R. 5.612, which exclude any individual that is enrolled in a higher education institution and is not an Independent Student, as defined in the Higher Education Act or has parents who, individually or jointly are not eligible on the basis of income.

In properties that are subject to the HOME student eligibility requirements, each applicant for or household member in a HOME-assisted unit who is age 18-23 (or under 18 and treated as Head, Co-head, or Spouse) must complete, sign and date an Annual Student Certification at move-in and then annually during the HOME Affordability period.

1.04 Updating Income and Rent Limits

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

1.05 Allowable Fees and Charges

Owners may not charge fees that are not customarily charged in affordable rental housing (for example, laundry room, access fees); however, fees considered reasonable and customary may be charged, such as application fees and parking fees.

Permissible Fees

Owners may provide services other than housing. If the services are optional, the fee can be excluded from the gross rent computation. If the services are not optional, the fee must be included in the gross rent computation. A service is optional if payment for the service is not a required condition of occupancy. Note that owners may not require residents to participate in or receive supportive or other services as a condition of occupancy.

Reasonable and customary fees related to core functions of operating affordable housing properties, such as refundable damage/security and pet deposits are permissible. This includes refundable deposits for use of tenant facilities; for example, a refundable deposit for use of a community room is permissible and is not included in the gross rent computation.

Application fees may be charged to cover the actual out of pocket cost of checking a prospective tenant's income, credit history and landlord references. Out of pocket costs are amounts paid to a third party, not salaries of the owner or management company staff.

Permissible fees also include:

- Month-to-month lease
- Pet rent
- Renter's insurance
- Meal service
- Transaction fees or other charges associated with online rent payment systems

Any additional fee charged for a month-to-month lease must always be included in the gross rent calculation, even when a month-to-month lease is an option to a longer lease term. Pet rent, renter's insurance and meal services are considered rent when they are required as a condition of occupancy~~.~~ (actual amounts must be included). Transaction fees or charges associated with Walk-In Payment Systems (WIPS) or other online rent payment systems must be included in the gross rent calculation if the owner does not have another option for residents to pay rent that does not require a fee.

The following fees are also permissible (unless otherwise stated below, fees are limited to the average cost incurred by the owner or as limited by state or local law):

- Late rent fees
- Fees for repairs or extra cleaning costs for tenant-caused damage beyond normal wear and tear; limited to actual and reasonable cost
- Fees for maintenance completed by owners but normally required to be completed by households (for example, changing light bulbs, moving furniture); are permissible, but only if such rates are stated in the lease or a lease addendum
- Returned check/Insufficient funds (NSF) fees; permissible only on and after the second occurrence and only to the extent that the fee does not exceed the cost charged to the owner by the bank for processing the returned check
- Lockout fees
- Key replacement/extra key fees
- Fees for failure to return a key upon move-out
- Court filing, attorney, and sheriff fees; permissible only from tenants who wish to avoid or settle an eviction suit but only to the extent that such fees are permitted under state and local laws, appear reasonable, and do not exceed the actual costs incurred
- Extermination fees; permissible only if tenant is uncooperative
- Early lease termination fees; may not exceed two months' rent and release tenants from any further liability

    - Such fees are prohibited when a lease termination is due to a Violence Against Women Reauthorization Act of 2013 (VAWA) protection or reasonable accommodation request
- Payments for utilities under a Ratio Utility Billing System (also known as RUBS); permissible but are always considered rent (not a utility allowance)
    - RUBS is a formula that allocates a property's utility bill among its units based on the units' relative floor space, number of occupants, or some other quantitative measure, but not based on actual consumption; because monthly utility bills fluctuate, Minnesota Housing recommends owners establish a RUBS payment cap in the lease to avoid rent noncompliance
- Administrative fee; permissible only when owners provide certain utilities to tenants through actual consumption, submetering arrangements and must not exceed an aggregate amount per unit of the greater of (i) five dollars per month; (ii) an amount (if any) designated by publication in the Internal Revenue Bulletin (IRB); or (iii) the lesser of the amount (if any) specifically prescribed under state or local law or a maximum amount (if any) designated by publication in the IRB

It is permissible to charge first and last months' rent if the same is charged to all tenants.

Records demonstrating the costs associated with fees charged to tenants may be requested as part of a monitoring review.

Impermissible Fees

The following fees are not permissible and, if charged to a resident, will be treated as rent:

- Fees for the work involved in completing forms and documentation required to certify income
- A move-in fee that is not a refundable security deposit (this includes nonrefundable alternatives to security deposits such as security bonds or lease guarantees)
- An application fee that exceeds an owner's average expected out of pocket expense
- Decorating fees or fees for preparing a unit for occupancy; owners are responsible for physically maintaining units in a manner suitable for occupancy
- Mandatory professional carpet cleaning by departing residents
- Unit transfer fees unless the owner can clearly document that the fees cover owner's actual out of pocket costs and are not used for preparing a unit for occupancy
- Lease violation fines or other fees for unacceptable tenant or guest behavior
- Fees associated with utility submetering systems that are not part of the allowable administrative fee

Fees that exceed the limits described in the Permissible Fees section, above, are not permissible and will be treated as rent.

An owner may not charge a damage/security deposit, additional rent or fees associated with a service or therapy animal associated with a person with disabilities. If charged to a resident, such amounts must be immediately refunded or Minnesota Housing may report the owner/agent to HUD's Fair Housing and Equal Opportunity Enforcement division.

1.06 Fixed or Floating Units

Assisted units may be fixed or floating and are designated on a property-by-property basis. Fixed or floating units are designed at the time of project commitment in the written agreement, and the actual units must be identified no later than the time of project completion. The Declaration of Covenants, Conditions and Restrictions identifies fixed or floating unit designations.

- **Fixed Units:** Designated units are identified by unit number and never change. Units in properties where all units are assisted are automatically considered fixed. Fixed units remain the same throughout the period of affordability.
- **Floating Units:** Designated units may change over time as long as the total number of comparable units in the property remains constant. If a property's Declaration does not specify comparable floating units, then the units that were initially HOME or NHTF-qualified upon project completion will be used to determine comparable floating units.

Refer to Chapter 2 (Maintaining the Unit Mix) of this document for more information.

1.07 Rent Increases

The purpose of the HOME and NHTF programs is to keep units affordable. Minnesota Housing encourages owners to increase rents no more than what is needed to keep pace with rising costs and recognize that to promote housing stability, incremental increases are easier for residents to absorb than sudden significant increases.

As long as rents remain below the maximum allowed in each program, an owner may increase the lease rent no earlier than one year from the date the project was completed and no more frequently than annually thereafter, based on the date of the last rent increase. Projects with project-based rental assistance may increase rents in accordance with the rental assistance contract.

Beginning November 1, 2025, all rent increases require a minimum notice of 60-days. However, a rent increase greater than 5% is not effective unless and until owner provides 120-days' notice in writing to tenant. If owner fails to provide proper notice, owner must return or credit, at tenant's election, any amounts collected in connection with the ineffective rent increase. This requirement does not apply to residents benefitting from rental assistance or Housing Support unless such increase affects the tenant's portion of the rent.

Examples below assume current lease rent is $1000 with no rental assistance, that the increase complies with the once-annual requirement, that the increase is otherwise allowed under the terms of the lease, and that the increase does not cause the gross rent to exceed the applicable rent limit:

~~1.~~• In compliance: On July 1, 2025, owner provides notice of a rent increase to $1051, effective November 1, 2025. While the increase is more than 5%, owner has provided more than the minimum 120-day notice.

~~2.~~• In compliance: Owner provides a 60-day notice of a rent increase to $1030. Thirty dollars is 3% of $1000, so the 120-day notice is not required.

~~3.~~• In compliance: Owner provides a 60-day notice of a rent increase to $1050. Fifty dollars is 5% of $1000 so the 120-day notice is not required.

~~4.~~• Out of compliance: Owner provides a 60-day notice of a rent increase to $1051. The increase is more than 5%, but owner has not provided 120-day notice. To bring the unit into compliance, owner must decrease rent to $1050, provide the minimum 120-day notice to the resident, refund or credit the resident $1 for all months that were overcharged until the minimum 120-day notice period has been fulfilled. At that time, owner may begin charging the resident $1051 for rent.

1.08 Utility Allowances

HOME and NHTF statutes and regulations establish rent limits for assisted rental units. These are gross limits that include contract rent plus a utility allowance (UA) for tenant-paid utilities. Owners are required to establish maximum monthly allowances for utilities and services (excluding telephone and internet) and to update the UA annually. If all utilities are paid by the owner, the ~~utility allowance~~UA is zero.

- **NHTF Only:** For NHTF-assisted units, owners may use the UA for the Section 8 Housing Choice Voucher (HCV) program from the local housing and redevelopment authority or public housing agency (PHA) that administers HCVs in the area in which the property is located.
- **HOME Only:** Owners were NOT permitted to use the PHA's UA for HOME-assisted units if HOME funds were committed between August 23, 2013, and April 20, 2025. However, on or after April 20, 2025, owners may use the local PHA's UA.

The following methodologies ~~will meet the regulatory requirements for a project-specific UA and may be used for both HOME and NHTF~~may be used:

- The **UA for the Section 8 Housing Choice Voucher (HCV) Program** from the local housing and redevelopment authority or public housing agency (PHA) that administers HCVs in the area in which the property is located.
    - **HOME Only:** Owners were NOT permitted to use the PHA's UA for HOME-assisted units if HOME funds were committed between August 23, 2013, and April 19, 2025. However, on and after April 20, 2025, owners may use the local PHA's UA.

1.• **Average of Actual Consumption.** In 2015, HUD published Multifamily Notice H-2015-4Multifamily Notice H-2015-4 to provide instructions to owners of Section 8 and other HUD-assisted properties for completing the required utility analysis. This analysis is also used for the USDA Rural Housing Service programProgram and allowed for Low-income Housing Tax Credit (HTC) projects per IRS regulations at 26 C.F.R. 1.42-10(b)(3). Owners may use the methodology from the notice, including the required baseline utility analysis, the optional factor-based utility analysis, and the utility analysis sample size.

2.• **Utility Company Estimate** (26 C.F.R. 1.42-10(b)(4)(B)). Owners may establish a UA based on estimates obtained from a local utility company for each of the utilities used in the project. The estimate must be obtained in writing and must be based on the estimated cost of that utility for a unit of similar size and construction for the geographic area in which the building containing the unit is located.

3.• **Energy Consumption Model (ECM)** (26 C.F.R. 1.42-10(b)(4)(E)). Owners may establish a UA based on an energy and water and sewage consumption and analysis model. The model must at a minimum take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics of the building location and available historical data. The utility consumption estimates must be calculated by a mechanical engineer properly licensed in the State of Minnesota or a Residential Energy Services Network (RESNET) certified Home Energy Rating System (HERS) rater. The engineer and building owner must not be related within the meaning of IRC section 267(b) or 707(b), to which the engineer and building owner must certify. The owner and engineer must also certify that the model complies with the minimum requirements described above. Use of the energy consumption model is limited to a building's consumption data and local rates for the 12-month period ending no earlier than 60 days prior to the effective date of the UA. In the case of new buildings with less than 12 months of consumption data, 12 months of data can be used for units of similar size and construction in the geographic area.

4.• **HUD Utility Schedule Model (HUSM).** This model can be found on HUD's HUD's websiteUtility Allowances. webpage. Utility rates using the HUD utility model must be no older than the rates in place 60 days prior to the beginning of the 90-day period before utility allowancesUAs can be used in determining the gross rent.

The initial UA approval will occur prior to loan closing. Once the method and allowances have been approved by Minnesota Housing, the owner must update the allowances annually using the approved method and current rate information. Regardless of the method or source of UA, a Utility Allowance Information form stating the proposed utility allowance figures for each unit size must be completed and maintained with the source documentation (see list below).

It is the owner's responsibility to contact the appropriate organization to request current UA information. Minnesota Housing does not collect or maintain the various UAs. All costs incurred in obtaining a UA are the responsibility of the owner.

Failure to maintain or provide the UA and supporting documentation annually is considered noncompliance; without proof of the amount of the UA, there is no way to correctly compute the rent. In addition, an incorrect UA calculation may result in noncompliance for rents that exceed the HOME or NHTF rent limits.

Depending on the unit types, an owner or manager could have buildings in the same development using different UAs (for example, townhouses and apartments may have different UA amounts).

Updated UAs must be used to compute rents that are due 90 days after the effective date of the new UAs. For new buildings, owners are not required to review or implement new UAs until a building has achieved 90% occupancy for a period of 90 consecutive days or the end of the first year of the period of affordability, whichever is earlier.

A completed Utility Allowance Information Form stating the proposed UA figures for each unit size must be completed for all UA types. Minnesota Housing will accept a copy of the UA as approved by the Section 8 Contract Administrator in lieu of completing the grid section of the UA Information Form.

If using the Average of Actual Consumption, source documentation must include ~~item 1below~~a completed and signed Utility Allowance Certification Form and the required items as stated in ~~Multifamily Notice H-2015-4~~Multifamily Notice H-2015-4.

If using ECM or HUSM, source documentation must include:

~~1. Completed and signed Utility Allowance Certification Form~~

- Completed and signed Utility Allowance Certification Form

~~2.~~• Copy of owner's notice to residents and description of how residents were notified (for example, copy sent to each unit, posted in common areas and office); if the property is not yet occupied at the time the request is made, indicate when the property is expected to be occupied in the cover letter or email

~~3.~~• Rate information from applicable utility companies using currently published rates no older than 60 days from notice to residents and Minnesota Housing; highlight all applicable rates, riders, franchise fees, and other charges used to determine the ~~utility allowance~~UA

~~4.~~• One of the following:

- ~~a.~~○ Completed HUSM Excel file or report generated from HUD's online HUSM tool
- ~~b.~~○ ECM calculation methodology and workbook or report generated from the engineer's ECM system demonstrating ~~how~~that the applicable rates, tariffs, and taxes were applied within the modeling.

~~5.~~• Printout of applicable state and local tax rates from the Department of Revenue's Sales Tax Rate Calculator

~~6.~~• For individually metered utilities, a copy of a recent resident utility bill showing all rates and charges from each source; owners may need to require utility release authorization forms to obtain a copy of utility bills

~~7.~~• For individually metered utilities for new construction where there is no recent resident utility bill, evidence of who the utility supplier(s) will be and, if electric is part of the ~~utility allowance~~UA, evidence of whether electric lines are overhead or underground

~~8. For any sub-metered utilities, each of the following:~~

~~a. The formula used to convert master meter charges to individual tenant charges~~

~~b. A copy of a recent bill from each master meter~~

~~c. A copy of a recent resident bill~~

For any submetered utilities either billed by the owner or the owner's third-party billing company, a signed Owner's Certification of Compliance with Utility Submetering Form, along with a copy of a recent utility bill from the utility supplier for each building's primary meter(s), a copy of a bill from the billing company to a resident for the same billing period, and a detailed description of how the charges on the resident's bill were calculated.

The utility rates charged to tenants in a sub-metered, rent-restricted unit must be limited to the utility company rates incurred by the building owners (or their agents). And, if building owners (or their agents) charge tenants a reasonable fee for the administrative costs of submetering, then the fee will not be considered gross rent. The fee must not exceed an aggregate amount per unit of the greater of (i) five dollars per month; (ii) an amount (if any) designated by publication in the Internal Revenue Bulletin (IRB); or (iii) the lesser of the amount (if any) specifically prescribed under state or local law or a maximum amount (if any) designated by publication in the IRB.

Any correction to the UA figures that results in a decrease to the UA after the resident notice is issued requires a new notice and will re-start the 90-day period. If utility rates have changed since the original notice was issued the new rates must be used.

Minnesota Housing will review and base its decision for approval or non-approval of the methodology and allowance figures on the completeness, quality and accuracy of information provided. Approval of the UA does not constitute a guarantee that the UA is correct. If at any time it is determined that a UA has been understated, and, therefore, some or all of the units are not rent restricted, owner will be required to make corrections.

The owner must also notify tenants of updated ECM, HUSM or Average of Actual Consumption ~~utility allowances~~UAs and make the data upon which the ~~utility allowance~~UA is calculated available for inspection by the tenants at the beginning of the 90-day period before the effective date. Records must be made available at the resident manager's office during reasonable business hours or, if there is no resident manager, at the dwelling unit of the tenant, at the convenience of both the apartment owner and tenant. This is required for initial use of any of the three methods and for all annual updates. Any correction to the UA figures after the resident notice is issued requires a new notice and will re-start the 90-day period. Owners should check to see whether utility rates changed since the original notice was issued and incorporate new rates, if applicable.

Once the initial UA has been approved, the owner must update the allowance at least once during each calendar year, based on updated rate information, but submission to Minnesota Housing is not required. Utility allowance and source documentation will be reviewed as part of the inspection of administrative records.

1.09 Records Retention

Owners must retain project records for a minimum of five years beyond the property's required effective period. Tenant records, including income verifications, development rents, and unit inspections must be retained for the most recent five-year period, until five years after the effective period terminates.

Owners must maintain applicant and tenant information in a way to ensure confidentiality.

Owners must dispose of records in a manner that will prevent any unauthorized access to personal information (for example, shred).

1.10 Leases

Each lease must be in writing and include the legal name(s) of the parties to the agreement and all other occupants, a description of the unit to be rented, the term of the lease, the rental amount, the use of the premises, and the rights and obligations of the parties. The lease shall also inform the tenant that fraudulent statements are grounds for eviction and that the tenant could become subject to penalties available under federal law. The lease must be for a period of not less than one year, unless a shorter period is mutually agreed upon between owner and tenant. See section 3.02 (Minimum Lease Requirements) for additional details.

1.11 Income Certification

The owner must verify and certify tenant income eligibility at move-in and recertify at least annually thereafter. Every sixth year of the period of affordability, income and income from assets must be verified again. Tenants must certify to their anticipated income, family size and composition. Third party income verifications or other forms of supporting documentation must be obtained by the owner and kept on file. Tenant files will be reviewed as part of the inspection process.

For properties with existing tenants receiving funds for rehabilitation, owners may begin certifying tenant eligibility on or after the date of the written agreement. These initial certifications will precede the start of the period of affordability, but as long as the owner complies with requirements for annual recertification and applies the appropriate rules for increases in income at recertification to maintain the unit mix, the units will continue to be eligible at the start of the period of affordability.

Properties where HOME funds were committed on or after August 23, 2013, must also certify student eligibility at move-in and annually.

1.12 Increases in Income

HOME Only

The owner must ensure that any household whose recertified income increases above the HOME income eligibility guidelines pays not less than 30% of its *adjusted* monthly income for rent, or the owner may charge market rent. Refer to Chapter 2 (Maintaining the Unit Mix) of this document for more information on how to respond to increases in income for both fixed and floating units. The unit must be marketed to eligible tenants when vacated. Those properties with HTC need not adjust rent to 30% of the household's income if doing so would put the property out of compliance with the HTC program. Under this scenario, the household may only be charged rent equal to or less than the maximum allowable HTC rent.

NHTF Only

NHTF-assisted units continue to qualify as affordable housing despite temporary noncompliance caused by increases in the incomes of existing tenants if actions satisfactory to HUD are being taken. Refer to Chapter 2 (Maintaining the Unit Mix) of this document for more information on how to respond to increases in income for both fixed and floating units.

1.13 Property Standards

The owner must keep all units in compliance with pertinent state and local building codes to ensure the units are decent, safe ~~and~~, sanitary, and in good repair at all times. In addition, the standards used for HOME and NHTF physical inspections are the ~~National Standards for the Physical Inspection of Real Estate~~National Standards for the Physical Inspection of Real Estate (NSPIRE) which focuses on inside the building, outside the building and within the units to ensure that they are, "functionally adequate, operable, and free of health and safety hazards." Properties are not subject to NSPIRE's scoring protocol. However, noncompliance with any of the NSPIRE inspection standards is considered noncompliance for HOME and NHTF.

As described in ~~NSPIRE standards~~NSPIRE standards, defect severity levels include the following characteristics:

- **Life-Threatening (LT~~).~~):** The Life-Threatening category includes deficiencies that, if evident in the home or on the property, present a high risk of death to a resident. NSPIRE correction period is 24 hours.
- **Severe~~.~~:** The Severe category includes deficiencies that, if evident in the home or on the property, present a high risk of permanent disability, or serious injury or illness, to a resident;

or the physical security or safety of a resident or their property would be seriously compromised. NSPIRE correction period is 24 hours.

- **Moderate~~.~~:** The Moderate health and safety category includes deficiencies that, if evident in the home or on the property, present a moderate risk of an adverse medical event requiring a healthcare visit; cause temporary harm; or if left untreated, cause or worsen a chronic condition that may have long-lasting adverse health effects; or that the physical security or safety of a resident or their property could be compromised. NSPIRE correction period is 30 days.
- **Low~~.~~:** Deficiencies critical to habitability but not presenting a substantive health or safety risk to resident. NSPIRE correction period is 60 days.

In addition, NSPIRE requires the following minimum Affirmative Habitability requirements~~:~~ (see exemptions for Single Room Occupancy in FR 07176):

~~1.~~• Hot and cold running water in both bathroom and kitchen, including adequate source of safe drinking water in the bathroom and kitchen

~~2.~~• Bathroom or sanitary facility that is in proper operating condition and usable in privacy that contains a sink, a bathtub or shower, and flushable toilet

~~3.~~• At least ~~1~~one battery-operated or hard-wired smoke detector

- ~~a.~~○ On each level of the unit
- ~~b.~~○ Inside each bedroom
- ~~c.~~○ Within 21’ of any door to a bedroom measured along a path of travel
- ~~d.~~○ Where a smoke detector installed outside a bedroom is separated from an adjacent area by a door, another smoke detector must also be installed on the living area side of the door

~~4.~~• Living room and kitchen area with a sink, cooking appliance, refrigerator, food preparation area, and food storage area

~~5.~~• For units with Housing Choice Vouchers or Project Based Vouchers, at least one bedroom or living/sleeping room for each two persons in the household

~~6.~~• ~~Must meet~~State or local carbon monoxide detection standards ~~established through Federal Register notice~~are met

~~7.~~• Two working outlets or one working outlet and a permanent light within all habitable rooms

~~8.~~• Outlets within 6’ of a water source ~~must be~~are GFCI protected

~~9.~~• ~~Must contain a~~A permanently installed heating source; units may not contain unvented space heaters that burn gas, oil, or kerosene

~~10. Must have a guardrail when there is an elevated walking surface drop off of 30’ or more measured vertically~~

~~11.• A Permanently mounted light fixture in the kitchen and each bath~~

~~NSPIRE minimum Affirmative Habitability requirements for inside inspectable area:~~

1. At least one battery-operated or hard-wired smoke detector on each level
2. Must meet carbon monoxide detection standards established through Federal Register notice
3. Outlets within 6' of a water source must be GFCI protected
4. • Must have a guardrail when there is an elevated walking surface drop off of 30" or more measured vertically
   • Permanently mounted light fixture in the kitchen and each bath
5. Permanently mounted light fixtures in any kitchens and each bathroom
6. May not contain unvented space heaters that burn gas, oil, or kerosene

NSPIRE minimum Affirmative Habitability requirements for outside inspectable area:

1. Outlets within 6' of a water source must be GFCI protected
2. Must have a guardrail when there is an elevated walking surface drop off of 30" or more measured vertically

Housing built before 1978 may contain lead-based paint. Lead from paint, paint chips, and dust can pose health hazards if not managed properly. Lead exposure is especially harmful to young children and pregnant women. Before renting pre-1978 housing, owners must disclose the presence of known lead-based paint and/or lead-based paint hazards in the dwelling. Tenants must receive the federally approved Protect Your Family from Lead in Your Home pamphletProtect Your Family from Lead in Your Home pamphlet on lead poisoning prevention. This disclosure must be documented on HOME/NHTF Form 22 Lease Addendum. The HOME/NHTF Form 22 Lease Addendum is waived for units that receive project-based Section 8 assistance when the HUD Model Lease form is used.

1.14 Fair Housing Policy and Affirmative Marketing

Refer to section 1.09 of the Legal Addendum, Section 1.09 for Minnesota Housing's Fair Housing Policy and requirements of the Fair Housing Act and Minnesota Human Rights Act.

Owners of rental properties that contain five or more HOME- or NHTF-assisted units, regardless of the specific activity the HOME or NHTF funds financed (for example, acquisition, rehabilitation, and/or new construction) must develop and implement an Affirmative Fair Housing Marketing Plan in accordance with HUD and Minnesota Housing requirements. Owners must regularly review and update the plan and use affirmative fair housing marketing practices in soliciting renters, determining eligibility, and concluding all transactions. Affirmative marketing includes actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status (persons with children under 18 years of age, including pregnant women), or disability. A file must be maintained with all marketing efforts related to the property including newspaper ads, social service contacts, photos of signs posted, etc. Records will be reviewed for adequate documentation of compliance with federal requirements as part of the inspection.

Access Minnesota Housing's ~~Fair Housing webpage~~Fair Housing webpage for more information, including an online Affirmative Marketing Toolkit to assist in creating the AFHMP. ~~Download the Equal Housing Opportunity logo~~Download the Equal Housing Opportunity logo.

1.15 Community Housing Development Organizations – HOME Only

All HOME program requirements are the same for Community Housing Development Organization (CHDO) projects as for other HOME programs. In addition, CHDOs must ensure that they continue to meet all pertinent guidelines specific to CHDOs, including the ownership requirements in 24 C.F.R. 92.300. Properties that are owned, developed or sponsored by CHDOs, must have a tenant participation plan to ensure that tenants are involved in the management and decision-making with respect to the property. CHDO properties must also have fair lease and grievance procedures.

Tenant participation in management decisions can be achieved in a number of ways. Two common options are:

- Involvement of a tenant association to act as a formal body to provide input for project management; or
- Tenant election of a representative to act as a liaison with management.

1.16 Community Housing Development Organization Fair Lease and Grievance Procedure – HOME Only

CHDOs must adhere to an approved fair lease and grievance procedure and provide a plan for, and follow a program of, tenant participation in management decisions. Fair lease and grievance procedures should be objective. They should clearly state each of the following items:

- To whom a tenant should direct a complaint
- Who will investigate and/or respond to the complaint
- By when the tenant should expect to receive a response

1.17 Violence Against Women Act

On November 16, 2016, HUD issued its final rule implementing housing protections authorized in the Violence Against Women Reauthorization Act of 2013 (VAWA). Unique monitoring and implementation dates apply to HOME and NHTF.

All HOME and NHTF projects~~,~~ must comply with the core statutory provisions of the law and must distribute each of the following forms to tenants:

- ~~HUD Form 5380 –~~ HUD Form 5380: Housing Rights for Victims (Notice of Occupancy Rights under the Violence Against Women Act)

- ~~HUD Form 5382 –~~ HUD Form 5382 (Certification of Domestic Violence, Dating Violence, Sexual Assault, or Stalking, and Alternate Documentation)

These documents are to be provided:

- With the notice that an application has been denied;
- At the time the household is admitted;
- With any notice of eviction; and
- With any notice of termination of tenancy.

Existing residents were required to receive a copy of HUD form 5380 and form 5382 by December 15, 2017, during recertification, lease renewals or by other means.

Compliance with VAWA regulatory requirements under the final rule is required for HOME projects with funding commitments on or after December 16, 2016, and for all NHTF projects.

Minnesota Housing has created an external Emergency Transfer Plan, and owners must provide an internal Emergency Transfer Plan model (refer to HUD forms 5381 and 5383). The owner must follow Minnesota Housing's external ~~Emergency Transfer Plan~~Emergency Transfer Plan and adopt an internal Emergency Transfer Plan. The emergency transfer plan allows for survivors to move to another safe and available unit if they fear for their life and safety.

Owners must be familiar with the statutory and regulatory requirements that affect their developments and should consult with legal counsel as needed. ~~Also refer to HUD Notice H 2017-05: Violence Against Women Act (VAWA) Reauthorization Act of 2013 – Additional Guidance for Multifamily Owners and Management Agents~~Also refer to HUD Notice H 2017-05 (Violence Against Women Act (VAWA) Reauthorization Act of 2013 – Additional Guidance for Multifamily Owners and Management Agents) for valuable definitions and examples of how to fully implement VAWA protections.

Find VAWA forms 5380, 5381, 5382 and 5383 on ~~HUDClips.~~ HUDClips. Owner may customize the forms for use at their properties, but the modified forms must maintain the base information and language.

Chapter 2 – Maintaining the Unit Mix

Throughout this guide the terms High HOME Rent unit and High HOME unit; and Low HOME Rent unit and Low HOME unit are used interchangeably.

2.01 Fixed Units

HOME Only

Properties with **fixed HOME-assisted units** have specific units that are designated as HOME-assisted for the duration of the period of affordability. Owners must maintain these specific units as the HOME-assisted units. In a property with fixed HOME units, the designation of units as High HOME Rent units and Low HOME Rent units may need to change.

Maintaining the required number of HOME-assisted units, as well as High HOME Rent units and Low HOME Rent units, for properties with five or more HOME-assisted units is called complying with the **unit mix requirements.**

During the annual income recertification, owners may find that a household's income has increased. A household is considered **over-income** in the HOME Program when any of the following conditions are met:

- The household occupies a High or Low HOME Rent unit, and the household's income increases over the current HOME low-income limit (80% income limit) for that family size
- The household occupies a Low HOME Rent unit, and the household's income increases above the current very low-income limit but does not increase above the low-income limit; that is, the household income is above 50 and below 80% of area median income
- In HOME-assisted units that are also HTC units, the household's income increases to 140% or more of the qualifying tax credit income for that unit

When a household is over-income, the unit that the household occupies is considered **temporarily out of compliance** with HOME's occupancy and unit mix requirements. Temporary noncompliance due to an increase in an existing household's income is permissible as long as the owner takes specific steps to restore the correct occupancy and unit mix in the property as soon as possible. When the household's income exceeds the low-income limit, its rent must also be adjusted.

When an owner conducts the annual income recertification and finds that a household is over-income, the steps that it takes to restore compliance depend on whether the over-income household occupies a High HOME unit or a Low HOME unit. If the household occupies a Low HOME unit, the steps also depend on whether or not the tenant is low-income.

Over-Income Household Occupies a High HOME Rent Unit

If the over-income household occupies a High HOME Rent unit, the property is temporarily out of compliance until the unit is vacated and can be rented to another low-income household. The owner must raise the rent as soon as the lease permits, in accordance with the terms of the lease. The rent must be adjusted such that the household pays the lesser of:

- The rent amount payable under state or local law
- 30% of the tenant's monthly adjusted family income

If the unit is an HTC unit, the rent must be at or below the amount allowed by the tax credit program.

The owner cannot terminate the lease based on the household's increased income.

Over Very Low-Income Limit Household Occupies a Low HOME Rent Unit

If the household occupies a Low HOME Rent unit and its income increases over the very low-income limit, *but not over the low-income limit,* the property is temporarily out of compliance until either: (1) a High HOME unit can be re-designated as a Low HOME unit, or (2) the unit is vacated and can be rented to another very low-income tenant household.

The unit occupied by the over-income household retains its designation as Low HOME until another unit can be re-designated as Low HOME.

When a High HOME unit in the property vacates, regardless of bedroom size, the unit must be re-designated as a Low HOME unit and rented to a very low-income household, at no more than the Low HOME Rent. Once a new Low HOME unit has been designated, the Low HOME unit that is occupied by the over-income household must be re-designated as a High HOME unit. At this time, the owner can increase the tenant's rent up to the High HOME Rent limit, subject to terms of the lease.

Over Low-Income Limit Household Occupies a Low HOME Rent Unit

If the household occupies a Low HOME Rent unit and its income increases above the low-income limit, the property is temporarily out of compliance and will continue to be out of compliance until the over-income tenant moves out and another income-eligible tenant household moves in.

The owner must adjust the over-income household's rent as soon as the lease permits. The over-income tenant must pay the lesser of:

- The rent amount payable under state or local law
- 30% of the tenant's monthly adjusted family income

If the unit is an HTC unit, the rent must be at or below the amount allowed by the tax credit program.

The owner cannot terminate the lease based on the household's increased income.

When a High HOME unit becomes available, regardless of bedroom size, it must be re-designated as a Low HOME unit. This unit must be rented to a very low-income tenant, at no more than the Low HOME Rent limit. Then, the unit that is occupied by the over-income tenant must be re-designated as a High HOME unit. Even though the unit is re-designated a High HOME unit, the tenant is over the low-income limit, so the property continues to be temporarily out of compliance.

More than One Over-Income Household in the Property

If there is more than one over-income household in the property and both a Low HOME unit and High HOME unit are needed to restore unit mix compliance, the owner should restore compliance with the Low HOME unit first.

NHTF Only

Properties with **fixed NHTF-assisted units** have specific units that are designated as NHTF-assisted for the duration of the effective period. Owners must maintain these specific units as the NHTF-assisted units. When an owner conducts the annual income recertification and finds that a household is over-income, the unit will continue to qualify until the household vacates, at which time the unit must be rented to a NHTF-qualified household.

2.02 Floating Units

HOME Only

Properties with **floating HOME-assisted units** do not have specific units that are designated for the duration of the effective period. Instead, the total number of HOME-assisted and non-assisted units that are designated at the time of project commitment must stay the same throughout the effective period. The specific units that carry the HOME-assisted designations may change, or float, among comparable assisted and non-assisted units during this time. In a property with floating HOME units, unit mix is maintained by changing the unit designations when the next comparable unit becomes available. For example, if a property has an over-income tenant in a HOME-assisted unit, when the next non-assisted comparable unit becomes available, it is designated as HOME-assisted and rented to an income-eligible tenant. The unit occupied by the over-income tenant is re-designated as a non-assisted unit.

Maintaining the required number of comparable HOME-assisted units, as well as High HOME Rent units and Low HOME Rent units, for properties with five or more HOME-assisted units, is called complying with the **unit mix requirements.**

When recertifying a tenant's income, an owner may find that the tenant's income has increased. A tenant is considered **over-income** when any of the following conditions are met:

- The tenant occupies a HOME-assisted unit, and the household's income increases over the current HOME low-income limit for that family size
- The tenant occupies a Low HOME Rent unit, and the household's income increases above the current very low-income limit but is still below the low-income limit
- In HOME-assisted units that are also HTC units, the household's income increases to 140% or more of the qualifying tax credit income for that unit

When a tenant is over-income, the unit that the tenant occupies is considered **temporarily out of compliance** with HOME's occupancy and unit mix requirements. Temporary noncompliance due to an increase in an existing tenant's income is permissible as long as the owner takes specific steps to restore the required unit mix in the property. The rents of the over-income tenants can be adjusted.

When re-designating units in a property with floating HOME-assisted units, owners can choose to substitute a unit that is comparable to or larger than the original HOME-assisted unit, but generally cannot substitute one that is smaller. A smaller unit can be substituted only when doing so preserves the original unit mix. A larger unit is one that might be considered more preferable because of larger size, additional bedrooms or amenities. The goal is to maintain the same number and type of HOME-assisted units as were originally designated; therefore, if an owner substitutes a larger unit it can later substitute an available unit that is smaller, when applicable, in order to restore the original unit mix.

Over-Income Household Occupies a Floating High HOME Unit

If an over-income household occupies a floating High HOME unit, the owner must adjust the rent of the over-income household so that it pays 30% of its monthly adjusted income as rent. The rent adjustment must be made as soon as the lease permits and in accordance with the terms of the lease. Note that, unlike the rule for properties with fixed HOME-assisted units, in a property with floating HOME units, a household is not required to pay more than the market rent for a comparable, unassisted unit in the neighborhood.

The next vacant, comparable, non-assisted unit must be designated as a High HOME unit. A comparable unit is one that is equal or greater in terms of size, number of bedrooms, and amenities. The owner may not replace the unit with one that is smaller, unless doing so preserves the original unit mix. The newly designated High HOME unit must be rented to a household whose income does not exceed the low-income limit, at a rent that does not exceed the High HOME Rent limit.

Once a comparable non-assisted unit is designated the new High HOME Rent unit, the unit with the over-income household is re-designated as a non-assisted unit. At this point, the owner may adjust the household's rent without regard to the HOME rent requirements (although requirements from other funding sources may still apply). Rent increases are subject to the terms of the lease.

Over Very Low-Income Limit Household Occupies a Floating Low HOME Unit

If a household occupies a floating Low HOME unit and its income is above the very low-income limit, *but not over the is low-income limit,* the unit occupied by the over-income household keeps its designation as a Low HOME unit until a comparable unit can be substituted. The rent of the over-income household must not exceed the Low HOME rent limit while the unit is a Low HOME unit.

When the next High HOME unit in the property is vacated, it must be re-designated as a Low HOME unit and rented to a household whose income does not exceed the very low-income limit, at a rent that does not exceed the Low HOME Rent limit.

Once the new Low HOME unit is designated, the unit with the over-income household is re-designated as a High HOME unit. The household's rent may be adjusted to no more than the High HOME Rent limit, subject to the terms of the lease.

Over Low-Income Limit Household Occupies a ~~floating~~Floating Low HOME Unit

If a household's income is above the low-income limit and it occupies a floating Low HOME unit, the next vacant, comparable, non-assisted unit must be designated as a Low HOME unit and rented to a household whose income does not exceed the very low-income limit, at a rent that does not exceed the Low HOME Rent limit.

Until a comparable Low HOME unit is designated, the unit that is occupied by the over-income household is considered a Low HOME unit that is temporarily out of compliance.

The rent of the over-income household in the original Low HOME unit must be adjusted as soon as the lease permits, and in accordance with the terms of the lease.

- Until a comparable Low HOME unit is substituted, the over-income tenant must pay 30% of the household's monthly adjusted income as rent.
- After a comparable Low HOME unit is substituted, the unit with the over-income household is re-designated as a non-assisted unit. The owner may adjust the household's rent without regard to the HOME restrictions. Rent increases are subject to the terms of the lease.

A household in a floating HOME unit whose income exceeds the low-income limit is not required to pay more than the market rent for a comparable, unassisted unit in the neighborhood.

More than One Over-Income Household in the Property

If there is more than one over-income tenant in the property and both a Low HOME unit and High HOME unit are needed to restore unit mix compliance, the owner should restore compliance with the Low HOME unit first.

NHTF Only

Properties with **floating NHTF-assisted units** do not have specific units that are designated for the duration of the effective period. Instead, the total number of NHTF-assisted and non-assisted units that are designated at the time of project commitment must stay the same throughout the effective period. The specific units that carry the NHTF-assisted designations may change, or float, among comparable assisted and non-assisted units during this time. In a property with floating units, unit mix is maintained by changing the unit designations when the next comparable unit becomes available. For example, if the recertified income of an NHTF-assisted household exceeds the allowable NHTF income limit, the unit will continue to qualify until a comparable vacant unit (comparable in size, features and number of bedrooms) is rented to an NHTF-qualified household. Once the unit is replaced, the over income unit is no longer treated as an NHTF unit.

When re-designating units in a property with floating NHTF-assisted units, owners can choose to substitute a unit that is equal to or greater than the original NHTF-assisted unit, but generally they cannot substitute one that is lesser. A lesser unit can be substituted only when doing so preserves the original unit mix. A greater unit is one that might be considered more preferable because of larger size, additional bedrooms, or amenities. The goal is to maintain the same number and type of assisted units as were originally designated; therefore, if an owner makes a substitution that is greater, it can later substitute an available unit that is lesser in order to restore the original unit mix.

2.03 Rental Assistance

Households receiving rental assistance, including a Section 8 subsidy, must not be refused tenancy in a HOME- or NHTF-assisted unit based solely on the fact that they receive rental assistance. Any rent charged must be comparable to units not receiving rental assistance (for example, if the owner charges less than the maximum HOME or NHTF rent for non-voucher holders, it cannot charge a higher rent to voucher holders).

Rents for NHTF-assisted units with tenants benefitting from project-based or tenant-based Section 8 rental assistance or similar state or federal rental assistance may exceed the applicable rent limit for the unit. Beginning April 20, 2025, the same is true for HOME-assisted units.

Chapter 3 – General Occupancy Guidelines

3.01 Tenant Selection Plan

Owners must develop a formal written policy that clearly states the procedures and criteria the owner will consistently apply in drawing applicants from the waiting list, screening for suitability for tenancy, and implementing income targeting requirements. The Tenant Selection Plan (TSP) must state whether there are any restrictions or preferences in the admission of tenants.

TSP's must provide for selection of qualified applicants from a written waiting list in the chronological order of their application, insofar as is practicable. If the TSP has preferences, the selection from the list of preferences must also be in chronological order of their application, insofar as is practicable.

There is no federal regulation governing the number of persons allowed to occupy a unit based on size; however, there may be local ordinances regarding unit occupancy. It is important, though, to be consistent when accepting or rejecting applications. It is recommended that the owner determine the minimum and maximum number of people that will be allowed to occupy each size unit and put that formula in writing as part of the TSP.

On April 4, 2016, HUD's Office of General Counsel issued ~~guidance on criminal background screening,~~guidance on criminal background screening, focusing attention on the ways in which even well-intentioned tenant selection policies can act as tools of exclusion. This guidance ~~applies~~applied to all housing providers, including owners and managers of HOME and NHTF properties. In response, Minnesota Housing prepared ~~a Tenant Selection Plan (TSP) guidance document~~Tenant Selection Plan (TSP) Guidelines that ~~identifies~~identify best practices for ~~TSP's~~TSPs. The TSP guidance is recommended for all properties but is required for all projects selected for HOME or NHTF funding after March 31, 2021. The document ~~contains a summary of the HUD guidance on criminal background screening and~~ reflects the agency's consideration of best practices, along with special factors affecting supportive housing programs. Note that various funding sources and jurisdictions may impose other TSP requirements. Owners and managers should consult with an attorney to ensure the TSP complies with program requirements, the Fair Housing Act, and the Minnesota Human Rights Act.

~~HUD issued its Final Rule on February 3, 2012, regarding Equal Access to Housing in HUD programs regardless of Sexual Orientation or Gender Identity.~~ Owners may not inquire about the sexual orientation or gender identity of an applicant or occupant of HUD assisted housing for the purpose of determining eligibility or continued occupancy. This prohibition on inquiries regarding sexual orientation or gender identity does not prohibit any individual from voluntarily self-identifying sexual orientation or gender identity. This prohibition on inquiries does not prohibit lawful inquiries of an applicant or occupant's sex where the housing provided or to be provided to the individual is temporary, emergency shelter that involves the sharing of sleeping areas or bathrooms.

In accordance with the Violence Against Women Reauthorization Act of 2013, the selection criteria cannot deny admission on the basis that the applicant has been a victim of domestic violence, dating violence, sexual assault or stalking, if the applicant or tenant otherwise qualifies for admission.

Owners may refer to the HUD Handbook 4350.3 REV 1, Change 4, Chapter 4, on developing a TSP. Minnesota Housing may review the TSP as part of its inspection procedure.

3.02 Minimum Lease Requirements

Tenant leases, including a signed and dated Minnesota Housing HOME/NHTF lease addendum (HOME/NHTF Form 22), must be on file (HOME/NHTF Form 22 is waived for units that receive project-based Section 8 assistance when the HUD Model Lease form is used), and must specify a term of at least one year, unless by mutual consent the owner and the tenant agree to a lesser term. Leases must not contain any of the prohibited lease terms as stated in section 92.253 of the Final HOME Rule or section 93.303 of the Interim NHTF Rule. Any non-renewal or termination of leases must be in accordance with the lease and/or lease addendum. For HOME projects with a commitment date of December 16, 2016 and later, and for all NHTF projects, the lease must also incorporate HUD form 91067, Violence Against Women Act (VAWA) lease addendum. In addition, beginning with new leases and lease renewals effective November 1, 2025, and later, owners must also include the ~~Minnesota Housing Attachment to VAWA Lease Addendum~~Minnesota Housing Attachment to Lease Addendum (not required for units with project-based Section 8 using the HUD model lease).

The owner must comply with HOME requirements on evictions as well as state law regarding eviction procedures. There must be a written notice that gives a household 30 days to vacate its unit, regardless of whether the household has violated the law or lease terms~~.~~, except in cases of a direct threat to the safety of tenants or employees or an imminent and serious threat to the property. NHTF rules state that owners must serve ~~a~~ written notice upon the tenant specifying the grounds for the action and provide a specific period for vacating ~~that is~~ consistent with state or local law.

Under the HOME and NHTF Programs, tenancy may be terminated only for:

- Serious or repeated violation of the material terms and conditions of the lease
- Violation of applicable federal, state, or local law
- Completion of the tenancy period for transitional housing (HOME only)
- Other good cause (good cause does not include an increase in the tenant's income)

3.03 Occupant Eligibility

It is the owner's responsibility to select and rent to qualified households. Minnesota Housing will not qualify or approve applicants for eligibility.

Applicants for assisted units should be advised early in the application process of the maximum income limits that apply. Management should explain to all applicants that the anticipated income of all family members must be disclosed and verified. For properties where HOME funds were committed on or after August 23, 2013, the HOME Program has adopted the Section 8 Housing Choice Voucher Program restrictions on student participation found at 24 C.F.R. 5.612, which exclude any student that is enrolled in a higher education institution, unless that student is an Independent Student as defined in the Higher Education Act or has parents who, individually or jointly, are eligible on the basis of income.

Initial Eligibility Determination

Before approving a household for occupancy, owners must determine that the household will cause the unit to be a qualifying unit. The qualification process has three phases:

1. **Application and disclosure of household composition, student status, income and assets:** A detailed application is critical to determining eligibility and is considered supporting documentation to the Tenant Income Certification (TIC). Minnesota Housing's Sworn Statement of Income and Assets form is designed to collect the necessary information. Owners may collect additional information for screening purposes according to their tenant selection plan. Where applicable, the HOME Annual Student Certification should be completed during the application process.
2. **Verification:** The owner must verify all sources of income and assets following HUD's order of acceptability. Owners may accept a Self-Certification of Assets in lieu of third-party verifications if combined net family assets do not exceed the applicable HUD-published amount of net assets for which the owner may accept self-certification. HUD adjusts this amount annually based on inflation ~~so~~; refer to ~~this~~HUD'S ~~website~~Annual Inflationary Adjustments and Passbook Rate webpage for the current figure.
3. **Certification:** After all verifications are received and any applicable follow-up conducted, the owner must calculate income and income from assets based on information provided on the verification forms and complete the TIC.

Noncompliance due to Late Certification

An initial TIC that is not fully completed on or before the date a household moves into a unit causes a fixed HOME or NHTF unit to be out of compliance and cannot be considered a HOME or NHTF unit in a property with floating units. This includes supporting documentation in the form of the household's income and asset disclosure, all required verifications, signed and dated TIC and Annual Student Certification. The unit is out of compliance for over income, from the move-in date to the last signature on the TIC and/or student certification. However, if an applicant is unable to timely sign the TIC due to extenuating circumstances beyond their control, the owner must document the attempts to obtain signature, the reason for the delay and the plan for how and when the proper signature will be provided in the tenant file. If the tenant file contains such documentation a "true and correct as of"

statement is unnecessary when the tenant does sign. Failure to follow-up with the tenant to obtain the signature when indicated in the documentation may result in noncompliance.

3.04 Annual Recertification

All households occupying a HOME- or NHTF-assisted unit must be recertified at least annually. Annual income recertifications and annual student certifications must be effective on or before the anniversary date of the previous certification. Owners may align recertification dates with other program certifications or recertify all households at one time during the year. However, if a period of 12 months passes without a recertification being completed for any HOME- or NHTF-assisted unit, the unit is considered out of compliance.

Income and assets must be verified every sixth year of the period of affordability. A self-certification of income and income from assets is acceptable in intervening years. Self-certification includes the income and asset disclosure and a properly signed and dated Tenant Income Certification ~~form~~Form. Owners must carefully track ~~which affordability~~ the start date of years ~~are~~ six, ~~twelve, eighteen, twenty four~~12, 18, 24, and ~~thirty~~30 (based on the anniversary of the start of the affordability period) so that third~~-~~-party verification is conducted in these years.

3.05 Change in Household Composition

If a household in an assisted unit later wishes to have an additional person move into the unit, the following steps must be taken prior to occupancy:

1. The prospective tenant must complete a Sworn Statement of Income and Assets and allow for verification of income and assets as required of the initial tenant.
2. The prospective tenant's income must be added to the current tenant's most recent certification or recertification and a determination must be made as to whether the household is still within the HOME or NHTF income guidelines. This new certification is reported in PORT as an Other Cert. The effective date of the Other Cert is the date the new household member moves in.
3. In HOME-assisted only units, if the anticipated household income exceeds the guidelines, then once the current lease expires and proper notice is given, the household must pay the lesser of 30% of its *adjusted* income for rent up to the maximum HTC rent if the unit is also an HTC unit, or the rent amount payable under state or local law. If the unit is floating, the new rent cannot exceed market rent for a comparable unassisted unit.
4. For properties with HOME commitments on or after August 23, 2013, the prospective tenant cannot be an ineligible student as described in Chapter 1, section 1.03 (Student Eligibility Requirements – HOME Only) of this document. Prospective tenants age 18-23 must complete the HOME Program Annual Student Certification.

Minnesota Housing strongly recommends owners apply the same screening criteria as any new move-in (for example, credit check, landlord reference) prior to allowing a new member to occupy a unit and to add them to the lease at the time they move in.

It is not necessary to perform a certification when a household member vacates the unit, but owners should document the tenant file so it contains accurate occupancy information.

3.06 Tenant Income Certification Form

The TIC form is used to certify a project's eligible households. The TIC is a legal document that, when fully executed, certifies the tenant is qualified to live in a HOME or NHTF unit and that the information is complete, true, and correct and that no false or misleading information has been provided. The TIC must be signed and dated by all family members over age 18 (and by any members under age 18 who are treated as adults because they are the head of household, co-head or spouse). The owner representative must also sign and date the TIC to certify that the household is qualified for the low-income unit, and the rent complies with the rent limit. For these reasons the effective date cannot be earlier than the last signature date on the TIC form.

Supporting documentation (application/sworn income and asset statement, income verifications, asset verifications, student certification, clarification records, etc.) is considered part of the TIC and must be included in each tenant file. An Income and Asset Calculation Worksheet form can be used to assist in showing the individual calculations of income and asset income. This is highly recommended and will greatly assist an inspector during a file review.

3.07 Government Data Practices Act Disclosure Statement Form

Owners will create, collect, receive, store, use, maintain, and/or disseminate tenant data subject to applicable data privacy laws and regulations, including the Minnesota Government Data Practices Act (MGDPA). As the monitoring agency, Minnesota Housing must review such tenant data.

To comply with MGDPA and other applicable law, Minnesota Housing requires that owners collect a signed and dated Government Data Practices Act Disclosure Statement form for all assisted units. Note that the Government Data Practices Act Disclosure Statement form is *not* a release authorization for verification of income and assets and must not be used as such. The property name and each adult family member’s name must be printed clearly at the top in the boxes provided. An unsigned and/or undated form is not valid and will be noted at the time of file inspection.

- The form may be signed one time and is valid for as long as the family lives at the property. If a family moves from one unit to another, the original signed and dated form should be moved to the file for the new unit. A copy should be kept in the file for the old unit.
- A valid form *must* include all relevant attachments. Some properties or units within a property may require two or more attachments for multiple programs. Each attachment contains Part A,

which is data that must be disclosed as a condition of occupancy for the program(s) listed on the attachment, and Part B, which is data that is requested but is not a condition of occupancy.

- The head of household, spouse, co-head, and all family members over the age of 18 must sign and date the form.
- If an adult is added later or a minor reaches age 18, they can add their name, signature and date to the existing form or complete a new form.
- A copy must be made available to the applicant/tenant. It is acceptable to provide an unsigned copy.
- For new applicants, provide the form with the initial application packet.

3.08 Annual Income

Minnesota Housing' HOME and NHTF Programs use HUD's definition of annual income as contained in the U.S. Housing Act of 1937 as amended.

Annual income corresponds to gross income, with no adjustments (deductions) for child-care, medical expenses, dependents, etc.

For certifications and recertifications effective before ~~July 1, 2025 (or such later~~the date ~~as~~ HUD ~~may require~~requires full Housing Opportunities Through Modernization Act (HOTMA) implementation~~),~~, refer to HUD Handbook 4350.3 for a complete listing and discussion of earned/unearned income and asset income.

For certifications and recertifications effective on or after ~~July 1, 2025, or such later~~the date ~~determined by~~ HUD ~~when HOTMA must be fully implemented,~~requires full HOTMA implementation, refer to HUD Notice 2023-10 and this guide. Attachment F to Notice 2023-10 defines annual income to include all amounts received from all sources by each member of the family who is 18 years of age or older, the head of household, or spouse of the head of household, in addition to unearned income received by or on behalf of each dependent who is under 18 years of age. Annual income does not include amounts specifically excluded in paragraph (b) of 24 C.F.R. 5.609.

Factors that Affect Household Size for Income Limits

When determining family size for establishing income eligibility, the owner must include all persons living in the unit except the following:

- **Foster adult:** defined as a member of the household who is 18 years or older and meets the definition of foster adult under state law.
- **Foster child:** defined as a member of the household who meets the definition of foster child under state law.

- **Live-in aide/attendant (live-in aide):** a live-in aide is a person who resides with one or more elderly persons, near-elderly persons, or persons with disabilities, and who meets each of the following requirements:
    - Is determined to be essential to the care and well-being of the person(s)
    - Is not obligated for the support of the person(s)
    - Would not be living in the unit except to provide the necessary supportive services

Change 4 to HUD Handbook 4350.3, published in 2013, required that foster adults and foster children be counted as household members for both income and occupancy purposes. With the implementation of HOTMA, foster adults and foster children are no longer considered in family size for income purposes but must be considered for unit size purposes.

A live-in aide qualifies for occupancy as a non-family member only as long as the individual needing supportive services requires the live-in aide's services and remains a tenant. The live-in aide will not qualify for continued occupancy as a remaining family member. Owners must obtain verification from the person's physician, psychiatrist or other medical practitioner or health care provider that the live-in aide is needed to provide the necessary supportive services essential to the care and well-being of the person and should not add the attendant to the lease. The owner may not require applicants or tenants to provide access to confidential medical records or to submit to a physical examination. While a relative may be a live-in aide they must meet the above requirements or they must be treated as a family member and their income must be included.

When determining family size for income limits, the owner must include the following individuals who are not living in the unit:

- Children temporarily absent due to placement in a foster home
- Children in joint custody arrangements who are present in the household 50% or more of the time
    - If disputed, determine which parent claimed the children as dependents for purposes of filing a federal income tax return.
- Children who are away at school but who live with the family during school recesses
- Unborn children of pregnant women
    - When a pregnant woman is an applicant, the unborn child is included in the size of the household and may be included for purposes of determining the maximum allowable income. The rental application should ask the following question: "Will there be any changes in household composition within the next 12-month period?" If an applicant answers that a child is expected, the manager should explain to the tenant that to count the child as an additional household member and use the corresponding income limit, a self-certification of pregnancy must be provided.
- Children who are in the process of being adopted
- Temporarily absent family members who are still considered family members

    - For example, the owner may consider a family member who is working in another state on assignment to be temporarily absent. Persons on active military duty are considered temporarily absent (except if the person is not the head, co-head or spouse or has no dependents living in the unit). If the person on active military duty is the head, co-head, or spouse, or if the spouse or dependents of the person on active military duty resides in the unit, that person's income must be counted in full.
- Family members in the hospital or at a rehabilitation facility for periods of limited or fixed duration; these persons are temporarily absent as defined above
- Persons permanently confined to a hospital or nursing home
    - The family decides if such persons are included when determining family size for income limits. If such persons are included, they must be listed on the TIC as, "other adult family member." If the family chooses to include the permanently confined person as a member of the household, the owner must include income received by these persons in calculating family income.

Deployment of Military Personnel to Active Duty

Owners are encouraged to accommodate the unique circumstances of households where a member is called to active duty in the Armed Forces. Specific actions that an owner can take and remain in compliance include, but are not limited to:

- Allowing a guardian to move into the low-income unit on a temporary basis to provide care for any dependents the military person leaves in the unit. The guardian's income is not included in the household's income.
- Allowing a tenant living in a low-income unit to provide care for any dependents of persons called to active duty in the Armed Forces on a temporary basis as long as the head and/or co-head of the household continues to serve in active duty. Income of the dependent (for example, Supplemental Security Income [SSI] benefits, military benefits) is not included in the household's income.
- Allowing leases to remain in effect for a reasonable period without recertification (if required) depending on the length of deployment beyond that required by the Soldiers' and Sailors' Civil Relief Act of 1940, U.S. Code, title 50, section 501-591, even though the adult members of the military family are temporarily absent from the unit.

Annual Income

Annual income has two components: earned/unearned income and asset income.

Earned/Unearned Income + Income from Assets = Annual Income

If a particular type of income is not specifically mentioned as being excluded, then it is included in annual income. The following are examples of income that are included:

- The gross amount (before any payroll deductions) of wages and salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services of all adults in the household (including persons under the age of 18 who are the head, spouse or co-head)
- Net income, salaries, and other amounts distributed from a business; this includes salaries received from a family-owned business
- The gross amount (before any deductions for Medicare, etc.) of periodic Social Security payments; include payments received by adults on behalf of individuals under the age of 18, or by individuals under the age of 18 for their own support
- The full amount of periodic amounts received from annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts (for example, Black Lung Sick Benefits, Veterans Disability, Dependent Indemnity Compensation [widow of killed in action serviceman]); the withdrawal of cash or assets from an investment received as periodic payments is counted as income
- Delayed periodic payments received because of delays in processing unemployment, welfare, or other benefits
- Payments in lieu of earnings, such as unemployment and disability compensation, and severance pay
- Recurring Monetary or Non-monetary Contributions or Gifts Regularly Received from Persons not Living in the Unit; these sources may include rent, utility, and other payments paid on behalf of the household, and other cash or noncash contributions provided on a regular basis
- All regular pay, special pay, and allowances of a member of the Armed Forces
    - Note that until January 1, 2012, Basic Pay Allowance for housing is disregarded for properties located in a county that contains a qualified military installation to which the number of members assigned to units based out of the military installation as of June 1, 2008, has increased by 20% or more from December 31, 2005; this applies to the county that contains the military installation (a qualified military installation is a military installation or facility with 1,000 or more members as of June 1, 2008) and also to adjacent counties.
- Welfare Assistance
- Alimony and Child Support; alimony or child support paid by a member of the household is not deducted from income, even if it is garnished from wages

Student Financial Assistance

Prior to HOTMA, all forms of student financial assistance (grants, scholarships, educational entitlements, work study programs, Bureau of Indian Affairs student assistance programs, and financial aid packages) were excluded from annual income except for students receiving Section 8 assistance. For students receiving Section 8 assistance, all financial assistance a student received, 1) under the Higher Education Act of 1965, 2) from private sources, or 3) from an institution of higher education that is in excess of amounts received for tuition and any other required fees and charges (refer to HUD

Notice H2015-12) was included in annual income except if the student was over the age of 23 with dependent children or living with parents receiving Section 8 assistance.

The primary difference between the Section 8 and HOTMA student assistance approaches are how the Higher Education Act of 1965 (HEA) assistance and money from private sources (such as parents and grandparents) are counted. Under HOTMA, HEA assistance is not counted as income, and money from private sources is gift income, not student financial assistance.

Income from Student Financial Assistance

The treatment of student financial assistance depends on ~~the program, student/household characteristics, and~~ the type of financial assistance received by the student. The student financial assistance rules apply to both full-time and part-time students.

The two types of student financial assistance applicable to HUD programs are described below:

1. **Amounts ~~Received Under~~received under section 479B of the Higher Education Act (HEA) of 1965, as amended.** Section 479B of the HEA provides that certain types of student financial assistance are to be excluded in determining eligibility for benefits made available through federal, state, or local programs financed with federal funds. The ~~types of financial assistance listed~~list below ~~are considered~~ of 479B ~~student financial assistance~~ programs~~; however, this list~~ was last updated as of July 1, 2024, and may not be exhaustive:
    - Federal Pell Grants
    - ~~Teach Grants~~
    - Federal TRIO and early outreach/student services programs
    - Gaining Early Awareness and Readiness for Undergraduate (GEAR UP) programs
    - Model Program grants (Community Partnership and Counseling Grants)
    - National Student Savings Demonstration grants
    - Federal Supplemental Educational Opportunity Grants (FSEOG)
    - Leveraging Educational Assistance Partnership grants
    - Special programs for migrant/seasonal farmworker families
    - Robert C. Byrd Honors Scholarships
    - Childcare Access Means Parents in School (CAPS) grants
    - TEACH Grants
    - Scholarships for veteran's dependents
    - Federal Family Education Loan (FFEL) programs
    - Federal Work-~~-~~Study ~~Programs~~
    - William D. Ford Federal Direct Loans
    - Federal Perkins Loans
    - ~~Student financial assistance received under the Bureau of Indian Education~~
    - HEA Relief Opportunities for Students (HEROES Act adjustments)

- Higher Education Tribal Grant (formerly under the Bureau of Indian Affairs)
- Tribally Controlled Colleges or Universities Grant Program
- ~~Employment training program under section 134 of the~~ Workforce Innovation and Opportunity Act (WIOA) section 134 employment/training program (adult/dislocated worker workforce training)

2. **Other Student Financial Assistance** includes grants or scholarships received from the following sources:
    - The Federal government
    - A state (including U.S. territories), Tribe, or local government
    - A private foundation registered as a nonprofit under 26 U.S.C. 501(c)(3)
    - A business entity (such as a corporation, general partnership, limited liability company, limited partnership, joint venture, business trust, public benefit corporation, or nonprofit entity)
    - An institution of higher education

Other student financial assistance does not include:

- Financial support provided to the student in the form of a fee for services performed (for example, a work study or teaching fellowship that is not excluded under section 479B of the Higher Education Act HEA)
- Gifts, including gifts from family or friends

Other student financial assistance may be paid directly to the student or to the educational institution on the student's behalf. The owner must verify that other student financial assistance is for the student's actual covered costs.

~~The following sections describe the~~The treatment of the two above-described types of student financial assistance ~~by program type~~is described below.

~~Non-Section 8 Recipients~~

All assistance received under 479B of the HEA by students ~~participating in non-Section 8 programs~~ is excluded from income. Other student financial assistance received by the student that, either by itself or in combination with HEA assistance, exceeds the actual covered costs is not excluded from income.

Actual covered costs include~~:~~ tuition, books, supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, and fees required and charged to a student by an institution of higher education (as defined under section 102 of the Higher Education Act of 1965 (20 U.S.C. 1087uu)). For a student who is not the head of household, co-head, or spouse, actual covered costs also include the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit.

The formula for calculating the amount of other student financial assistance that is excluded from income always begins with deducting the assistance received under 479B of the HEA from the total actual covered costs, because the 479B assistance is intended to pay the student's actual covered costs. This formula is illustrated below (this and other examples are in HUD Notice 2023-10, Attachment G).

~~*Non-Section 8 Recipients*~~ *Example ~~1~~1: ~~*Full-Time*~~Calculating Student Financial Assistance*

Juan is a full-time student, and he received the following grants and scholarships to cover his first year of college: Federal Pell Grant: $25,000; University Scholarship: $15,000; Rotary Club Scholarship: $3,000.

- Total assistance received under 479B of HEA: $25,000 (Federal Pell Grant)
- Total other student financial assistance received: $18,000
- Juan's actual covered costs: $28,000

Step 1: Determine amount of actual covered costs exceeding section 479B assistance.

$28,000 (actual covered costs)
- $25,000 (total assistance received under 479B of HEA)
= $ 3,000

Step 2: Determine amount of student financial assistance to include in income.

$18,000 (other student financial assistance received)
- $ 3,000 (actual covered costs exceeding section 479B assistance)
= $15,000 (if negative, then use $0)

Amount of student financial assistance included in Juan's income: $15,000

~~**Section 8 Recipients**~~

~~Section 210(b) of the Consolidated Appropriations Act, 2023, requires that, "for purposes of determining the eligibility of a person to receive assistance under Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f), any financial assistance (in excess of amounts received for tuition and any other required fees and charges) that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), from private sources, or from an institution of higher education (as defined under section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except for a person over the age of 23 with dependent children." HUD interprets that a person over the age of 23 is age 24 or older.~~

~~While the Consolidated Appropriations Act language is limited to federal fiscal year 2023, this does not rule out the possibility that similar language will be included in future years' appropriations bills. For any funds from a year where HUD's appropriations include this Section 8 student financial assistance limitation, if the student is the head of household, co-head, or spouse and is under the age of 23 or without dependent children, then both the assistance received under 479B of the HEA and other student financial assistance received by the student will be counted as income to the extent that it exceeds the total of tuition and any other required fees and charges. In contrast, the student financial assistance received by a Section 8 student who is the head of household, spouse, or co-head of~~

household and is over the age of 23 with dependent children will be treated in a manner identical to the student financial aid received by students who participate in the Public Housing and non–Section 8 programs administered by HUD.

During years in which an appropriations act does not contain this Section 8 student financial assistance limitation (or any other such limitation), the determination of student financial assistance as included/excluded income for all Section 8 students defaults to the methodology described above for the non–Section 8 programs.

There are two steps required as part of the calculation for Section 8 students, the first of which is to determine the student's relationship to the household, age, and whether they have dependent children; based on the result of the first step, the second step is to calculate whether any excess student financial assistance should be included in the family's income. If the student is the head of household, co- head, or spouse and is 23 or younger or does not have dependent children, then 479B assistance will be part of the total equation. If the student is age 24 or over with dependent children, then the calculation will be identical for non–Section 8 students, as described above.

The following examples are from Attachment G of HUD Notice 2023-10.

Section 8 Recipients Example 1: Single Occupant

Roberto is a 22-year-old full-time student without dependent children. Since Roberto is a Section 8 participant head of household who is not over 23 with dependent children, the owner follows the Appropriations Act policy to determine if Roberto receives student financial assistance in excess of tuition from both HEA and other sources. Roberto received the following amounts to cover his first year of college: Federal Pell Grant: $12,000; University Scholarship: $22,000; City Scholarship: $3,000.

- Total assistance received under 479B of HEA: $12,000 (Federal Pell Grant)
- Total other student financial assistance received: $25,000
- Total student financial assistance from all sources: $37,000
- Total tuition + required fees and charges: $27,000

Subtract the total cost of tuition + required fees and charges from the total amount of student financial assistance.

$37,000
$27,000
= $10,000

The total amount of student financial assistance from all sources received by Roberto exceeds the total amount of tuition and required fees and charges.

Excess student financial assistance: $10,000

Amount of student financial assistance included in Roberto's income: $10,000

Section 8 Recipients Example 2: Age 24 or Over With Dependent Children

Cedric is a 28-year-old head of household and a full-time student with a 5-year-old daughter and a 9-year-old son who are his dependents. The owner will follow the rules under 24 C.F.R. 5.609(b)(9) (the same as for non–Section 8 programs). Cedric received the following amounts to cover his first year of college: Teach Grant: $8,000; Federal Pell Grant: $3,000; College Scholarship: $6,000.

- Total assistance received under 479B of HEA: $11,000 (Teach Grant plus Federal Pell Grant)
- Total other student financial assistance received: $6,000
- Total tuition + required fees and charges: $26,000

Step 1: Determine amount of tuition plus required fees exceeding 479B assistance.

$26,000 (total tuition + required fees and charges)
- $11,000 (total assistance received under 479B of HEA)
= $15,000

Step 2: Determine amount of student financial assistance to include in income.

$ 6,000 (other student financial assistance received)
- $15,000 (amount of tuition + required fees and charges exceeding 479B assistance)
= –$ 9,000 (if negative, then use $0)

The amount of other student financial assistance received by Cedric does not exceed the total amount of tuition and required fees and charges.

Excess student financial assistance: $0

Amount of student financial assistance included in Cedric's income: $0

Section 8 Recipients Example 3: Age 24 or Over Without Dependent Children

Angel is a 38-year-old full time student, head of household, without dependent children. Since Angel does not have dependent children, the Appropriations Act policy does not apply, and the owner must include assistance received under 479B of the HEA as part of the excess student financial aid calculation. Angel received the following amounts to cover her first year of college: Perkins Loan: $8,000.

- Total assistance received under 479B of HEA: $8,000 (Perkins Loan)
- Total tuition + other fees and charges: $6,200

Determine whether the amount of student financial assistance, including 479B assistance, exceeds the total of tuition + required fees and charges.

$8,000
- $6,200
= $1,800

Excess student financial assistance: $1,800

Excess student financial assistance: $1,800

Amount of student financial assistance included in Angel's income: $1,800

Student loans are not considered student assistance and are never counted as income. Total student actual covered costs include all the costs a student must pay to attend school, such as tuition and other

~~fees, room and board, course books, etc. These are the same as actual covered costs in the non-Section 8-assisted HOTMA student assistance rule.~~

Use the Affidavit of Student Financial Assistance to obtain information from the applicant or resident as to their source(s) of financial assistance.

3.09 Exclusions from Annual Income

For certifications and recertifications effective before ~~July 1, 2025 (or such later date as HUD may require full HOTMA implementation),~~implementing HOTMA, refer to HUD Handbook 4350.3 for a complete listing and discussion of income exclusions.

Refer to HUD Notice 2023-10 Attachment G for changes in exclusions resulting from HOTMA ~~for certifications effective on~~ or ~~after July 1, 2025 (or such later date as~~when HUD ~~may require~~requires full HOTMA implementation~~).~~.

Nonrecurring Income

Income that will not be repeated beyond the coming year (that is, the 12 months following the effective date of the certification), based on information provided by the family, is considered nonrecurring income and is excluded from annual income. However, income received as an independent contractor, day laborer, or seasonal worker is *not* excluded from income under 24 C.F.R. 5.609(b)(24), even if the source, date, or amount of the income varies.

Income that has a discrete end date and will not be repeated beyond the coming year during the family's upcoming annual reexamination period will be excluded from a family's annual income as nonrecurring income. This does not include unemployment income and other types of periodic payments that are received at regular intervals (such as weekly, monthly, or yearly) for a period of greater than one year that can be extended. For example, an increasing number of cities and states are piloting guaranteed income programs that have discrete beginning and end dates. This income can be excluded as nonrecurring in the final year of the pilot program. For example, for an annual recertification effective July 1, 2025, guaranteed income that will be repeated in the coming year but will end before the next reexamination on July 1, 2026 will be fully excluded from annual income. Income amounts excluded under this category may include, but are not limited to, nonrecurring payments made to the family or to a third party on behalf of the family to assist with utilities, eviction prevention, security deposits to secure housing, payments for participation in research studies depending on the duration, and general one-time payments received by or on behalf of the family.

The following list of exclusions is codified at 24 C.F.R. 5.609(b)(24) as nonrecurring income. Note that the list is not exhaustive:

- Payments from the U.S. Census Bureau for employment lasting no longer than 180 days and not culminating in permanent employment;

- Direct federal or state economic stimulus payments;
- Amounts directly received by the family as a result of state refundable tax credits or state tax refunds at the time they are received;
- Amounts directly received by the family as a result of federal refundable tax credits or federal tax refunds at the time they are received;
- Gifts for holidays, birthdays, or other significant life events or milestones (for example, wedding, baby shower, or anniversary gifts);
- In-kind donations (for example, food, clothing, or toiletries received from a food bank or similar organization); and
- Lump-sum additions to net family assets (for example, lottery winnings, contest winnings, etc.).

Excluded Recurring Income

Below is a list of income that is not counted as part of household income (refer to 24 C.F.R. 5.609(b) for the full list and to Attachment G in HUD Notice 2023-10 for additional detail):

- Earned income of children under age 18.
- Payments received for the care of foster children or foster adults, or State or Tribal kinship or guardianship care payments.
- Insurance payments and settlements for personal or property losses, including but not limited to payments through health insurance, motor vehicle insurance, and workers' compensation. Any workers' compensation is always excluded from annual income, regardless of the frequency or length of the payments.
- Amounts received by the family that are specifically for, or in reimbursement of, the cost of health and medical care expenses for any family member.
- Any amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to a family member arising out of law, that resulted in a member of the family becoming disabled.
- Income of a live-in aide, foster child, or foster adult.
- Income and distributions from any Coverdell education savings account under section 530 of the Internal Revenue Code of 1986 or any qualified tuition program under section 529 of such Code; and income earned by government contributions to, and distributions from, baby bond accounts created, authorized, or funded by Federal, State, or local government.
- The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
- Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS).
- Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (such as special equipment, clothing,

transportation, child-care, etc.) and which are made solely to allow participation in a specific program.

- Amounts received under a resident service stipend not to exceed $200 per month. A resident service stipend is a modest amount received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development.
- Incremental earnings and benefits resulting to any family member from participation in training programs funded by HUD or in qualifying Federal, State, Tribal, or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives and are excluded only for the period during which the family member participates in the employment training program unless those amounts are excluded under paragraph (b)(9)(i) of this section.
- Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
- Earned income of dependent full-time students in excess of the annually adjusted amount of the deduction for a dependent.
- Adoption assistance payments for a child in excess of the annually adjusted amount of the deduction for a dependent.
- Deferred periodic amounts from Supplemental Security Income and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts, or any deferred Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts.
- Payments related to aid and attendance under 38 U.S.C. 1521 to veterans in need of regular aid and attendance. This income exclusion applies only to veterans in need of regular aid and attendance and not to other beneficiaries of the payments, such as a surviving spouse.
- Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit.
- Payments made by or authorized by a State Medicaid agency (including through a managed care entity) or other State or Federal agency to a family to enable a family member who has a disability to reside in the family's assisted unit. Authorized payments may include payments to a member of the assisted family through the State Medicaid agency (including through a managed care entity) or other State or Federal agency for caregiving services the family member provides to enable a family member who has a disability to reside in the family's assisted unit. Both the person providing the care and the person who has the disability must be family members (not foster adult, foster child or live-in aides) and must live in the same household. The exclusion does not apply to income earned by the family for other caregiving services provided to individuals outside of the assisted household.
- Loan proceeds (the net amount disbursed by a lender to or on behalf of a borrower, under the terms of a loan agreement) received by the family or a third party (such as proceeds received

by the family from a private loan to enable attendance at an educational institution or to finance the purchase of a car).

- Payments received by Tribal members as a result of claims relating to the mismanagement of assets held in trust by the United States, to the extent such payments are also excluded from gross income under the Internal Revenue Code or other Federal law. Generally, payments received by tribal members in excess of the first $2,000 of per capita shares are included in a family's annual income for purposes of determining eligibility. However, payments made under the Cobell Settlement, and certain per-capita payments under the recent Tribal Trust Settlements, must be excluded from annual income in programs that adopt the definitions of annual income in 24 C.F.R. 5.609. Note that payment received by a tribal member from the tribe for distribution of Indian gaming profits is not a per-capita payment within the meaning of the Per Capita Distribution Act and does not qualify for income exclusion. If a family member who is a tribal member receives the IRS Form 1099–MISC, Miscellaneous Income, from the tribe for reporting Indian gaming profits, then this payment must be counted toward the family's annual income.
- Amounts that HUD is required by Federal statute to exclude from consideration as income for purposes of determining eligibility or benefits. HUD will publish a notice in the Federal Register to identify the benefits that qualify for this exclusion. Updates will be published when necessary. Examples include:
    - The value of the allotment provided to an eligible household under the Food Stamp Act of 1977.
    - Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (including employment through AmeriCorps, Volunteers in Service to America [VISTA], Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, and senior companions).
    - Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program.
    - The first $2,000 of per capita shares received from judgment funds awarded by the National Indian Gaming Commission or the U. S. Claims Court, the interests of individual Indians in trust or restricted lands, and the first $2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands. This exclusion does not include proceeds of gaming operations regulated by the Commission.
    - Payments received from programs funded under Title V of the Older Americans Act of 1985 (such as Green Thumb, Senior Aides, and Older American Community Service Employment Program).
    - Any amount received under the Richard B. Russell School Lunch Act and the Child Nutrition Act of 1966, including reduced-price lunches and food under the Special Supplemental Food Program for Women, Infants, and Children (WIC).

- Replacement housing gap payments made in accordance with 49 C.F.R. 24 that offset increased out-of-pocket costs of displaced persons that move from one federally subsidized housing unit to another Federally subsidized housing unit. Such replacement housing gap payments are not excluded from annual income if the increased cost of rent and utilities is subsequently reduced or eliminated, and the displaced person retains or continues to receive the replacement housing gap payments.
- Nonrecurring income, which is income that will not be repeated in the coming year based on information provided by the family. Income received as an independent contractor, day laborer, or seasonal worker is not excluded from income under this paragraph, even if the source, date, or amount of the income varies. See the Nonrecurring Income section above for more information.
- Civil rights settlements or judgments, including settlements or judgments for back pay.
- Income earned on amounts placed in a family's Family Self Sufficiency Account.

The amount of rental subsidy paid to the owner on behalf of a household by a Public Housing Authority or other government administrator is also not included in income. Private or philanthropic rental assistance is considered regular contributions by persons not living in the unit and must be included in income.

Earned Income Disregard

The Earned Income Disregard (EID) will not apply to any family who is not eligible for *and already participating in* the disallowance as of December 31, 2023.

The EID allowed eligible families to have a portion of their earned income excluded from annual income for a maximum period of 24 consecutive months. Although HOTMA eliminates the EID from HUD regulations, families who were receiving the EID benefit as of December 31, 2023, may continue to receive the full benefit until the remaining timeframe for an individual family's EID expires. Because the EID lasts up to 24 consecutive months, no family will still be receiving the EID benefit after December 31, 2025.

3.10 Annualized Income

Income determination is based on the annual gross income a household anticipates it will receive for the 12-month certification period. Disclosure and verification of all sources of current and anticipated income for all household members age 18 and older, persons under the age of 18 who are treated as adults because they are the head of household, co-head or spouse, and unearned income of minor children must be obtained in order to establish that the income limits are not exceeded.

Convert all verified incomes to annual amounts.

To annualize full-time employment, multiply:

- Hourly wages by 2,080 hours
- Weekly wages by 52
- Bi-weekly wages by 26
- Semi-monthly wages by 24
- Monthly wages by 12

To annualize income from other than full-time employment, multiply:

- Hourly wages by the number of hours the individual is expected to work per week by 52; if verification shows a range of hours, use the average number of hours (for example, verification shows 30-35 hours per week, use 32.5 hours).
- Average weekly amounts by the number of weeks the individual is expected to work
- Other periodic amounts (for example, monthly, bi-weekly) by the number of periods the individual expects to work

Some affordable housing professionals use non-conforming methodologies for calculating wages including using the highest of a range of hours provided by the employer or basing income determinations on the higher calculation of income provided by the employer and a calculation of annual income based on year-to-date information. As noted above, Minnesota Housing uses the average of a range of hours given and anticipated wage information supplied by the employer, consistent with Section 8. More conservative methodologies are not prohibited; however, using more conservative methodologies may exclude households that qualify based on Section 8 methodologies. In any event, any approach developed by an owner/agent must be consistently applied to all applicants and tenants to avoid the risk of a fair housing violation.

Seasonal Income

If an applicant is in a seasonal line of work, for example a job dependent on weather conditions such as roofing, and normally collects unemployment during the off months, both incomes are used for the appropriate number of months. For example, if an individual makes $1,800 a month during a nine-month roofing season and collects unemployment in the amount of $800 a month for the remaining three months, income is calculated as follows:

$1,800 x 9 = $16,200

$800 x 3 = $2,400

$16,200 + $2,400 = $18,600 = Total Annualized Income

Zero Income Members

If an adult member of an applicant family has no regular verifiable income or income from assets from any source and claims zero income, a Certification of Zero Income must be completed. Note that the

current HUD Handbook requires non-monetary contributions (excluding groceries) to be counted as income. Under HOTMA, non-monetary in-kind donations from a food bank or similar organization cannot be assigned a monetary value (including food, clothing or toiletries).

3.11 Income from Assets

Assets are items of value, other than necessary personal items, and are considered along with verified income to determine eligibility.

For certifications and recertifications effective before July 1, 2025 (or such later date as HUD may require full HOTMA implementation), refer to HUD Handbook 4350.3 for a complete listing and discussion of income from assets.

For certifications effective on or after July 1, 2025 (or such later date as HUD may require full HOTMA implementation), refer to HUD Notice 2023-10 Attachment F for changes resulting from HOTMA and this guide.

Under HOTMA, assets have three categories:

- Necessary Personal Property
- Non-Necessary Personal Property
- Real Property

Assets include the net cash value of all real property and the net cash value of all non-necessary items of personal property.

Necessary Personal Property

Necessary Personal Property (NPP) are items that are essential to the family for maintenance, use, and occupancy of the residence, or necessary for employment, education, or health and wellness. NPP also includes items that assist persons with disabilities, including items for disability-related needs and items required for reasonable accommodation. NPP does not include luxury items.

Owners must determine whether an item is considered necessary or non-necessary to determine whether it should be included as an asset.

This is a highly fact-specific determination. Therefore, owners must collect enough facts to make this determination. If an item is considered necessary personal property, it is not included as an asset.

Examples of NPP (list is not exhaustive):

- Car(s)/vehicle(s) that a family relies on for transportation for personal or business use (for example, bike, motorcycle, skateboard, scooter)
- Furniture, carpets, linens, kitchenware

- Common appliances
- Common electronics (for example, radio, television, DVD player, gaming system)
- Clothing
- Personal effects that are not luxury items (for example, toys, books)
- Wedding and engagement rings
- Jewelry used in religious/cultural celebrations and ceremonies
- Religious and cultural items
- Medical equipment and supplies
- Healthcare-related supplies
- Musical instruments used by the family
- Personal computers, phones, tablets, and related equipment
- Professional tools of trade (for example, professional books)
- Educational materials and equipment, including equipment to accommodate persons with disabilities
- Equipment used for exercising (for example, treadmill, stationary bike, kayak, paddleboard, ski equipment

Non-Necessary Personal Property

If personal property is not deemed necessary, as HUD guidance provides, then it is considered Non-Necessary Personal Property (NNPP) and may need to be included as an asset.

Under HOTMA, the combined value of NNPP up to the amount that HUD allows to be self-certified is excluded from net family assets, but any income earned by these assets is included in gross annual household income. Refer to HUD's ~~HUD's website~~Annual Inflationary Adjustments and Passbook Rate webpage for the current amount of assets HUD allows to be self-certified (updated annually, adjusted for inflation).

If the total value of NNPP exceeds the amount HUD allows to be self-certified, owners must verify all asset amounts and any income earned. If an asset does not earn income, owners must use HUD's passbook savings rate to calculate an imputed income. Refer to HUD's ~~HUD's website~~Annual Inflationary Adjustments and Passbook Rate webpage for the current passbook savings rate (updated annually, adjusted for inflation).

Examples of NNPP (list is not exhaustive):

- Bank accounts or other financial investments (for example, checking account, savings account, stocks/bonds, money market or mutual funds, certificates of deposit)
- A mortgage or deed of trust held by an applicant or resident (for example, contract for deed or deed of trust); payments on this type of asset are often received as one combined payment of principal and interest with the interest portion counted as income from the asset

- Cash value of life insurance policies available to the individual before death (for example, the surrender value of a whole life policy or a universal life policy)
- Recreational car/vehicle not needed for day-to-day transportation (for example, campers, motorhomes, travel trailers, all-terrain vehicles [ATVs])
- Recreational boat/watercraft
- Expensive jewelry without religious or cultural value, or which does not hold family significance
- Collectibles (for example, coins/stamps)
- Equipment/machinery that is not used to generate income for a business
- Items such as gems/precious metals, antique cars, artwork, etc.
- Assets disposed of for less than fair market value within 2 years of the effective date of the certification
    - Assets lost to foreclosure, bankruptcy, divorce or separation settlements are not counted as disposed of assets, and assets put into an irrevocable trust for another member of the same household are not counted as disposed; neither are assets that are simply used to buy goods or services that are not counted as assets

Bank accounts include amounts in cash apps and digital wallets that hold balances. Examples include Venmo, PayPal, GoFundMe, Cash App, Google Pay, Google Wallet, etc., and cards used to receive government and other cash benefits. Retailers such as Wal-Mart, Target and Starbucks may also have cash-holding apps.

Apps that merely facilitate transferring funds from one account to another and do not actually hold any money, are not assets (for example, Zelle).

Stocks, bonds, treasury bills, certificates of deposit, money market accounts, mutual funds. Interest or dividends earned are counted as income from assets even when the earnings are reinvested. The value of stocks and other assets vary from one day to another. The value of the asset may go up or down the day before or after income is calculated and multiple times during the year thereafter. The owner may assess the value of these assets at any time after the authorization for the release of information has been received.

Real Property

The value of real property is always counted as an asset.

Equity in rental property or other capital investment. Include the current fair market value less (a) any unpaid balance on any loans secured by the property; and (b) reasonable costs that would be incurred in selling the asset (that is, penalties, broker fees, etc.). If the person's main business is real estate, then count any income as business income. Do not count it as an asset and as business income.

Only the interest portion of the monthly payment received by the tenant is included as income. For interest income from the sale of real property, if said property was sold on an installment sales contract, request one of the following:

- A letter from an accountant, attorney, real estate broker, the buyer, or a financial institution stating interest due for the next 12 months~~.~~; a copy of the check(s) paid by the buyer to the tenant is *not* sufficient since appropriate breakdowns of interest and principal are not included
- Amortization schedule showing interest for the 12 months following the date the purchaser intends taking occupancy

For rental income from property owned by the tenant, request each of the following:

- IRS Form 1040 with Schedule E (Rental Income)
- Lease between the tenant and the tenant's renter
- Lessee's written statement identifying monthly payments due the tenant and tenant's affidavit as to net income realized

3.12 Household Asset Exclusions

Household assets do not include:

- NPP including clothing, furniture, cars, etc.
- Retirement accounts under IRS-recognized retirement plans (for example, IRA, employer retirement plans, and retirement plans for self-employed individuals)
    - ~~-~~Note that regular distributions or withdrawals from such accounts are treated as income.
- Real property without legal authority to sell
- Legal settlements from civil actions or settlement based on a claim of malpractice, negligence or other breach of duty owed to a family member, for an incident resulting in a disability
- Interests in Indian land trusts
- Coverdell or 529 education savings accounts, ABLE accounts, baby bond accounts
- Term life insurance policies
- Equity in a manufactured home where the family receives assistance under 24 C.F.R. 982 (Housing Choice Voucher)
- Equity in property under the Homeownership Option for which a family receives assistance under 24 C.F.R. 982
- Family Self-Sufficiency Accounts
- Federal tax refunds or refundable tax credits from the 12 months prior to the certification effective date (for example, Earned Income Tax Credits)
    - Note that HUD instructs owners to subtract the value of any tax return that a household has received in the last 12 months from total net assets. This may mean self-certification

of assets is allowed if subtracting the refunds or refundable credits puts the total value of net assets below the amount HUD allows to be self-certified.

- Trust funds that are not revocable by, or under the control of, any family member as long as they continue to be held as such.
    - When a trust is in the control of a household it is an asset to the household, and income is counted as the trust generates it.
    - Distributions/withdrawals from the trust in the household's control are not counted as income. When a trust is NOT in the control of a household it is NOT an asset to the household.
    - Distributions received from the trust are income except for the following two exclusions: 1. Distributions from the principle or corpus of the trust; 2. Distributions that are made to pay for the health and medical expenses of a minor child.
- Assets that are part of an active business (not including rental of properties that are held as investment and not a main occupation)
- Assets that are not effectively owned by the applicant; that is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household, and that other person is responsible for income taxes incurred on income generated by the assets
- Assets not accessible to the applicant and provide no income to the applicant (for example, a battered spouse owns a house with her husband. Because of the domestic situation, she receives no income from the asset and cannot convert the asset to cash)

3.13 Assets Owned Jointly

For assets jointly owned by one or more individuals outside of the family, owners must include the total value of the asset in the calculation of net assets, unless the asset is otherwise excluded, or unless the applicant can demonstrate that the asset is inaccessible to them, or that they cannot dispose of any portion of the asset without the consent of another owner who refuses to comply. If the applicant demonstrates that they can only access a portion of an asset, then only that portion's value shall be included in the calculation of net assets. Likewise, any income from a jointly owned asset must be included in annual income, unless that income is specifically excluded, or unless the applicant demonstrates that they do not have access to the income from that asset, or that they only have access to a portion of the income from that asset.

If an individual is a beneficiary who is entitled to access the account's funds only upon the death of the account's owner, and may not otherwise withdraw funds from an account, then the account is not an asset, and the individual should provide proper documentation demonstrating that they are only a beneficiary on the account.

3.14 Instructions for Valuing Assets

In computing assets, owners must use the cash value of the asset; that is, the amount the family or household would receive if the asset were converted to cash. Cash value is the market value of the asset minus reasonable costs that were or would be incurred in selling or converting the asset to cash. Expenses which may be deducted include:

- Penalties for withdrawing funds before maturity
- Broker/legal fees assessed to sell or convert the asset to cash
- Settlement costs for real estate transactions

For non-liquid assets, enough information should be collected to determine the current cash value: the net amount the family would receive if the asset were converted to cash.

Owners must count assets disposed of for less than fair market value during the two years preceding certification or recertification. The amount counted as an asset is the difference between the cash value and the amount received, if the difference is more than $1,000. If a tenant has sold their home (either a private residence or rental) or disposed of other assets within the past two years for less than fair market value, request:

- Copies of closing documents (HUD-1, settlement statement) showing the selling price, the distribution of the sales proceeds and the net amount to the tenant
- Divestiture of Assets Verification identifying the disposed-of asset, the cash value and amount actually received

Actual income from assets is always included in a family's annual income, regardless of the total value of net family assets, unless that income is specifically excluded by 24 C.F.R. 5.609(b).

Income or returns from assets are generally considered to be interest, dividend payments, and other actual income earned on the asset, and not the increase in market value of the asset. The increase in market value is relevant to the cash value of the asset for the purpose of determining total net family assets and imputing income.

When total net assets exceed the amount HUD allows to be self-certified (when HOTMA implementation guidance was released, this amount was $50,000), income from assets is no longer determined based on the greater of actual or imputed income from the assets. Instead, imputed asset income must be calculated for specific assets when three conditions are met:

1. The value of net family assets exceeds the amount HUD allows to be self-certified
2. The specific asset is included in net family assets
3. Actual asset income cannot be calculated for the specific asset

Imputed asset income is calculated by multiplying the net cash value of the asset, after deducting reasonable costs that would be incurred in disposing of the asset, by the current HUD-published passbook rate.

To properly calculate income from assets:

1. Review the list of assets provided by the applicant or resident.
2. Categorize assets as NPP, NNPP, and real property.
3. Exclude any NPP.
4. Determine the total value of NNPP.
    a. If the total value of all NNPP is less than the amount HUD allows to be self-certified, assign a $0 value to each asset, but calculate income, if any.
    b. If the total value of all NNPP exceeds the amount HUD allows to be self-certified, fully verify the assets, assign the net value of the asset and calculate actual or imputed income to each asset.
5. Add NNPP to any real property. If the total value exceeds the amount HUD allows to be self-certified, impute income for any assets that cannot otherwise have income determined.
6. Subtract any federal tax return or refundable tax credit the household received in the past 12 months (if an applicant anticipates a $500 federal tax refund but only receives $250, then only $250 will be excluded from net assets because that is the amount actually received. If the subtraction results in a negative number, then net family assets are considered $0.

Refer to the examples in Attachment F to HUD Notice 2023-10.

Owners should not conflate an asset with an actual return of $0, with an asset for which an actual return cannot be computed, such as could be the case for some non-financial assets. If the asset is a financial asset and there is no income generated (for example, a bank account with a 0-% interest rate or a stock that does not issue dividends), then the asset generates zero actual asset income, and imputed income is not calculated. When a stock issues dividends in some years but not others (for example, due to market performance), the dividend is counted as the actual return when it is issued, and when no dividend is issued, the actual return is $0. When the stock never issues dividends, the actual return is consistently $0.

3.15 General Income Verification Requirements

The Sworn Statement of Income and Asset (or owner's application containing, at a minimum, the information on the Sworn Statement of Income and Asset) must be used as the basis for determining the necessary verifications.

Refer to Table J2 in HUD Notice 2023-10 for Verification Hierarchy and order of acceptability. Note that HUD's EIV system *cannot* be used for the HOME or NHTF programs.

Owners must follow up on any incomplete, inconsistent, or missing information with the verification source and document such follow-up in the resident file. A Phone Verification/Clarification Record form is recommended for this purpose. Verifications and follow-up records are considered supporting documentation to the TIC.

Reminder: Owners are not allowed to use information obtained through Enterprise Income Verification (EIV) for the HOME and NHTF Programs. EIV cannot be used to verify income, nor can it be in the HOME or NHTF portion of a tenant's file.

Acceptable Verification Descriptions and Guidance

Upfront Income Verification (UIV) (Level 6/5)

The verification of income before or during a family reexamination, through an independent source that systematically and uniformly maintains income information in computerized form for a number of individuals. HUD encourages owners to use tools such as The Work Number (an automated verification system) and state government databases to verify tenant-reported income.

Written, Third-Party Verification (Level 4)

An original or authentic document generated by a third-party source dated within six months of the date received by the owner. For fixed-income sources, a statement dated within the appropriate benefit year is acceptable documentation.

Such documentation may be in the possession of the tenant (or applicant) and is commonly referred to as tenant-provided documents. Owners may obtain any tenant-provided documents and follow up directly with the third-party source to obtain necessary verification of information, when necessary.

Examples of acceptable tenant-provided documentation (generated by a third-party source) include but are not limited to the following: pay stubs, payroll summary report, employer notice/letter of hire/termination, SSA benefit verification letter, bank statements, child support payment stubs, welfare benefit letters and/or printouts, and unemployment monetary benefit notices.

Owners are required to obtain a minimum of two months' worth of current and consecutive pay stubs for determining annual income from wages. If a family disagrees with the income calculation, owners may request additional paystubs for a more accurate calculation. For new income sources or when a sufficient number of pay stubs are not available, use the verification hierarchy level 3, then level 2 if necessary, then level 1 if attempts to obtain level 3 and level 2 verifications are not successful (see definitions and documentation requirements, below).

Income tax returns with corresponding official tax forms and schedules attached and including third-party receipt of transmission for income tax return filed (that is, tax preparer's transmittal receipt,

summary of transmittal from online source, etc.) are an acceptable form of written, third-party verification.

When verification of assets is required, owners are required to obtain a minimum of one statement that reflects the current balance of banking/financial accounts.

Written, Third-Party Verification Form (Level 3)

This type of verification uses forms specifically developed to collect information from a third-party source. Owners send the form directly to the third-party source by mail, fax, or email. The form is completed by the third party by hand (in writing or typeset) and returned to the owner.

Minnesota Housing provides ~~sample verifications and other forms~~sample verifications and other forms to assist owners with this method. The release of information (at the top of the form) must be completed and signed by the person who is the subject of the verification prior to sending the form to an employer or other source.

Oral Third-Party Verification (Level 2~~):~~)

Independent verification of information by contacting the individual income/expense source(s), as identified through the UIV technique, or identified by the family, via telephone or in-person visit. Owner must document in the tenant file the date and time of the telephone call (or visit to the third party) and the name of the person contacted and their telephone number, along with the confirmed information.

This verification method is commonly used when the independent source does not respond to the owner's faxed, mailed, or e-mailed request for information in a reasonable time frame (for example, 10 business days).

Non-Third-Party Verification: Self-Certification (Level 1)

The tenant submits a signed statement of reported income and/or expenses to the owner. This verification method should be used as a last resort when obtaining information via all other required verification techniques is not successful and the tenant file must contain documentation of why third-party verification was not available.

The self-certification is not required to be notarized; however, the following language should be included on any self-certification to ensure the certifier understands the consequences of knowingly providing false information:

> *"I/We, the undersigned, certify under penalty of perjury that the information provided here is true and correct, to the best of my knowledge and recollection. WARNING: Anyone who knowingly submits a false claim or knowingly makes a false statement is*

subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. 287, 1001, 1010, 1012; 31 U.S.C. 3279, 3802)"

Self-Certification of Assets

Minnesota Housing allows self-certification of assets when the net value does not exceed the amount HUD allows to be self-certified (when HOTMA implementation guidance was released, this amount was $50,000).

Minnesota Housing's monitoring procedure do not permit an owner to rely on a low-income tenant's signed, sworn statement of annual income from assets if a reasonable person in the owner's position would conclude that the tenant's income is higher than the tenant's represented annual income. In this case, the owner must obtain other documentation of the low-income tenant's annual income from assets to satisfy the documentation requirement of third-party asset verification.

Optional Streamlined Income Determination for Fixed-Income Source

During the annual income recertification, owners may use a streamlined income determination to adjust a family's income according to the percentage of a family's unadjusted income that is from fixed income (refer to list of fixed income sources below) as follows:

- When 90% or more of a family's unadjusted income consists of fixed income, owners must apply a cost-of-living adjustment (COLA) to the family's fixed income sources, provided that the family certifies both that 90 % or more of their unadjusted income is fixed income and that their sources of fixed income have not changed from the previous year. Owners may accept a self-certification by the tenant to adjust income for non-fixed sources.
- When less than 90% of a family's unadjusted income consists of fixed income, owners must apply a COLA to each of the family's sources of fixed income. Owners must verify all non-fixed income sources using regular verification methods.

The following are fixed income sources eligible for the streamlined approach:

- Social Security, Supplemental Security Income, Supplemental Disability Insurance
- Federal, state, local or private pension plans
- Annuities or other retirement benefit programs, insurance policies, disability or death benefits, or other similar types of periodic receipts
- Any other source of income subject to adjustment by a verifiable COLA or current rate of interest (for example, Veteran's Administration (VA) Disability, TANF, federal pensions)

The current COLA or rate of interest specific to the fixed source of income must be used to adjust the income amount. Verification of the COLA or rate of interest must be obtained from a public source or

through tenant-provided, third-party generated documentation and a copy must be placed in the tenant file. If no such verification is available, this streamlined process cannot be used and regular, third-party verification will be required.

This streamlined process can only be used for two years following regularly verified income and only for the sources described above. Every third year, third party verification must be obtained. Assets are not subject to streamlining and must be verified each year.

3.16 Determination of Income Using Other Means-Tested Public Assistance

Owners may determine a family's annual income, including income from assets, using income determinations from other means-tested public assistance (Safe Harbor). The following types of means-tested federal public assistance programs may be used:

- The Temporary Assistance for Needy Families block grant (42 U.S.C. 601, et seq.)
- Medicaid (42 U.S.C. 1396 et seq.)
- The Supplemental Nutrition Assistance Program (42 U.S.C. 2011 et seq.)
- The Earned Income Tax Credit (26 U.S.C. 32)
- The Special Supplemental Nutrition Program for Woman, Infants, and Children (42 U.S.C. 1786)
- Supplemental Security Income (42 U.S.C. 1381 et seq.)
- Other programs administered by the Secretary
- Other means-tested forms of federal public assistance for which HUD has established a memorandum of understanding
- Other federal benefit determinations made by other means-tested federal programs that the Secretary determines to have comparable reliability and announces through a Federal Register notice

If owner elects to use the annual income determination from one of the above-listed forms of means-tested federal public assistance, they must obtain the income information by means of a third-party verification. The third-party verification must state the family size, must be for the entire family (that is, the family members listed in the documentation must match the family's composition in the assisted unit, except for household members), and must state the amount of the family's annual income. The annual income need not be broken down by family member or income type. Annual income includes income earned from assets, therefore when using Safe Harbor to verify a family's income, owners will neither further inquire about a family's net family assets, nor about the income earned from those assets. The Safe Harbor verification may be in the form of an award letter from the relevant federal program and must show that the family's income determination was made in the previous 12 months. HUD clarifies that the verification will be considered acceptable if the documentation meets the criteria that the income determination was made within the 12 months prior to the receipt of the verification by the owner.

The Safe Harbor documentation will be considered acceptable if any of the following dates fall into the 12-month period prior to the receipt of the documentation by the owner:

- Income determination effective date
- Program administrator's signature date
- Family's signature date
- Report effective date
- Other report-specific dates that verify the income determination date

The only information owners are permitted to use to determine income under this Safe Harbor is the total income determination made by the federal means-test program administrator. Other federal programs may provide additional information about income inclusions and exclusions in their award letters; however, these determinations and any other information must not be considered for purposes of the HOTMA Safe Harbor provision. Owners are not permitted to mix and match Safe Harbor income determinations and other income verifications.

If an owner does not accept Safe Harbor documentation, is unable to obtain Safe Harbor documentation, or if the family disputes the other program's income determination, the owner must calculate the family's annual income using regular verification methods.

If the owner uses a Safe Harbor to determine the family's income, this might mean that a certain source of income was not considered in the family's income, because the other program did not consider the source to be income. For example, if a family begins receiving a new source of income on February 1, 2026, and the owner completed a TIC effective March 1, 2026, using a Safe Harbor income determination, the new source of income would not be included. This aligns with the Section 8 program's Safe Harbor determination which would require the new source of income to be reported and included at the next income reexamination.

Minnesota Housing will also consider the gross income determination for project-based and tenant-based Section 8 and USDA Rural Development to be Safe Harbor income determinations for HOME and NHTF. A fully completed, signed and dated tenant income certification for those programs will satisfy all third-party verification requirements.

3.17 Effective Term of Verification

Verifications are valid for six months from the date of receipt by the owner. For fixed-income sources, a statement dated within the appropriate benefit year is acceptable documentation.

3.18 Date Stamp

All income, asset and eligibility verifications should be date-stamped as they are received. If verifications are not date stamped, Minnesota Housing may use the date the document was signed by the verification source or generated from the web to determine its age.

3.19 Electronic Signatures

Minnesota Housing will not fail a tenant file solely because it contains documents signed by electronic means as long as the owner has followed the guidance in ~~HUD Notice H 20-10.~~HUD Notice 2020-10 . Applicants and tenants must still be given the option to use wet signatures on paper, if requested.

As part of the inspection of administrative records, compliance staff may review the owner's e-signature policy and procedures, if applicable, to determine whether the requirements of HUD Notice H 20-10 are being satisfied for the use of electronic signatures.

3.20 Adjusted Gross Income for Over Income Households – HOME Only

When determining eligibility to occupy a HOME unit, the household's gross income must always be considered. However, if a tenant goes over the income guidelines after move-in, the owner must raise the over-income household's rent as soon as the lease permits in accordance with the terms of the lease; refer to Chapter 2 (Maintaining the Unit Mix) of this document. In certain circumstances, the rent for an over-income household may need to be adjusted such that the tenant pays 30% of the tenant's monthly adjusted family income.

To determine adjusted income, refer to the deductions and allowances in Attachment C in HUD notice 2023-10. Note that these deductions and allowances are subject to annual inflationary adjustments. Visit HUD's ~~HUD's website for current rates~~Annual Inflationary Adjustments and Passbook Rate~~.~~ webpage for current rates.

3.21 Tenant Files

Owners must maintain a tenant file for each assisted unit. All permanent documents must be kept together so they are accessible at each compliance review (income certification and supporting documentation, lease/addendum, etc.). Annual recertification information (see list below) must be grouped together by year, with the most recent year placed on top of the documents for review.

The tenant files must contain the following:

- Minnesota Government Data Practices Act Statement (note that a data practices form for a housing tax credit suballocator or other funder will not be accepted)
- Sworn Statement of Income and Assets or equivalent form

- Tenant Income Certification (initial certification and annual recertifications) with acceptable verifications of income and assets for initial occupancy and every sixth year of the affordability period
- Certification of annual student eligibility for properties with HOME commitments on or after August 23, 2013
- Signed lease agreement, HOME/NHTF Form #22, Lease Addendum, HUD VAWA Lease Addendum, and Minnesota Housing's VAWA Attachment
- Lead-based paint acknowledgements (properties built pre-1978)

All move-out files must also contain the following:

- Written 30-day (or greater) notice to vacate (if not available – document in file)
- Move-out inspection report (both parties signed and dated)
- Security deposit refund (check number and date) or letter of intent to withhold security deposit within 14 days of move-out
- Itemized list of costs charged to tenant within 45 days

Tenant records, including income verifications, development rents, and unit inspections must be retained for the most recent five-year period, until five years after the period of affordability terminates.

Chapter 4 – Owner Reporting Requirements

The owner must maintain a report of all tenants residing in each unit at the time of written agreement through the end of the period of affordability and submit annual reports to Minnesota Housing in a form and manner requested by Minnesota Housing.

The items noted in section 4.01 (Annual Owner Certification) and 4.02 (Compliance Report) below are due to Minnesota Housing by February 15, or if this day falls on a holiday or weekend the next business day, of each year during the period of affordability. The owner certification and compliance report for the final year of the period of affordability will be due upon request by the assigned compliance officer.

4.01 Annual Owner Certification

Complete the Annual Owner Certification online in Minnesota Housing's Property Online Reporting Tool Annual Owner Certification Submission Site to certify compliance for the preceding calendar year. Follow data entry instructions in Chapter 4 of the ~~PORT User Guide.~~PORT User Guide. It is not necessary to submit a hard copy certification form; however, owners must submit any required documentation (for example, copies of inspection reports and evidence of correction). If this information contains private information on tenants, submit via ~~the Multifamily Secure Upload Tool.~~Minnesota Housing's Secure Upload Tool. If the information does not contain private information, it can be emailed directly to the assigned compliance officer. In either case, be sure to include the D number and property name with your submission.

4.02 Compliance Report

The Annual Owner Certification is supported by a report of unit events for all units in the property. Follow instructions in Chapter 3 of the ~~PORT User Guide.~~PORT User Guide. All unit events must be reported annually for the full term of the effective period.

Minnesota Housing will annually monitor program compliance by reviewing annual owner certifications and analyzing compliance information submitted by the owner. Failure to submit the owner certification and/or update the Property Online Reporting Tool (PORT) on all units and their related activity by the due date will constitute noncompliance with the HOME or NHTF Programs and the related loan documents.

Chapter 5 – Compliance Inspections

The compliance inspection includes, but is not limited to, an inspection of at least 20% of the assisted units and tenant files (with a minimum of four units), a review of administrative records, and inspection of the physical condition of the property, including all common areas and mechanicals.

Minnesota Housing will notify the owner and manager by email when a compliance inspection is due. The owner or manager will be required to complete and submit a ~~Compliance Information and Administrative Records Review form~~Pre-Inspection Form as part of the inspection. This form is used to answer questions regarding property characteristics~~,~~ and to identify ~~and submit~~ the applicable administrative records such as ~~utility allowance~~UA source documentation, tenant selection plans, Affirmative Fair Housing Marketing Plans (AFHMP), ~~and~~ fire, boiler and elevator certificates, etc. ~~for review~~to be submitted or reviewed on-site. It is also used to identify other inspections that are due in the same year so that inspections can be coordinated, if possible.

Once the date and time of inspection has been agreed to, Minnesota Housing will send a confirmation email along with a list of units selected for review. If the file review and physical inspection ~~will be~~are conducted separately, separate confirmation emails may be sent and separate unit lists may be used. At least 24 hours prior to the inspection date, the owner must notify all occupants of restricted units that their unit may be inspected, not just those identified on the unit list. A site representative must accompany the compliance officer during the inspection.

The property inspection and tenant file review may be conducted at the same time or may be conducted separately by different staff.

A compliance inspection will be conducted at least once every three years. Inspections may be conducted more frequently if Minnesota Housing determines it to be necessary based on concerns raised during a previous review or other information. The first compliance inspection will be conducted in conjunction with project completion.

5.01 Physical Inspections

The goal of the physical inspection is to ensure that the property and units are well maintained and in compliance with HUD's inspection standards.

~~Effective October 1, 2023, HUD replaced the Uniform Physical Conditions Standards (UPCS) with the National Standards for the Physical Inspection of Real Estate (~~Inspections will be conducted using HUD's NSPIRE~~),~~, which focuses on inside the building, outside the building, and within the units to ensure that they are, "functionally adequate, operable, and free of health and safety hazards." HOME and NHTF properties are not subject to NSPIRE's scoring protocol. However, noncompliance with any of the NSPIRE inspection standards is considered noncompliance for HOME and NHTF.

Refer to section 1.13 (Property Standards) of this document and ~~National Standards for the Physical Inspection of Real Estate~~HUD's National Standards for the Physical Inspection of Real Estate webpage for details regarding NSPIRE.

Owners should conduct routine property inspections and perform any needed maintenance to ensure that the property continually complies with all applicable codes and NSPIRE standards.

5.02 Review of Tenant Files and Property Records

As part of the inspection, Minnesota Housing staff will review tenant income certifications and all supporting documentation, leases, tenant ledgers and other information for selected units.

Minnesota Housing staff will also review the following property information:

- Utility allowances and supporting documentation
- Current written tenant selection plan, occupancy policy and/or house rules
- Current lease and lease addenda
- Affirmative Fair Housing Marketing Plan, unless otherwise reviewed by HUD or other Minnesota Housing staff
- Marketing and advertising
- Fire alarm, boiler, elevator, call-for-aid, and fire extinguisher certificates
- Where applicable, ongoing lead-based paint maintenance records

5.03 Review of Ongoing Lead-Based Paint Maintenance (24 C.F.R. 35.1355)

All borrowers with properties built before 1978 that have not been verified as lead free by a lead inspection must institute ongoing maintenance of painted surfaces and safe work practices as part of regular building operations. This includes- a visual inspection of lead-based paint annually and at unit turnover, repair of all unstable paint, and repair of encapsulated or enclosed areas that are damaged.

Ongoing Maintenance Records

Borrowers must keep ongoing maintenance records and records of relevant building operations for use during reevaluations.

Borrowers and their maintenance personnel must be trained in ongoing lead-based paint maintenance or must contract with a qualified individual or company to perform ongoing maintenance. Ongoing maintenance of lead-based paint must be conducted only by individuals who have completed a HUD-approved course on lead safe work practices, are licensed lead workers or lead supervisors, or are working under the direction of a licensed lead supervisor.

Chapter 6 – Correction and Consequences of Noncompliance

6.01 Notice to Owner

Minnesota Housing will provide prompt notice via email to the owner if Minnesota Housing does not receive the annual owner certification and income and occupancy report by the required due date; or does not receive or is not permitted to inspect the tenant income certifications, supporting documentation, and rent records; or discovers by inspection, review, or in some other manner, that the property is not in compliance with the requirements of the respective program, or with the property's loan documents, including the Declaration.

6.02 Correction Period

The owner will be given a correction period to be established by Minnesota Housing and set forth in a Notice of Noncompliance sent via email to the owner with instructions on how to respond to the notice. Minnesota Housing may extend the correction period, but only if Minnesota Housing determines there is good cause for granting the extension. Requests for an extension must be in writing from the owner (email is acceptable), must be received by Minnesota Housing no later than the last day of the correction period identified on the Notice of Noncompliance, and must include each of the following:

- A description of efforts to make corrections within the correction period
- A plan to correct all remaining violations
- A timeline for when corrections are expected to be made

If the owner fails to respond or fails to supply evidence that all violations have been corrected within the correction period, Minnesota Housing will issue a second notice with ~~an additional10~~a 10-day correction period. If the owner fails to respond or fails to supply evidence that any remaining violations have been corrected within this 10-day period, the owner will be given a notice of failure to comply with a final 10-day correction period. If the owner still fails to respond or fails to supply evidence that all remaining violations have been corrected, Minnesota Housing may consider the loan in default and ~~will~~ consult with the Minnesota Attorney General's Office for legal action. Minnesota Housing reserves the right to modify this process, at its sole discretion.

6.03 Owner's Response

Minnesota Housing will review the owner's response and evidence of correction to determine whether the noncompliance has been clarified, corrected or whether the owner remains out of compliance and will update the status of the violation in PORT accordingly.

Clarified noncompliance is, for example, where income eligibility was not properly documented and the inspector initially could not make a reasonable determination that the unit is in compliance but the

owner conducts a retroactive (re)certification that completely and clearly documents the sources of income and assets that were in place at the time the certification should have been effective, and applies income and rent limits that were in effect on that date. If documentation is complete and it supports that the household was eligible as of the effective date, the file is considered clarified.

Corrected noncompliance is when a violation is observed, there is a period of time during which the unit is out of compliance, but the unit is brought back into compliance. For example, a late certification or recertification is out of compliance on the certification due date, and back in compliance as of the date the last tenant signs the Tenant Income Certification.

Uncorrected noncompliance is a violation that is not corrected or clarified by the end of the correction period.

Failure to correct all noncompliance issues could result in extension of the end of the effective period, acceleration of the loan, or other legal remedies, and failure to correct all noncompliance issues may also affect the owner's eligibility for future financing from Minnesota Housing under any or all of its programs.

Minnesota Housing reserves the right to conduct a follow-up inspection if documentation is not sufficient to confirm that all life-threatening violations and any other hazardous deficiencies have been corrected.

Chapter 7 – Loan Modification and Requests for Action

7.01 Sale or Transfer, Event of Default

Repayment of the loan may be required upon sale or transfer of the property without the prior consent of Minnesota Housing or in the event of default. Requests for refinance of the existing debt or partial release of mortgage will be considered and are subject to the terms and conditions of the program as set forth in the loan documents.

The affordability requirements apply for the full period of affordability without regard to the term of any loan or mortgage, repayment of the loan, or the transfer of ownership.

7.02 Modifications and Other Servicing Requests

~~The Request for Action (RFA)~~The Request for Action process is used for all servicing requests, including ownership/management company changes, subordinations, payoffs, and other requests.

1. An ~~RFA form~~RFA Form must be completed for all requests.
2. Upon receipt of your complete RFA form, Minnesota Housing will send you:
    a. A letter acknowledging your request, to be signed by the owner
    b. A list of required due diligence items
3. Minnesota Housing's loan processor and underwriting staff will review submitted materials and present them to the appropriate committees for approval. The average timeline for a decision is *30-90 business days* from Minnesota Housing's receipt of all required documentation. This timeline may be extended depending on the nature of the request or the completeness of the documentation.
4. We will notify you in writing of the final decision and provide you with next steps. Your file is then transferred to our legal team, where a timeline for closing will be determined and additional documentation is often required.

The decision of whether to partially release or to subordinate a mortgage is at the sole discretion of Minnesota Housing. If Minnesota Housing allows the subordination of its mortgage, the Declaration shall remain in a priority position.

Minnesota Housing will not consider a request for action within the first year after development completion. Exceptions to this may be the death of the owner or an incorrect legal description encumbering unimproved property.

Chapter 8 – Financial Oversight

Properties with HOME funds committed on or after July 2014 and all NHTF properties are required to have financial oversight by Minnesota Housing.- Owners must submit annual budgets, operating data, audited financial statements, and annual updated Physical Needs Assessment (PNA) data for review by the assigned asset manager.

~~If you have questions~~Questions regarding financial oversight~~, contact Eric Thiewes, Multifamily Portfolio Manager~~ should be directed to Minnesota Housing's Asset Management team at ~~eric.thiewes@state.mn.us.~~mhfa.am@state.mn.us.

Appendix A – Legal Addendum

1.01 Conflict and Control

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

1.02 Fraud

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

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

1.03 Misuse of Funds

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

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

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

1.04 Conflict of Interest

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

- **Actual Conflict of Interest:** An Actual Conflict of Interest occurs when a person's decision or action would compromise a duty to a party without taking immediate appropriate action to eliminate the conflict.
- **Potential Conflict of Interest:** A Potential Conflict of Interest may exist if a person has a relationship, affiliation or other interest that could create an inappropriate influence if the person is called on to make a decision or recommendation that would affect one or more of those relationships, affiliations or interests.
- **Appearance of a Conflict of Interest:** ~~The~~An Appearance of a Conflict of Interest means any situation that would cause a reasonable person, with knowledge of the relevant facts, to question whether another person's personal interest, affiliation or relationship inappropriately influenced that person's action, even though there may be no Actual Conflict of Interest.

A conflict of interest includes any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a Partner, Family Member, Relative, Friend, Business or other Outside Interest with which they are involved. Such terms are defined below.

- **Business:** Any company, corporation, partnership, proprietorship, firm, enterprise, franchise, association, organization, self-employed individual or any other legal entity which engages either in nonprofit or profit-making activities.
- **Family Member:** A person's current and former spouse; children, parents, and siblings; current and former children-in-law, parents-in-law, and siblings-in-law; current and former stepchildren and stepparents; grandchildren and grandparents; and members of the person's household.
- **Friend:** A person with whom the individual has an ongoing personal social relationship. "Friend" does not generally include a person with whom the relationship is primarily professional or primarily based on the person being a current or former colleague. "Friend" does not include mere acquaintances (that is, interactions are coincidental or relatively superficial). Social media friendships, connections, or links, by themselves, do not constitute friendship.
- **Outside Interest:** An Outside Interest may occur when an individual, their Family Member or their Partner has a connection to an organization via employment (current or prospective), has a financial interest or is an active participant.
- **Partner:** A person's romantic and domestic partners and outside Business partners.
- **Relative:** Uncle or aunt; first or second cousin; godparent; godchild; other person related by blood, marriage or legal action with whom the individual has a close personal relationship.

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

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

- Terminating the contracting party's participation

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

1.04.1 Federal Conflict of Interest Requirements

State and federal conflict of interest requirements differ, and Minnesota Housing business partners must comply with all requirements.

Minnesota Housing administers various programs using federal funds. Minnesota Housing requires that each of its external business partners (for example, administrators, borrowers, contractors, grantees or subrecipients) complies with all applicable federal conflict of interest standards. Specifically, no external business partner's employee, agent or consultant may participate in the selection, award or administration of a contract supported by a federal award if they have a real or apparent conflict of interest. Such a conflict of interest would arise when the business partner's employee, agent, consultant or any member of their immediate family, their partners, or an organization which employs or is about to employ any of these parties, has a financial or other interest in, or obtains a tangible personal benefit from, a firm considered for a contract. External business partner's employees, agents and consultants may neither solicit nor accept gratuities, favors or anything of monetary value from contractors or parties to subcontracts supported by a federal award. Minnesota Housing will not consider it a violation of this policy if the external business partner's employee, agent or consultant receives an unsolicited item of nominal value.

In addition, no external business's partner employees, agents or consultants "who exercise or have exercised any functions or responsibilities with respect to activities assisted with" funds from HOME Investment Partnerships (HOME), HOME American Rescue Plan (HOME ARP), Housing Opportunities for Persons with AIDS (HOPWA) or National Housing Trust Fund (NHTF) "or who are in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or financial benefit from" a HOME, HOME ARP, HOPWA or NHTF-assisted activity "or have a financial interest in any contract, subcontract, or agreement with respect to the" HOME, HOME ARP, HOPWA or NHTF-assisted activity "or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including a stepparent), child (including a stepchild), brother, sister (including a

stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person."[1] Violation of federal conflict of interest requirements by business partners, agents or consultants will result in appropriate actions by Minnesota Housing, including the potential termination of the relationship and additional contractual or other remedies. Violation of federal conflict of interest requirements may need to be reported to the federal government in appropriate circumstances.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing relating to federal funds must avoid and immediately disclose to Minnesota Housing any and all conflicts of interest through one of the communication channels described in section 1.07 of this ~~Legal~~ Addendum.

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

1.05 Assistance to Employees and Affiliated Parties

Any party entering into a contract with Minnesota Housing for the purpose of receiving an award or benefit in the form of a loan, grant, combination of loan and grant or other funding is restricted in issuing a loan, grant, combination of loan and grant or other funding to a recipient ("Affiliated Assistance") who is also: (1) a director, officer, agent, consultant, employee or Family Member of an employee of the contracting party; (2) an elected or appointed official of the ~~State~~state of Minnesota; or (3) an employee of Minnesota Housing, unless each of the following provisions are met:

- The recipient meets all eligibility criteria for the program;
- The assistance does not result in a violation of the contracting party's internal conflict of interest policy, if applicable;
- The assistance does not result in a conflict of interest as outlined in section 1.04 of this ~~Legal~~ Addendum;
- The assistance is awarded utilizing the same costs, terms and conditions as compared to a similarly situated unaffiliated recipient and the recipient receives no special consideration or access as compared to a similarly situated unaffiliated recipient; and
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and independent of any Family Member of the recipient. Family Member is defined in section 1.04 of this ~~Legal~~ Addendum.

[1] See generally, HOME: 24 ~~CFR~~C.F.R. 92.356; including any revisions by the Appendix to the HOME-ARP Notice as amended; HOPWA: 24 ~~CFR~~C.F.R. 574.625; NHTF: 24 ~~CFR~~C.F.R. 93.353. In limited circumstances, a conflict of interest could be waived via an exception request, in writing. For further information, see federal regulations at: HOME: 24 ~~CFR~~C.F.R. 92.356; HOPWA: 24 ~~CFR~~C.F.R. 574.625; NHTF: 24 ~~CFR~~C.F.R. 93.353.

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

1.06 Suspension

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

1.07 Disclosure and Reporting

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

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

1.08 Electronic Signatures

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

1.09 Fair Housing Policy

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

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

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

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

Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish

design and construction mandates for covered multifamily dwellings and requires those in the business of buying and selling dwellings to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

Under certain circumstances, applicants will be required to submit an Affirmative Fair Housing Marketing Plan at the time of application, to update the plan regularly and to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions.

As a condition of funding through Minnesota Housing, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a Housing Choice Voucher or other form of tenant-based rental assistance.

1.10 Minnesota Government Data Practices

Minnesota Housing, and any party entering into a contract with Minnesota Housing, must comply with the Minnesota Government Data Practices Act, Minnesota Statutes, Chapter 13, as it applies to all data provided by Minnesota Housing under the contract, and as it applies to all data created, collected, received, stored, used, maintained or disseminated by the contracting party under the contract. The civil remedies of Minnesota Statutes ~~Section~~, section 13.08 apply to the release of the data referred to in this section by either the contracting party or Minnesota Housing. If the contracting party receives a request to release the data referred to in this section, the contracting party must notify Minnesota Housing. Minnesota Housing will give the contracting party instructions concerning the release of the data to the requesting party before the data is released. The contracting party's response to the request shall comply with applicable law.

~~1.11 Prevailing Wage~~

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

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

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

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

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

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

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

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Multifamily HOME Investment Partnerships and National Housing Trust Fund Program

Compliance Guide

Last Updated: November 2026



The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, gender identity, or sexual orientation in the provision of services.

An equal opportunity employer.

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

November 2026

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Values Statement

Our vision is that all Minnesotans live and thrive in a stable, safe and accessible home they can afford in a community of their choice.

To achieve this vision, we will reorient how we work and expand who has a voice at the table and who participates in and benefits from our programs and the housing economy.

We acknowledge and understand the intentional harms of the past, how they came to be and persist today, and our responsibility to correct them and remove barriers.

We will:

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

Introduction

Minnesota Housing has administered the HOME Investment Partnerships (HOME) Program, which includes HOME Targeted, HOME Rental Rehabilitation, and HOME Affordable Rental Preservation, since 1992 and the National Housing Trust Fund (NHTF) Program since 2016. Properties that have been developed using these funds are subject to specific rules designed to ensure that they remain affordable throughout the required period of affordability (also referred to herein as the effective period or compliance period). This guide is designed to assist owners and their agents to plan and maintain compliance with the regulatory requirements associated with the utilization of these funds in multifamily properties.

It is the responsibility of the Minnesota Housing Finance Agency (Minnesota Housing) to monitor the continuing compliance of units that have received HOME funds in accordance with the U.S. Department of Housing and Urban Development (HUD) regulations contained in Code of Federal Regulations, title 24, part 92, and for units that have received NHTF funds in accordance with NHTF regulations contained in 24 C.F.R. 93. It is also Minnesota Housing's responsibility to ensure that property owners retain the housing units as affordable throughout the period of affordability. The following procedures apply to all rental properties that have received funds under the HOME or NHTF program. Any violation of the requirements could result in acceleration of the repayment of funds.

Unless a provision is noted as "HOME Only" or "NHTF Only," all provisions of this guide apply to both programs. Noncompliance by the owner may result in serious financial consequences.

Successful operation of a HOME or NHTF funded property is management intensive; the owner is responsible for ensuring that the property is properly administered. Thorough understanding of program requirements and compliance monitoring procedures requires training of owners and managers. Owners should know and understand the requirements of the financing and the compliance requirements, as failure to comply may have very serious consequences. Minnesota Housing recommends owners, management agents and site managers receive compliance training before certifying or leasing any assisted units. At a minimum, training should cover key compliance terms, determination of rents, tenant eligibility, file documentation, procedures for maintaining the required unit mix, reporting and records retention requirements, property condition standards, ongoing lead-based paint maintenance, and site visits. Continuing education each year, or at a minimum every other year, is strongly recommended to keep up with regulatory and procedural changes. Minnesota Housing does not provide direct training; however, training resources from national or local trainers are posted on Minnesota Housing's website.

Minnesota Housing's obligation to monitor for compliance does not make Minnesota Housing liable for an owner's noncompliance.

This compliance guide has not been reviewed or approved by the HUD and should not be cited or relied upon for interpretation of federal regulations. This guide can be accessed on Minnesota Housing's Oversight and Support for Property Managers webpage.

For HOME, this guide should be used in conjunction with, and as a supplement to, 24 C.F.R. 92. If Minnesota Housing or HUD determines that any provision of this guide conflicts with 24 C.F.R. 92, 24 C.F.R. 92 will govern.

For NHTF, this guide should be used in conjunction with, and as a supplement to, 24 C.F.R. 93. If Minnesota Housing or HUD determines that any provision of this guide conflicts with 24 C.F.R. 93, 24 C.F.R. 93 will govern.

This guide may be superseded without notice by changes in income determinations under 24 C.F.R. 5 of the Section 8 Program and technical revisions in the HOME or NHTF Programs.

For more information, visit HUD's HOME Investment Partnerships Program webpage or HUD's Housing Trust Fund webpage.

This guide provides information related only to HOME and NHTF requirements. Properties may be subject to additional requirements due to other funding streams. Owners are responsible for complying with all applicable requirements.

Chapter 1 – Compliance Overview

The following is a summary of the requirements of the HOME and NHTF programs. It is not intended to be detailed or comprehensive.

1.01 Period of Affordability

HOME Only

HOME-assisted units are rent and income controlled for varying lengths of time depending upon the average amount of HOME funds invested per HOME-assisted unit. Rent limits and income targeting requirements must be maintained during the period of affordability, which begins at project completion (also sometimes referred to as the affordability period, effective period or compliance period). Owners will be required to keep the property in compliance with HOME restrictions for the number of years specified in the Affordability Period Certificate which is executed at the time of project completion.

Owners should also refer to the Declaration of Covenants, Conditions and Restrictions (Declaration) to determine the specific terms and conditions that govern their property.

NHTF Only

All NHTF-assisted units are subject to a 30-year affordability period, which begins at project completion. Rent and income requirements must be maintained during the entire period of affordability.

1.02 Income and Rent Requirements

HOME Only

Properties with five or more HOME-assisted units:

- Initial occupancy at project completion:
    - At least 90% of all HOME-assisted units must be initially occupied by families with annual gross incomes at or below 60% of the area median income with rents at or below the High HOME rent limits.
    - At least 20% of the HOME-assisted rental units must be initially occupied by families with annual gross incomes at or below 50% of the area median income with rents at or below the Low HOME rent limits unless a greater percentage is specified in the Declaration.

    - The remainder of the HOME-assisted rental units must be initially occupied by families with annual gross incomes at or below 80% of the area median income with rents at or below the High HOME rent limits.
- Subsequent to initial occupancy:
    - The minimum percent of the HOME-assisted units designated in the Declaration must continue to be occupied by families with annual gross incomes at or below 50% of area median income with rents at or below the Low HOME rent limit. The remaining HOME-assisted units must be occupied by families with annual gross incomes at or below 80% of the area median income with rents at or below the High HOME rent limit.

A project must have 10 or more HOME-assisted units to qualify for any High Home units.

Properties with fewer than five HOME-assisted units:

- Initial occupancy at project completion:
    - All HOME-assisted units must be initially occupied by families with annual gross incomes at or below 60% of the area median income with rents at or below the High HOME rent limit.
- Subsequent to initial occupancy:
    - All HOME-assisted units must continue to be occupied by families with gross annual incomes at or below 80% of area median income, with rents at or below the High HOME rent limit.

On and after April 20, 2025, the rent limits do not apply to any rental assistance or subsidy payment provided under a Federal, State, or local rental assistance or subsidy program and Low HOME units paired with Housing Tax Credits (HTC) comply with Low HOME rent limits if rent does not exceed the applicable HTC rent limit.

NHTF Only

All NHTF-assisted units must be affordable to extremely low-income (ELI) renter households. ELI renter households mean low-income families whose annual incomes do not exceed 30% of the area median family income or the federal poverty line (whichever is greater), with adjustments for smaller and larger families, as determined by HUD.

For tenants who are ELI, their rent plus an allowance for tenant-paid utilities must not exceed the greater of 30% of the federal poverty line or 30% of the income of a family whose annual income equals 30% of AMI for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit.

1.03 Student Eligibility Requirements – HOME Only

Properties where HOME funds were committed on or after August 23, 2013, have additional eligibility requirements for students. The HOME program has adopted the Section 8 Housing Choice Voucher Program restrictions on student participation found at 24 C.F.R. 5.612, which exclude any individual that is enrolled in a higher education institution and is not an Independent Student, as defined in the Higher Education Act or has parents who, individually or jointly are not eligible on the basis of income.

In properties that are subject to the HOME student eligibility requirements, each applicant for or household member in a HOME-assisted unit who is age 18-23 (or under 18 and treated as Head, Co-head, or Spouse) must complete, sign and date an Annual Student Certification at move-in and then annually during the HOME Affordability period.

1.04 Updating Income and Rent Limits

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

1.05 Allowable Fees and Charges

Owners may not charge fees that are not customarily charged in affordable rental housing (for example, laundry room, access fees); however, fees considered reasonable and customary may be charged, such as application fees and parking fees.

Permissible Fees

Owners may provide services other than housing. If the services are optional, the fee can be excluded from the gross rent computation. If the services are not optional, the fee must be included in the gross rent computation. A service is optional if payment for the service is not a required condition of occupancy. Note that owners may not require residents to participate in or receive supportive or other services as a condition of occupancy.

Reasonable and customary fees related to core functions of operating affordable housing properties, such as refundable damage/security and pet deposits are permissible. This includes refundable deposits for use of tenant facilities; for example, a refundable deposit for use of a community room is permissible and is not included in the gross rent computation.

Application fees may be charged to cover the actual out of pocket cost of checking a prospective tenant's income, credit history and landlord references. Out of pocket costs are amounts paid to a third party, not salaries of the owner or management company staff.

Permissible fees also include:

- Month-to-month lease
- Pet rent
- Renter's insurance
- Meal service
- Transaction fees or other charges associated with online rent payment systems

Any additional fee charged for a month-to-month lease must always be included in the gross rent calculation, even when a month-to-month lease is an option to a longer lease term. Pet rent, renter's insurance and meal services are considered rent when they are required as a condition of occupancy (actual amounts must be included). Transaction fees or charges associated with Walk-In Payment Systems (WIPS) or other online rent payment systems must be included in the gross rent calculation if the owner does not have another option for residents to pay rent that does not require a fee.

The following fees are also permissible (unless otherwise stated below, fees are limited to the average cost incurred by the owner or as limited by state or local law):

- Late rent fees
- Fees for repairs or extra cleaning costs for tenant-caused damage beyond normal wear and tear; limited to actual and reasonable cost
- Fees for maintenance completed by owners but normally required to be completed by households (for example, changing light bulbs, moving furniture); are permissible, but only if such rates are stated in the lease or a lease addendum
- Returned check/Insufficient funds (NSF) fees; permissible only on and after the second occurrence and only to the extent that the fee does not exceed the cost charged to the owner by the bank for processing the returned check
- Lockout fees
- Key replacement/extra key fees
- Fees for failure to return a key upon move-out
- Court filing, attorney, and sheriff fees; permissible only from tenants who wish to avoid or settle an eviction suit but only to the extent that such fees are permitted under state and local laws, appear reasonable, and do not exceed the actual costs incurred
- Extermination fees; permissible only if tenant is uncooperative
- Early lease termination fees; may not exceed two months' rent and release tenants from any further liability

    - Such fees are prohibited when a lease termination is due to a Violence Against Women Reauthorization Act of 2013 (VAWA) protection or reasonable accommodation request
- Payments for utilities under a Ratio Utility Billing System (also known as RUBS); permissible but are always considered rent (not a utility allowance)
    - RUBS is a formula that allocates a property's utility bill among its units based on the units' relative floor space, number of occupants, or some other quantitative measure, but not based on actual consumption; because monthly utility bills fluctuate, Minnesota Housing recommends owners establish a RUBS payment cap in the lease to avoid rent noncompliance
- Administrative fee; permissible only when owners provide certain utilities to tenants through actual consumption, submetering arrangements and must not exceed an aggregate amount per unit of the greater of (i) five dollars per month; (ii) an amount (if any) designated by publication in the Internal Revenue Bulletin (IRB); or (iii) the lesser of the amount (if any) specifically prescribed under state or local law or a maximum amount (if any) designated by publication in the IRB

It is permissible to charge first and last months' rent if the same is charged to all tenants.

Records demonstrating the costs associated with fees charged to tenants may be requested as part of a monitoring review.

Impermissible Fees

The following fees are not permissible and, if charged to a resident, will be treated as rent:

- Fees for the work involved in completing forms and documentation required to certify income
- A move-in fee that is not a refundable security deposit (this includes nonrefundable alternatives to security deposits such as security bonds or lease guarantees)
- An application fee that exceeds an owner's average expected out of pocket expense
- Decorating fees or fees for preparing a unit for occupancy; owners are responsible for physically maintaining units in a manner suitable for occupancy
- Mandatory professional carpet cleaning by departing residents
- Unit transfer fees unless the owner can clearly document that the fees cover owner's actual out-of-pocket costs and are not used for preparing a unit for occupancy
- Lease violation fines or other fees for unacceptable tenant or guest behavior
- Fees associated with utility submetering systems that are not part of the allowable administrative fee

Fees that exceed the limits described in the Permissible Fees section, above, are not permissible and will be treated as rent.

An owner may not charge a damage/security deposit, additional rent or fees associated with a service or therapy animal associated with a person with disabilities. If charged to a resident, such amounts must be immediately refunded or Minnesota Housing may report the owner/agent to HUD's Fair Housing and Equal Opportunity Enforcement division.

1.06 Fixed or Floating Units

Assisted units may be fixed or floating and are designated on a property-by-property basis. Fixed or floating units are designed at the time of project commitment in the written agreement, and the actual units must be identified no later than the time of project completion. The Declaration of Covenants, Conditions and Restrictions identifies fixed or floating unit designations.

- **Fixed Units:** Designated units are identified by unit number and never change. Units in properties where all units are assisted are automatically considered fixed. Fixed units remain the same throughout the period of affordability.
- **Floating Units:** Designated units may change over time as long as the total number of comparable units in the property remains constant. If a property's Declaration does not specify comparable floating units, then the units that were initially HOME or NHTF-qualified upon project completion will be used to determine comparable floating units.

Refer to Chapter 2 (Maintaining the Unit Mix) of this document for more information.

1.07 Rent Increases

The purpose of the HOME and NHTF programs is to keep units affordable. Minnesota Housing encourages owners to increase rents no more than what is needed to keep pace with rising costs and recognize that to promote housing stability, incremental increases are easier for residents to absorb than sudden significant increases.

As long as rents remain below the maximum allowed in each program, an owner may increase the lease rent no earlier than one year from the date the project was completed and no more frequently than annually thereafter, based on the date of the last rent increase. Projects with project-based rental assistance may increase rents in accordance with the rental assistance contract.

Beginning November 1, 2025, all rent increases require a minimum notice of 60 days. However, a rent increase greater than 5% is not effective unless and until owner provides 120-days' notice in writing to tenant. If owner fails to provide proper notice, owner must return or credit, at tenant's election, any amounts collected in connection with the ineffective rent increase. This requirement does not apply to residents benefitting from rental assistance or Housing Support unless such increase affects the tenant's portion of the rent.

Examples below assume current lease rent is $1000 with no rental assistance, that the increase complies with the once-annual requirement, that the increase is otherwise allowed under the terms of the lease, and that the increase does not cause the gross rent to exceed the applicable rent limit:

- In compliance: On July 1, 2025, owner provides notice of a rent increase to $1,051, effective November 1, 2025. While the increase is more than 5%, owner has provided more than the minimum 120-day notice.
- In compliance: Owner provides a 60-day notice of a rent increase to $1,030. Thirty dollars is 3% of $1,000, so the 120-day notice is not required.
- In compliance: Owner provides a 60-day notice of a rent increase to $1,050. Fifty dollars is 5% of $1,000 so the 120-day notice is not required.
- Out of compliance: Owner provides a 60-day notice of a rent increase to $1,051. The increase is more than 5%, but owner has not provided 120-day notice. To bring the unit into compliance, owner must decrease rent to $1,050, provide the minimum 120-day notice to the resident, refund or credit the resident $1 for all months that were overcharged until the minimum 120-day notice period has been fulfilled. At that time, owner may begin charging the resident $1,051 for rent.

1.08 Utility Allowances

HOME and NHTF statutes and regulations establish rent limits for assisted rental units. These are gross limits that include contract rent plus a utility allowance (UA) for tenant-paid utilities. Owners are required to establish maximum monthly allowances for utilities and services (excluding telephone and internet) and to update the UA annually. If all utilities are paid by the owner, the UA is zero.

- **NHTF Only:** For NHTF-assisted units, owners may use the UA for the Section 8 Housing Choice Voucher (HCV) program from the local housing and redevelopment authority or public housing agency (PHA) that administers HCVs in the area in which the property is located.
- **HOME Only:** Owners were NOT permitted to use the PHA's UA for HOME-assisted units if HOME funds were committed between August 23, 2013, and April 20, 2025. However, on or after April 20, 2025, owners may use the local PHA's UA.

The following methodologies may be used:

- The **UA for the Section 8 Housing Choice Voucher (HCV) Program** from the local housing and redevelopment authority or public housing agency (PHA) that administers HCVs in the area in which the property is located.
    - **HOME Only:** Owners were NOT permitted to use the PHA's UA for HOME-assisted units if HOME funds were committed between August 23, 2013, and April 19, 2025. However, on and after April 20, 2025, owners may use the local PHA's UA.

- **Average of Actual Consumption.** In 2015, HUD published Multifamily Notice H-2015-4 to provide instructions to owners of Section 8 and other HUD-assisted properties for completing the required utility analysis. This analysis is also used for the USDA Rural Housing Service Program and allowed for Low-income Housing Tax Credit (HTC) projects per IRS regulations at 26 C.F.R. 1.42-10(b)(3). Owners may use the methodology from the notice, including the required baseline utility analysis, the optional factor-based utility analysis, and the utility analysis sample size.
- **Utility Company Estimate** (26 C.F.R. 1.42-10(b)(4)(B)). Owners may establish a UA based on estimates obtained from a local utility company for each of the utilities used in the project. The estimate must be obtained in writing and must be based on the estimated cost of that utility for a unit of similar size and construction for the geographic area in which the building containing the unit is located.
- **Energy Consumption Model (ECM)** (26 C.F.R. 1.42-10(b)(4)(E)). Owners may establish a UA based on an energy and water and sewage consumption and analysis model. The model must at a minimum take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics of the building location and available historical data. The utility consumption estimates must be calculated by a mechanical engineer properly licensed in the State of Minnesota or a Residential Energy Services Network (RESNET) certified Home Energy Rating System (HERS) rater. The engineer and building owner must not be related within the meaning of IRC section 267(b) or 707(b), to which the engineer and building owner must certify. The owner and engineer must also certify that the model complies with the minimum requirements described above. Use of the energy consumption model is limited to a building's consumption data and local rates for the 12-month period ending no earlier than 60 days prior to the effective date of the UA. In the case of new buildings with less than 12 months of consumption data, 12 months of data can be used for units of similar size and construction in the geographic area.
- **HUD Utility Schedule Model (HUSM).** This model can be found on HUD's Utility Allowances webpage. Utility rates using the HUD utility model must be no older than the rates in place 60 days prior to the beginning of the 90-day period before UAs can be used in determining the gross rent.

The initial UA approval will occur prior to loan closing. Once the method and allowances have been approved by Minnesota Housing, the owner must update the allowances annually using the approved method and current rate information.

It is the owner's responsibility to contact the appropriate organization to request current UA information. Minnesota Housing does not collect or maintain the various UAs. All costs incurred in obtaining a UA are the responsibility of the owner.

Failure to maintain or provide the UA and supporting documentation annually is considered noncompliance; without proof of the amount of the UA, there is no way to correctly compute the rent.

In addition, an incorrect UA calculation may result in noncompliance for rents that exceed the HOME or NHTF rent limits.

Depending on the unit types, an owner or manager could have buildings in the same development using different UAs (for example, townhouses and apartments may have different UA amounts).

Updated UAs must be used to compute rents that are due 90 days after the effective date of the new UAs. For new buildings, owners are not required to review or implement new UAs until a building has achieved 90% occupancy for a period of 90 consecutive days or the end of the first year of the period of affordability, whichever is earlier.

A completed Utility Allowance Information Form stating the proposed UA figures for each unit size must be completed for all UA types. Minnesota Housing will accept a copy of the UA as approved by the Section 8 Contract Administrator in lieu of completing the grid section of the UA Information Form.

If using the Average of Actual Consumption, source documentation must include a completed and signed Utility Allowance Certification Form and the required items as stated in Multifamily Notice H-2015-4.

If using ECM or HUSM, source documentation must include:

- Completed and signed Utility Allowance Certification Form
- Copy of owner's notice to residents and description of how residents were notified (for example, copy sent to each unit, posted in common areas and office); if the property is not yet occupied at the time the request is made, indicate when the property is expected to be occupied in the cover letter or email
- Rate information from applicable utility companies using currently published rates no older than 60 days from notice to residents and Minnesota Housing; highlight all applicable rates, riders, franchise fees, and other charges used to determine the UA
- One of the following:
    - Completed HUSM Excel file or report generated from HUD's online HUSM tool
    - ECM calculation methodology and workbook or report generated from the engineer's ECM system demonstrating that the applicable rates, tariffs, and taxes were applied within the modeling.
- Printout of applicable state and local tax rates from the Department of Revenue's Sales Tax Rate Calculator
- For individually metered utilities, a copy of a recent resident utility bill showing all rates and charges from each source; owners may need to require utility release authorization forms to obtain a copy of utility bills
- For individually metered utilities for new construction where there is no recent resident utility bill, evidence of who the utility supplier(s) will be and, if electric is part of the UA, evidence of whether electric lines are overhead or underground

For any submetered utilities either billed by the owner or the owner's third-party billing company, a signed Owner's Certification of Compliance with Utility Submetering Form, along with a copy of a recent utility bill from the utility supplier for each building's primary meter(s), a copy of a bill from the billing company to a resident for the same billing period, and a detailed description of how the charges on the resident's bill were calculated.

The utility rates charged to tenants in a sub-metered, rent-restricted unit must be limited to the utility company rates incurred by the building owners (or their agents). And, if building owners (or their agents) charge tenants a reasonable fee for the administrative costs of submetering, then the fee will not be considered gross rent. The fee must not exceed an aggregate amount per unit of the greater of (i) five dollars per month; (ii) an amount (if any) designated by publication in the Internal Revenue Bulletin (IRB); or (iii) the lesser of the amount (if any) specifically prescribed under state or local law or a maximum amount (if any) designated by publication in the IRB.

Any correction to the UA figures that results in a decrease to the UA after the resident notice is issued requires a new notice and will re-start the 90-day period. If utility rates have changed since the original notice was issued the new rates must be used.

Minnesota Housing will review and base its decision for approval or non-approval of the methodology and allowance figures on the completeness, quality and accuracy of information provided. Approval of the UA does not constitute a guarantee that the UA is correct. If at any time it is determined that a UA has been understated, and, therefore, some or all of the units are not rent restricted, owner will be required to make corrections.

The owner must also notify tenants of updated ECM, HUSM or Average of Actual Consumption UAs and make the data upon which the UA is calculated available for inspection by the tenants at the beginning of the 90-day period before the effective date. Records must be made available at the resident manager's office during reasonable business hours or, if there is no resident manager, at the dwelling unit of the tenant, at the convenience of both the apartment owner and tenant. This is required for initial use of any of the three methods and for all annual updates. Any correction to the UA figures after the resident notice is issued requires a new notice and will re-start the 90-day period. Owners should check to see whether utility rates changed since the original notice was issued and incorporate new rates, if applicable.

Once the initial UA has been approved, the owner must update the allowance at least once during each calendar year, based on updated rate information, but submission to Minnesota Housing is not required. Utility allowance and source documentation will be reviewed as part of the inspection of administrative records.

1.09 Records Retention

Owners must retain project records for a minimum of five years beyond the property's required effective period. Tenant records, including income verifications, development rents, and unit inspections must be retained for the most recent five-year period, until five years after the effective period terminates.

Owners must maintain applicant and tenant information in a way to ensure confidentiality.

Owners must dispose of records in a manner that will prevent any unauthorized access to personal information (for example, shred).

1.10 Leases

Each lease must be in writing and include the legal name(s) of the parties to the agreement and all other occupants, a description of the unit to be rented, the term of the lease, the rental amount, the use of the premises, and the rights and obligations of the parties. The lease shall also inform the tenant that fraudulent statements are grounds for eviction and that the tenant could become subject to penalties available under federal law. The lease must be for a period of not less than one year, unless a shorter period is mutually agreed upon between owner and tenant. See section 3.02 (Minimum Lease Requirements) for additional details.

1.11 Income Certification

The owner must verify and certify tenant income eligibility at move-in and recertify at least annually thereafter. Every sixth year of the period of affordability, income and income from assets must be verified again. Tenants must certify to their anticipated income, family size and composition. Third party income verifications or other forms of supporting documentation must be obtained by the owner and kept on file. Tenant files will be reviewed as part of the inspection process.

For properties with existing tenants receiving funds for rehabilitation, owners may begin certifying tenant eligibility on or after the date of the written agreement. These initial certifications will precede the start of the period of affordability, but as long as the owner complies with requirements for annual recertification and applies the appropriate rules for increases in income at recertification to maintain the unit mix, the units will continue to be eligible at the start of the period of affordability.

Properties where HOME funds were committed on or after August 23, 2013, must also certify student eligibility at move-in and annually.

1.12 Increases in Income

HOME Only

The owner must ensure that any household whose recertified income increases above the HOME income eligibility guidelines pays not less than 30% of its *adjusted* monthly income for rent, or the owner may charge market rent. Refer to Chapter 2 (Maintaining the Unit Mix) of this document for more information on how to respond to increases in income for both fixed and floating units. The unit must be marketed to eligible tenants when vacated. Those properties with HTC need not adjust rent to 30% of the household's income if doing so would put the property out of compliance with the HTC program. Under this scenario, the household may only be charged rent equal to or less than the maximum allowable HTC rent.

NHTF Only

NHTF-assisted units continue to qualify as affordable housing despite temporary noncompliance caused by increases in the incomes of existing tenants if actions satisfactory to HUD are being taken. Refer to Chapter 2 (Maintaining the Unit Mix) of this document for more information on how to respond to increases in income for both fixed and floating units.

1.13 Property Standards

The owner must keep all units in compliance with pertinent state and local building codes to ensure the units are decent, safe, sanitary, and in good repair at all times. In addition, the standards used for HOME and NHTF physical inspections are the National Standards for the Physical Inspection of Real Estate (NSPIRE) which focuses on inside the building, outside the building and within the units to ensure that they are, "functionally adequate, operable, and free of health and safety hazards." Properties are not subject to NSPIRE's scoring protocol. However, noncompliance with any of the NSPIRE inspection standards is considered noncompliance for HOME and NHTF.

As described in NSPIRE standards, defect severity levels include the following characteristics:

- **Life-Threatening (LT):** The Life-Threatening category includes deficiencies that, if evident in the home or on the property, present a high risk of death to a resident. NSPIRE correction period is 24 hours.
- **Severe:** The Severe category includes deficiencies that, if evident in the home or on the property, present a high risk of permanent disability, or serious injury or illness, to a resident; or the physical security or safety of a resident or their property would be seriously compromised. NSPIRE correction period is 24 hours.
- **Moderate:** The Moderate health and safety category includes deficiencies that, if evident in the home or on the property, present a moderate risk of an adverse medical event requiring a healthcare visit; cause temporary harm; or if left untreated, cause or worsen a chronic

condition that may have long-lasting adverse health effects; or that the physical security or safety of a resident or their property could be compromised. NSPIRE correction period is 30 days.

- **Low:** Deficiencies critical to habitability but not presenting a substantive health or safety risk to resident. NSPIRE correction period is 60 days.

In addition, NSPIRE requires the following minimum Affirmative Habitability requirements (see exemptions for Single Room Occupancy in FR 07176):

- Hot and cold running water in both bathroom and kitchen, including adequate source of safe drinking water in the bathroom and kitchen
- Bathroom or sanitary facility that is in proper operating condition and usable in privacy that contains a sink, a bathtub or shower, and flushable toilet
- At least one battery-operated or hard-wired smoke detector
    - On each level of the unit
    - Inside each bedroom
    - Within 21’ of any door to a bedroom measured along a path of travel
    - Where a smoke detector installed outside a bedroom is separated from an adjacent area by a door, another smoke detector must also be installed on the living area side of the door
- Living room and kitchen area with a sink, cooking appliance, refrigerator, food preparation area, and food storage area
- For units with Housing Choice Vouchers or Project Based Vouchers, at least one bedroom or living/sleeping room for each two persons in the household
- State or local carbon monoxide detection standards are met
- Two working outlets or one working outlet and a permanent light within all habitable rooms
- Outlets within 6’ of a water source are GFCI protected
- A permanently installed heating source; units may not contain unvented space heaters that burn gas, oil, or kerosene
- A guardrail when there is an elevated walking surface drop off of 30” or more measured vertically
- Permanently mounted light fixture in the kitchen and each bath

Housing built before 1978 may contain lead-based paint. Lead from paint, paint chips, and dust can pose health hazards if not managed properly. Lead exposure is especially harmful to young children and pregnant women. Before renting pre-1978 housing, owners must disclose the presence of known lead-based paint and/or lead-based paint hazards in the dwelling. Tenants must receive the federally approved Protect Your Family from Lead in Your Home pamphlet on lead poisoning prevention. This disclosure must be documented on HOME/NHTF Form 22 Lease Addendum. The HOME/NHTF Form 22 Lease Addendum is waived for units that receive project-based Section 8 assistance when the HUD Model Lease form is used.

1.14 Fair Housing Policy and Affirmative Marketing

Refer to section 1.09 of the Legal Addendum for Minnesota Housing's Fair Housing Policy and requirements of the Fair Housing Act and Minnesota Human Rights Act.

Owners of rental properties that contain five or more HOME- or NHTF-assisted units, regardless of the specific activity the HOME or NHTF funds financed (for example, acquisition, rehabilitation, and/or new construction) must develop and implement an Affirmative Fair Housing Marketing Plan in accordance with HUD and Minnesota Housing requirements. Owners must regularly review and update the plan and use affirmative fair housing marketing practices in soliciting renters, determining eligibility, and concluding all transactions. Affirmative marketing includes actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status (persons with children under 18 years of age, including pregnant women), or disability. A file must be maintained with all marketing efforts related to the property including newspaper ads, social service contacts, photos of signs posted, etc. Records will be reviewed for adequate documentation of compliance with federal requirements as part of the inspection.

Access Minnesota Housing's Fair Housing webpage for more information, including an online Affirmative Marketing Toolkit to assist in creating the AFHMP. Download the Equal Housing Opportunity logo.

1.15 Community Housing Development Organizations – HOME Only

All HOME program requirements are the same for Community Housing Development Organization (CHDO) projects as for other HOME programs. In addition, CHDOs must ensure that they continue to meet all pertinent guidelines specific to CHDOs, including the ownership requirements in 24 C.F.R. 92.300. Properties that are owned, developed or sponsored by CHDOs, must have a tenant participation plan to ensure that tenants are involved in the management and decision-making with respect to the property. CHDO properties must also have fair lease and grievance procedures.

Tenant participation in management decisions can be achieved in a number of ways. Two common options are:

- Involvement of a tenant association to act as a formal body to provide input for project management; or
- Tenant election of a representative to act as a liaison with management.

1.16 Community Housing Development Organization Fair Lease and Grievance Procedure – HOME Only

CHDOs must adhere to an approved fair lease and grievance procedure and provide a plan for, and follow a program of, tenant participation in management decisions. Fair lease and grievance procedures should be objective. They should clearly state each of the following items:

- To whom a tenant should direct a complaint
- Who will investigate and/or respond to the complaint
- By when the tenant should expect to receive a response

1.17 Violence Against Women Act

On November 16, 2016, HUD issued its final rule implementing housing protections authorized in the Violence Against Women Reauthorization Act of 2013 (VAWA). Unique monitoring and implementation dates apply to HOME and NHTF.

All HOME and NHTF projects must comply with the core statutory provisions of the law and must distribute each of the following forms to tenants:

- HUD Form 5380: Housing Rights for Victims (Notice of Occupancy Rights under the Violence Against Women Act)
- HUD Form 5382 (Certification of Domestic Violence, Dating Violence, Sexual Assault, or Stalking, and Alternate Documentation)

These documents are to be provided:

- With the notice that an application has been denied;
- At the time the household is admitted;
- With any notice of eviction; and
- With any notice of termination of tenancy.

Existing residents were required to receive a copy of HUD form 5380 and form 5382 by December 15, 2017, during recertification, lease renewals or by other means.

Compliance with VAWA regulatory requirements under the final rule is required for HOME projects with funding commitments on or after December 16, 2016, and for all NHTF projects.

Minnesota Housing has created an external Emergency Transfer Plan, and owners must provide an internal Emergency Transfer Plan model (refer to HUD forms 5381 and 5383). The owner must follow Minnesota Housing's external Emergency Transfer Plan and adopt an internal Emergency Transfer Plan. The emergency transfer plan allows for survivors to move to another safe and available unit if they fear for their life and safety.

Owners must be familiar with the statutory and regulatory requirements that affect their developments and should consult with legal counsel as needed. Also refer to HUD Notice H 2017-05 (Violence Against Women Act (VAWA) Reauthorization Act of 2013 – Additional Guidance for Multifamily Owners and Management Agents) for valuable definitions and examples of how to fully implement VAWA protections.

Find VAWA forms 5380, 5381, 5382 and 5383 on HUDClips. Owner may customize the forms for use at their properties, but the modified forms must maintain the base information and language.

Chapter 2 – Maintaining the Unit Mix

Throughout this guide the terms High HOME Rent unit and High HOME unit; and Low HOME Rent unit and Low HOME unit are used interchangeably.

2.01 Fixed Units

HOME Only

Properties with **fixed HOME-assisted units** have specific units that are designated as HOME-assisted for the duration of the period of affordability. Owners must maintain these specific units as the HOME-assisted units. In a property with fixed HOME units, the designation of units as High HOME Rent units and Low HOME Rent units may need to change.

Maintaining the required number of HOME-assisted units, as well as High HOME Rent units and Low HOME Rent units, for properties with five or more HOME-assisted units is called complying with the **unit mix requirements.**

During the annual income recertification, owners may find that a household's income has increased. A household is considered **over-income** in the HOME Program when any of the following conditions are met:

- The household occupies a High or Low HOME Rent unit, and the household's income increases over the current HOME low-income limit (80% income limit) for that family size
- The household occupies a Low HOME Rent unit, and the household's income increases above the current very low-income limit but does not increase above the low-income limit; that is, the household income is above 50 and below 80% of area median income
- In HOME-assisted units that are also HTC units, the household's income increases to 140% or more of the qualifying tax credit income for that unit

When a household is over-income, the unit that the household occupies is considered **temporarily out of compliance** with HOME's occupancy and unit mix requirements. Temporary noncompliance due to an increase in an existing household's income is permissible as long as the owner takes specific steps to restore the correct occupancy and unit mix in the property as soon as possible. When the household's income exceeds the low-income limit, its rent must also be adjusted.

When an owner conducts the annual income recertification and finds that a household is over-income, the steps that it takes to restore compliance depend on whether the over-income household occupies a High HOME unit or a Low HOME unit. If the household occupies a Low HOME unit, the steps also depend on whether or not the tenant is low-income.

Over-Income Household Occupies a High HOME Rent Unit

If the over-income household occupies a High HOME Rent unit, the property is temporarily out of compliance until the unit is vacated and can be rented to another low-income household. The owner must raise the rent as soon as the lease permits, in accordance with the terms of the lease. The rent must be adjusted such that the household pays the lesser of:

- The rent amount payable under state or local law
- 30% of the tenant's monthly adjusted family income

If the unit is an HTC unit, the rent must be at or below the amount allowed by the tax credit program.

The owner cannot terminate the lease based on the household's increased income.

Over Very Low-Income Limit Household Occupies a Low HOME Rent Unit

If the household occupies a Low HOME Rent unit and its income increases over the very low-income limit, *but not over the low-income limit,* the property is temporarily out of compliance until either: (1) a High HOME unit can be re-designated as a Low HOME unit, or (2) the unit is vacated and can be rented to another very low-income tenant household.

The unit occupied by the over-income household retains its designation as Low HOME until another unit can be re-designated as Low HOME.

When a High HOME unit in the property vacates, regardless of bedroom size, the unit must be re-designated as a Low HOME unit and rented to a very low-income household, at no more than the Low HOME Rent. Once a new Low HOME unit has been designated, the Low HOME unit that is occupied by the over-income household must be re-designated as a High HOME unit. At this time, the owner can increase the tenant's rent up to the High HOME Rent limit, subject to terms of the lease.

Over Low-Income Limit Household Occupies a Low HOME Rent Unit

If the household occupies a Low HOME Rent unit and its income increases above the low-income limit, the property is temporarily out of compliance and will continue to be out of compliance until the over-income tenant moves out and another income-eligible tenant household moves in.

The owner must adjust the over-income household's rent as soon as the lease permits. The over-income tenant must pay the lesser of:

- The rent amount payable under state or local law
- 30% of the tenant's monthly adjusted family income

If the unit is an HTC unit, the rent must be at or below the amount allowed by the tax credit program.

The owner cannot terminate the lease based on the household's increased income.

When a High HOME unit becomes available, regardless of bedroom size, it must be re-designated as a Low HOME unit. This unit must be rented to a very low-income tenant, at no more than the Low HOME Rent limit. Then, the unit that is occupied by the over-income tenant must be re-designated as a High HOME unit. Even though the unit is re-designated a High HOME unit, the tenant is over the low-income limit, so the property continues to be temporarily out of compliance.

More than One Over-Income Household in the Property

If there is more than one over-income household in the property and both a Low HOME unit and High HOME unit are needed to restore unit mix compliance, the owner should restore compliance with the Low HOME unit first.

NHTF Only

Properties with **fixed NHTF-assisted units** have specific units that are designated as NHTF-assisted for the duration of the effective period. Owners must maintain these specific units as the NHTF-assisted units. When an owner conducts the annual income recertification and finds that a household is over-income, the unit will continue to qualify until the household vacates, at which time the unit must be rented to a NHTF-qualified household.

2.02 Floating Units

HOME Only

Properties with **floating HOME-assisted units** do not have specific units that are designated for the duration of the effective period. Instead, the total number of HOME-assisted and non-assisted units that are designated at the time of project commitment must stay the same throughout the effective period. The specific units that carry the HOME-assisted designations may change, or float, among comparable assisted and non-assisted units during this time. In a property with floating HOME units, unit mix is maintained by changing the unit designations when the next comparable unit becomes available. For example, if a property has an over-income tenant in a HOME-assisted unit, when the next non-assisted comparable unit becomes available, it is designated as HOME-assisted and rented to an income-eligible tenant. The unit occupied by the over-income tenant is re-designated as a non-assisted unit.

Maintaining the required number of comparable HOME-assisted units, as well as High HOME Rent units and Low HOME Rent units, for properties with five or more HOME-assisted units, is called complying with the **unit mix requirements.**

When recertifying a tenant's income, an owner may find that the tenant's income has increased. A tenant is considered **over-income** when any of the following conditions are met:

- The tenant occupies a HOME-assisted unit, and the household's income increases over the current HOME low-income limit for that family size
- The tenant occupies a Low HOME Rent unit, and the household's income increases above the current very low-income limit but is still below the low-income limit
- In HOME-assisted units that are also HTC units, the household's income increases to 140% or more of the qualifying tax credit income for that unit

When a tenant is over-income, the unit that the tenant occupies is considered **temporarily out of compliance** with HOME's occupancy and unit mix requirements. Temporary noncompliance due to an increase in an existing tenant's income is permissible as long as the owner takes specific steps to restore the required unit mix in the property. The rents of the over-income tenants can be adjusted.

When re-designating units in a property with floating HOME-assisted units, owners can choose to substitute a unit that is comparable to or larger than the original HOME-assisted unit, but generally cannot substitute one that is smaller. A smaller unit can be substituted only when doing so preserves the original unit mix. A larger unit is one that might be considered more preferable because of larger size, additional bedrooms or amenities. The goal is to maintain the same number and type of HOME-assisted units as were originally designated; therefore, if an owner substitutes a larger unit it can later substitute an available unit that is smaller, when applicable, in order to restore the original unit mix.

Over-Income Household Occupies a Floating High HOME Unit

If an over-income household occupies a floating High HOME unit, the owner must adjust the rent of the over-income household so that it pays 30% of its monthly adjusted income as rent. The rent adjustment must be made as soon as the lease permits and in accordance with the terms of the lease. Note that, unlike the rule for properties with fixed HOME-assisted units, in a property with floating HOME units, a household is not required to pay more than the market rent for a comparable, unassisted unit in the neighborhood.

The next vacant, comparable, non-assisted unit must be designated as a High HOME unit. A comparable unit is one that is equal or greater in terms of size, number of bedrooms, and amenities. The owner may not replace the unit with one that is smaller, unless doing so preserves the original unit mix. The newly designated High HOME unit must be rented to a household whose income does not exceed the low-income limit, at a rent that does not exceed the High HOME Rent limit.

Once a comparable non-assisted unit is designated the new High HOME Rent unit, the unit with the over-income household is re-designated as a non-assisted unit. At this point, the owner may adjust the household's rent without regard to the HOME rent requirements (although requirements from other funding sources may still apply). Rent increases are subject to the terms of the lease.

Over Very Low-Income Limit Household Occupies a Floating Low HOME Unit

If a household occupies a floating Low HOME unit and its income is above the very low-income limit, *but not over the is low-income limit,* the unit occupied by the over-income household keeps its designation as a Low HOME unit until a comparable unit can be substituted. The rent of the over-income household must not exceed the Low HOME rent limit while the unit is a Low HOME unit.

When the next High HOME unit in the property is vacated, it must be re-designated as a Low HOME unit and rented to a household whose income does not exceed the very low-income limit, at a rent that does not exceed the Low HOME Rent limit.

Once the new Low HOME unit is designated, the unit with the over-income household is re-designated as a High HOME unit. The household's rent may be adjusted to no more than the High HOME Rent limit, subject to the terms of the lease.

Over Low-Income Limit Household Occupies a Floating Low HOME Unit

If a household's income is above the low-income limit and it occupies a floating Low HOME unit, the next vacant, comparable, non-assisted unit must be designated as a Low HOME unit and rented to a household whose income does not exceed the very low-income limit, at a rent that does not exceed the Low HOME Rent limit.

Until a comparable Low HOME unit is designated, the unit that is occupied by the over-income household is considered a Low HOME unit that is temporarily out of compliance.

The rent of the over-income household in the original Low HOME unit must be adjusted as soon as the lease permits, and in accordance with the terms of the lease.

- Until a comparable Low HOME unit is substituted, the over-income tenant must pay 30% of the household's monthly adjusted income as rent.
- After a comparable Low HOME unit is substituted, the unit with the over-income household is re-designated as a non-assisted unit. The owner may adjust the household's rent without regard to the HOME restrictions. Rent increases are subject to the terms of the lease.

A household in a floating HOME unit whose income exceeds the low-income limit is not required to pay more than the market rent for a comparable, unassisted unit in the neighborhood.

More than One Over-Income Household in the Property

If there is more than one over-income tenant in the property and both a Low HOME unit and High HOME unit are needed to restore unit mix compliance, the owner should restore compliance with the Low HOME unit first.

NHTF Only

Properties with **floating NHTF-assisted units** do not have specific units that are designated for the duration of the effective period. Instead, the total number of NHTF-assisted and non-assisted units that are designated at the time of project commitment must stay the same throughout the effective period. The specific units that carry the NHTF-assisted designations may change, or float, among comparable assisted and non-assisted units during this time. In a property with floating units, unit mix is maintained by changing the unit designations when the next comparable unit becomes available. For example, if the recertified income of an NHTF-assisted household exceeds the allowable NHTF income limit, the unit will continue to qualify until a comparable vacant unit (comparable in size, features and number of bedrooms) is rented to an NHTF-qualified household. Once the unit is replaced, the over income unit is no longer treated as an NHTF unit.

When re-designating units in a property with floating NHTF-assisted units, owners can choose to substitute a unit that is equal to or greater than the original NHTF-assisted unit, but generally they cannot substitute one that is lesser. A lesser unit can be substituted only when doing so preserves the original unit mix. A greater unit is one that might be considered more preferable because of larger size, additional bedrooms, or amenities. The goal is to maintain the same number and type of assisted units as were originally designated; therefore, if an owner makes a substitution that is greater, it can later substitute an available unit that is lesser in order to restore the original unit mix.

2.03 Rental Assistance

Households receiving rental assistance, including a Section 8 subsidy, must not be refused tenancy in a HOME- or NHTF-assisted unit based solely on the fact that they receive rental assistance. Any rent charged must be comparable to units not receiving rental assistance (for example, if the owner charges less than the maximum HOME or NHTF rent for non-voucher holders, it cannot charge a higher rent to voucher holders).

Rents for NHTF-assisted units with tenants benefitting from project-based or tenant-based Section 8 rental assistance or similar state or federal rental assistance may exceed the applicable rent limit for the unit. Beginning April 20, 2025, the same is true for HOME-assisted units.

Chapter 3 – General Occupancy Guidelines

3.01 Tenant Selection Plan

Owners must develop a formal written policy that clearly states the procedures and criteria the owner will consistently apply in drawing applicants from the waiting list, screening for suitability for tenancy, and implementing income targeting requirements. The Tenant Selection Plan (TSP) must state whether there are any restrictions or preferences in the admission of tenants.

TSP's must provide for selection of qualified applicants from a written waiting list in the chronological order of their application, insofar as is practicable. If the TSP has preferences, the selection from the list of preferences must also be in chronological order of their application, insofar as is practicable.

There is no federal regulation governing the number of persons allowed to occupy a unit based on size; however, there may be local ordinances regarding unit occupancy. It is important, though, to be consistent when accepting or rejecting applications. It is recommended that the owner determine the minimum and maximum number of people that will be allowed to occupy each size unit and put that formula in writing as part of the TSP.

On April 4, 2016, HUD's Office of General Counsel issued guidance on criminal background screening, focusing attention on the ways in which even well-intentioned tenant selection policies can act as tools of exclusion. This guidance applied to all housing providers, including owners and managers of HOME and NHTF properties. In response, Minnesota Housing prepared Tenant Selection Plan (TSP) Guidelines that identify best practices for TSPs. The TSP guidance is recommended for all properties but is required for all projects selected for HOME or NHTF funding after March 31, 2021. The document reflects the agency's consideration of best practices, along with special factors affecting supportive housing programs. Note that various funding sources and jurisdictions may impose other TSP requirements. Owners and managers should consult with an attorney to ensure the TSP complies with program requirements, the Fair Housing Act, and the Minnesota Human Rights Act.

Owners may not inquire about the sexual orientation or gender identity of an applicant or occupant of HUD assisted housing for the purpose of determining eligibility or continued occupancy. This prohibition on inquiries regarding sexual orientation or gender identity does not prohibit any individual from voluntarily self-identifying sexual orientation or gender identity. This prohibition on inquiries does not prohibit lawful inquiries of an applicant or occupant's sex where the housing provided or to be provided to the individual is temporary, emergency shelter that involves the sharing of sleeping areas or bathrooms.

In accordance with the Violence Against Women Reauthorization Act of 2013, the selection criteria cannot deny admission on the basis that the applicant has been a victim of domestic violence, dating violence, sexual assault or stalking, if the applicant or tenant otherwise qualifies for admission.

Owners may refer to the HUD Handbook 4350.3 REV 1, Change 4, Chapter 4, on developing a TSP. Minnesota Housing may review the TSP as part of its inspection procedure.

3.02 Minimum Lease Requirements

Tenant leases, including a signed and dated Minnesota Housing HOME/NHTF lease addendum (HOME/NHTF Form 22), must be on file (HOME/NHTF Form 22 is waived for units that receive project-based Section 8 assistance when the HUD Model Lease form is used), and must specify a term of at least one year, unless by mutual consent the owner and the tenant agree to a lesser term. Leases must not contain any of the prohibited lease terms as stated in section 92.253 of the Final HOME Rule or section 93.303 of the Interim NHTF Rule. Any non-renewal or termination of leases must be in accordance with the lease and/or lease addendum. For HOME projects with a commitment date of December 16, 2016 and later, and for all NHTF projects, the lease must also incorporate HUD form 91067, Violence Against Women Act (VAWA) lease addendum. In addition, beginning with new leases and lease renewals effective November 1, 2025, and later, owners must also include the Minnesota Housing Attachment to Lease Addendum (not required for units with project-based Section 8 using the HUD model lease).

The owner must comply with HOME requirements on evictions as well as state law regarding eviction procedures. There must be a written notice that gives a household 30 days to vacate its unit, regardless of whether the household has violated the law or lease terms, except in cases of a direct threat to the safety of tenants or employees or an imminent and serious threat to the property. NHTF rules state that owners must serve written notice upon the tenant specifying the grounds for the action and provide a specific period for vacating consistent with state or local law.

Under the HOME and NHTF Programs, tenancy may be terminated only for:

- Serious or repeated violation of the material terms and conditions of the lease
- Violation of applicable federal, state, or local law
- Completion of the tenancy period for transitional housing (HOME only)
- Other good cause (good cause does not include an increase in the tenant’s income)

3.03 Occupant Eligibility

It is the owner's responsibility to select and rent to qualified households. Minnesota Housing will not qualify or approve applicants for eligibility.

Applicants for assisted units should be advised early in the application process of the maximum income limits that apply. Management should explain to all applicants that the anticipated income of all family members must be disclosed and verified. For properties where HOME funds were committed on or after August 23, 2013, the HOME Program has adopted the Section 8 Housing Choice Voucher Program restrictions on student participation found at 24 C.F.R. 5.612, which exclude any student that is

enrolled in a higher education institution, unless that student is an Independent Student as defined in the Higher Education Act or has parents who, individually or jointly, are eligible on the basis of income.

Initial Eligibility Determination

Before approving a household for occupancy, owners must determine that the household will cause the unit to be a qualifying unit. The qualification process has three phases:

1. **Application and disclosure of household composition, student status, income and assets:** A detailed application is critical to determining eligibility and is considered supporting documentation to the Tenant Income Certification (TIC). Minnesota Housing's Sworn Statement of Income and Assets form is designed to collect the necessary information. Owners may collect additional information for screening purposes according to their tenant selection plan. Where applicable, the HOME Annual Student Certification should be completed during the application process.
2. **Verification:** The owner must verify all sources of income and assets following HUD's order of acceptability. Owners may accept a Self-Certification of Assets in lieu of third-party verifications if combined net family assets do not exceed the applicable HUD-published amount of net assets for which the owner may accept self-certification. HUD adjusts this amount annually based on inflation; refer to HUD'S Annual Inflationary Adjustments and Passbook Rate webpage for the current figure.
3. **Certification:** After all verifications are received and any applicable follow-up conducted, the owner must calculate income and income from assets based on information provided on the verification forms and complete the TIC.

Noncompliance due to Late Certification

An initial TIC that is not fully completed on or before the date a household moves into a unit causes a fixed HOME or NHTF unit to be out of compliance and cannot be considered a HOME or NHTF unit in a property with floating units. This includes supporting documentation in the form of the household's income and asset disclosure, all required verifications, signed and dated TIC and Annual Student Certification. The unit is out of compliance for over income, from the move-in date to the last signature on the TIC and/or student certification. However, if an applicant is unable to timely sign the TIC due to extenuating circumstances beyond their control, the owner must document the attempts to obtain signature, the reason for the delay and the plan for how and when the proper signature will be provided in the tenant file. If the tenant file contains such documentation a "true and correct as of" statement is unnecessary when the tenant does sign. Failure to follow up with the tenant to obtain the signature when indicated in the documentation may result in noncompliance.

3.04 Annual Recertification

All households occupying a HOME- or NHTF-assisted unit must be recertified at least annually. Annual income recertifications and annual student certifications must be effective on or before the anniversary date of the previous certification. Owners may align recertification dates with other program certifications or recertify all households at one time during the year. However, if a period of 12 months passes without a recertification being completed for any HOME- or NHTF-assisted unit, the unit is considered out of compliance.

Income and assets must be verified every sixth year of the period of affordability. A self-certification of income and income from assets is acceptable in intervening years. Self-certification includes the income and asset disclosure and a properly signed and dated Tenant Income Certification Form. Owners must carefully track the start date of years six, 12, 18, 24, and 30 (based on the anniversary of the start of the affordability period) so that third-party verification is conducted in these years.

3.05 Change in Household Composition

If a household in an assisted unit later wishes to have an additional person move into the unit, the following steps must be taken prior to occupancy:

1. The prospective tenant must complete a Sworn Statement of Income and Assets and allow for verification of income and assets as required of the initial tenant.
2. The prospective tenant's income must be added to the current tenant's most recent certification or recertification and a determination must be made as to whether the household is still within the HOME or NHTF income guidelines. This new certification is reported in PORT as an Other Cert. The effective date of the Other Cert is the date the new household member moves in.
3. In HOME-assisted only units, if the anticipated household income exceeds the guidelines, then once the current lease expires and proper notice is given, the household must pay the lesser of 30% of its *adjusted* income for rent up to the maximum HTC rent if the unit is also an HTC unit, or the rent amount payable under state or local law. If the unit is floating, the new rent cannot exceed market rent for a comparable unassisted unit.
4. For properties with HOME commitments on or after August 23, 2013, the prospective tenant cannot be an ineligible student as described in Chapter 1, section 1.03 (Student Eligibility Requirements – HOME Only) of this document. Prospective tenants age 18-23 must complete the HOME Program Annual Student Certification.

Minnesota Housing strongly recommends owners apply the same screening criteria as any new move-in (for example, credit check, landlord reference) prior to allowing a new member to occupy a unit and to add them to the lease at the time they move in.

It is not necessary to perform a certification when a household member vacates the unit, but owners should document the tenant file so it contains accurate occupancy information.

3.06 Tenant Income Certification Form

The TIC form is used to certify a project's eligible households. The TIC is a legal document that, when fully executed, certifies the tenant is qualified to live in a HOME or NHTF unit and that the information is complete, true, and correct and that no false or misleading information has been provided. The TIC must be signed and dated by all family members over age 18 (and by any members under age 18 who are treated as adults because they are the head of household, co-head or spouse). The owner representative must also sign and date the TIC to certify that the household is qualified for the low-income unit, and the rent complies with the rent limit. For these reasons the effective date cannot be earlier than the last signature date on the TIC form.

Supporting documentation (application/sworn income and asset statement, income verifications, asset verifications, student certification, clarification records, etc.) is considered part of the TIC and must be included in each tenant file. An Income and Asset Calculation Worksheet form can be used to assist in showing the individual calculations of income and asset income. This is highly recommended and will greatly assist an inspector during a file review.

3.07 Government Data Practices Act Disclosure Statement Form

Owners will create, collect, receive, store, use, maintain, and/or disseminate tenant data subject to applicable data privacy laws and regulations, including the Minnesota Government Data Practices Act (MGDPA). As the monitoring agency, Minnesota Housing must review such tenant data.

To comply with MGDPA and other applicable law, Minnesota Housing requires that owners collect a signed and dated Government Data Practices Act Disclosure Statement form for all assisted units. Note that the Government Data Practices Act Disclosure Statement form is *not* a release authorization for verification of income and assets and must not be used as such. The property name and each adult family member’s name must be printed clearly at the top in the boxes provided. An unsigned and/or undated form is not valid and will be noted at the time of file inspection.

- The form may be signed one time and is valid for as long as the family lives at the property. If a family moves from one unit to another, the original signed and dated form should be moved to the file for the new unit. A copy should be kept in the file for the old unit.
- A valid form *must* include all relevant attachments. Some properties or units within a property may require two or more attachments for multiple programs. Each attachment contains Part A, which is data that must be disclosed as a condition of occupancy for the program(s) listed on the attachment, and Part B, which is data that is requested but is not a condition of occupancy.
- The head of household, spouse, co-head, and all family members over the age of 18 must sign and date the form.

- If an adult is added later or a minor reaches age 18, they can add their name, signature and date to the existing form or complete a new form.
- A copy must be made available to the applicant/tenant. It is acceptable to provide an unsigned copy.
- For new applicants, provide the form with the initial application packet.

3.08 Annual Income

Minnesota Housing' HOME and NHTF Programs use HUD's definition of annual income as contained in the U.S. Housing Act of 1937 as amended.

Annual income corresponds to gross income, with no adjustments (deductions) for childcare, medical expenses, dependents, etc.

For certifications and recertifications effective before the date HUD requires full Housing Opportunities Through Modernization Act (HOTMA) implementation, refer to HUD Handbook 4350.3 for a complete listing and discussion of earned/unearned income and asset income.

For certifications and recertifications effective on or after the date HUD requires full HOTMA implementation, refer to HUD Notice 2023-10 and this guide. Attachment F to Notice 2023-10 defines annual income to include all amounts received from all sources by each member of the family who is 18 years of age or older, the head of household, or spouse of the head of household, in addition to unearned income received by or on behalf of each dependent who is under 18 years of age. Annual income does not include amounts specifically excluded in paragraph (b) of 24 C.F.R. 5.609.

Factors that Affect Household Size for Income Limits

When determining family size for establishing income eligibility, the owner must include all persons living in the unit except the following:

- **Foster adult:** defined as a member of the household who is 18 years or older and meets the definition of foster adult under state law.
- **Foster child:** defined as a member of the household who meets the definition of foster child under state law.
- **Live-in aide/attendant (live-in aide):** a live-in aide is a person who resides with one or more elderly persons, near-elderly persons, or persons with disabilities, and who meets each of the following requirements:
    - Is determined to be essential to the care and well-being of the person(s)
    - Is not obligated for the support of the person(s)
    - Would not be living in the unit except to provide the necessary supportive services

Change 4 to HUD Handbook 4350.3, published in 2013, required that foster adults and foster children be counted as household members for both income and occupancy purposes. With the implementation of HOTMA, foster adults and foster children are no longer considered in family size for income purposes but must be considered for unit size purposes.

A live-in aide qualifies for occupancy as a non-family member only as long as the individual needing supportive services requires the live-in aide's services and remains a tenant. The live-in aide will not qualify for continued occupancy as a remaining family member. Owners must obtain verification from the person's physician, psychiatrist or other medical practitioner or health care provider that the live-in aide is needed to provide the necessary supportive services essential to the care and well-being of the person and should not add the attendant to the lease. The owner may not require applicants or tenants to provide access to confidential medical records or to submit to a physical examination. While a relative may be a live-in aide they must meet the above requirements or they must be treated as a family member and their income must be included.

When determining family size for income limits, the owner must include the following individuals who are not living in the unit:

- Children temporarily absent due to placement in a foster home
- Children in joint custody arrangements who are present in the household 50% or more of the time
    - If disputed, determine which parent claimed the children as dependents for purposes of filing a federal income tax return.
- Children who are away at school but who live with the family during school recesses
- Unborn children of pregnant women
    - When a pregnant woman is an applicant, the unborn child is included in the size of the household and may be included for purposes of determining the maximum allowable income. The rental application should ask the following question: "Will there be any changes in household composition within the next 12-month period?" If an applicant answers that a child is expected, the manager should explain to the tenant that to count the child as an additional household member and use the corresponding income limit, a self-certification of pregnancy must be provided.
- Children who are in the process of being adopted
- Temporarily absent family members who are still considered family members
    - For example, the owner may consider a family member who is working in another state on assignment to be temporarily absent. Persons on active military duty are considered temporarily absent (except if the person is not the head, co-head or spouse or has no dependents living in the unit). If the person on active military duty is the head, co-head, or spouse, or if the spouse or dependents of the person on active military duty resides in the unit, that person's income must be counted in full.

- Family members in the hospital or at a rehabilitation facility for periods of limited or fixed duration; these persons are temporarily absent as defined above
- Persons permanently confined to a hospital or nursing home
    - The family decides if such persons are included when determining family size for income limits. If such persons are included, they must be listed on the TIC as, “other adult family member.” If the family chooses to include the permanently confined person as a member of the household, the owner must include income received by these persons in calculating family income.

Deployment of Military Personnel to Active Duty

Owners are encouraged to accommodate the unique circumstances of households where a member is called to active duty in the Armed Forces. Specific actions that an owner can take and remain in compliance include, but are not limited to:

- Allowing a guardian to move into the low-income unit on a temporary basis to provide care for any dependents the military person leaves in the unit. The guardian’s income is not included in the household’s income.
- Allowing a tenant living in a low-income unit to provide care for any dependents of persons called to active duty in the Armed Forces on a temporary basis as long as the head and/or co-head of the household continues to serve in active duty. Income of the dependent (for example, Supplemental Security Income [SSI] benefits, military benefits) is not included in the household’s income.
- Allowing leases to remain in effect for a reasonable period without recertification (if required) depending on the length of deployment beyond that required by the Soldiers’ and Sailors’ Civil Relief Act of 1940, U.S. Code, title 50, section 501-591, even though the adult members of the military family are temporarily absent from the unit.

Annual Income

Annual income has two components: earned/unearned income and asset income.

Earned/Unearned Income + Income from Assets = Annual Income

If a particular type of income is not specifically mentioned as being excluded, then it is included in annual income. The following are examples of income that are included:

- The gross amount (before any payroll deductions) of wages and salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services of all adults in the household (including persons under the age of 18 who are the head, spouse or co-head)
- Net income, salaries, and other amounts distributed from a business; this includes salaries received from a family-owned business

- The gross amount (before any deductions for Medicare, etc.) of periodic Social Security payments; include payments received by adults on behalf of individuals under the age of 18, or by individuals under the age of 18 for their own support
- The full amount of periodic amounts received from annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts (for example, Black Lung Sick Benefits, Veterans Disability, Dependent Indemnity Compensation [widow of killed in action serviceman]); the withdrawal of cash or assets from an investment received as periodic payments is counted as income
- Delayed periodic payments received because of delays in processing unemployment, welfare, or other benefits
- Payments in lieu of earnings, such as unemployment and disability compensation, and severance pay
- Recurring Monetary or Non-monetary Contributions or Gifts Regularly Received from Persons not Living in the Unit; these sources may include rent, utility, and other payments paid on behalf of the household, and other cash or noncash contributions provided on a regular basis
- All regular pay, special pay, and allowances of a member of the Armed Forces
    - Note that until January 1, 2012, Basic Pay Allowance for housing is disregarded for properties located in a county that contains a qualified military installation to which the number of members assigned to units based out of the military installation as of June 1, 2008, has increased by 20% or more from December 31, 2005; this applies to the county that contains the military installation (a qualified military installation is a military installation or facility with 1,000 or more members as of June 1, 2008) and also to adjacent counties.
- Welfare Assistance
- Alimony and Child Support; alimony or child support paid by a member of the household is not deducted from income, even if it is garnished from wages

Student Financial Assistance

Prior to HOTMA, all forms of student financial assistance (grants, scholarships, educational entitlements, work study programs, Bureau of Indian Affairs student assistance programs, and financial aid packages) were excluded from annual income except for students receiving Section 8 assistance. For students receiving Section 8 assistance, all financial assistance a student received, 1) under the Higher Education Act of 1965, 2) from private sources, or 3) from an institution of higher education that is in excess of amounts received for tuition and any other required fees and charges (refer to HUD Notice H2015-12) was included in annual income except if the student was over the age of 23 with dependent children or living with parents receiving Section 8 assistance.

The primary difference between the Section 8 and HOTMA student assistance approaches are how the Higher Education Act of 1965 (HEA) assistance and money from private sources (such as parents and

grandparents) are counted. Under HOTMA, HEA assistance is not counted as income, and money from private sources is gift income, not student financial assistance.

Income from Student Financial Assistance

The treatment of student financial assistance depends on the type of financial assistance received by the student. The student financial assistance rules apply to both full-time and part-time students.

The two types of student financial assistance applicable to HUD programs are described below:

1. **Amounts received under section 479B of the Higher Education Act (HEA) of 1965, as amended.** Section 479B of the HEA provides that certain types of student financial assistance are to be excluded in determining eligibility for benefits made available through federal, state, or local programs financed with federal funds. The list below of 479B programs was last updated as of July 1, 2024, and may not be exhaustive:
    - Federal Pell Grants
    - Federal TRIO and early outreach/student services programs
    - Gaining Early Awareness and Readiness for Undergraduate (GEAR UP) programs
    - Model Program grants (Community Partnership and Counseling Grants)
    - National Student Savings Demonstration grants
    - Federal Supplemental Educational Opportunity Grants (FSEOG)
    - Leveraging Educational Assistance Partnership grants
    - Special programs for migrant/seasonal farmworker families
    - Robert C. Byrd Honors Scholarships
    - Childcare Access Means Parents in School (CAPS) grants
    - TEACH Grants
    - Scholarships for Veteran's dependents
    - Federal Family Education Loan (FFEL) programs
    - Federal Work-Study
    - William D. Ford Federal Direct Loans
    - Federal Perkins Loans
    - HEA Relief Opportunities for Students (HEROES Act adjustments)
    - Higher Education Tribal Grant (formerly under the Bureau of Indian Affairs)
    - Tribally Controlled Colleges or Universities Grant Program
    - Workforce Innovation and Opportunity Act (WIOA) section 134 employment/training program (adult/dislocated worker workforce training)
2. **Other Student Financial Assistance** includes grants or scholarships received from the following sources:
    - The Federal government
    - A state (including U.S. territories), Tribe, or local government

- A private foundation registered as a nonprofit under 26 U.S.C. 501(c)(3)
- A business entity (such as a corporation, general partnership, limited liability company, limited partnership, joint venture, business trust, public benefit corporation, or nonprofit entity)
- An institution of higher education

Other student financial assistance does not include:

- Financial support provided to the student in the form of a fee for services performed (for example, a work study or teaching fellowship that is not excluded under section 479B of the Higher Education Act HEA)
- Gifts, including gifts from family or friends

Other student financial assistance may be paid directly to the student or to the educational institution on the student's behalf. The owner must verify that other student financial assistance is for the student's actual covered costs.

The treatment of the two above-described types of student financial assistance is described below.

All assistance received under 479B of the HEA by students is excluded from income. Other student financial assistance received by the student that, either by itself or in combination with HEA assistance, exceeds the actual covered costs is not excluded from income.

Actual covered costs include tuition, books, supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, and fees required and charged to a student by an institution of higher education (as defined under section 102 of the Higher Education Act of 1965 (20 U.S.C. 1087uu)). For a student who is not the head of household, co-head, or spouse, actual covered costs also include the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit.

The formula for calculating the amount of other student financial assistance that is excluded from income always begins with deducting the assistance received under 479B of the HEA from the total actual covered costs, because the 479B assistance is intended to pay the student's actual covered costs. This formula is illustrated below (this and other examples are in HUD Notice 2023-10, Attachment G).

Example 1: Calculating Student Financial Assistance

Juan is a full-time student, and he received the following grants and scholarships to cover his first year of college: Federal Pell Grant: $25,000; University Scholarship: $15,000; Rotary Club Scholarship: $3,000.

- Total assistance received under 479B of HEA: $25,000 (Federal Pell Grant)
- Total other student financial assistance received: $18,000
- Juan's actual covered costs: $28,000

Step 1: Determine amount of actual covered costs exceeding section 479B assistance.

$28,000 (actual covered costs)
- $25,000 (total assistance received under 479B of HEA)
= $ 3,000

Step 2: Determine amount of student financial assistance to include in income.

$18,000 (other student financial assistance received)
- $ 3,000 (actual covered costs exceeding section 479B assistance)
= $15,000 (if negative, then use $0)

Amount of student financial assistance included in Juan's income: $15,000

Student loans are not considered student assistance and are never counted as income.

Use the Affidavit of Student Financial Assistance to obtain information from the applicant or resident as to their source(s) of financial assistance.

3.09 Exclusions from Annual Income

For certifications and recertifications effective before implementing HOTMA, refer to HUD Handbook 4350.3 for a complete listing and discussion of income exclusions.

Refer to HUD Notice 2023-10 Attachment G for changes in exclusions resulting from HOTMA or when HUD requires full HOTMA implementation.

Nonrecurring Income

Income that will not be repeated beyond the coming year (that is, the 12 months following the effective date of the certification), based on information provided by the family, is considered nonrecurring income and is excluded from annual income. However, income received as an independent contractor, day laborer, or seasonal worker is *not* excluded from income under 24 C.F.R. 5.609(b)(24), even if the source, date, or amount of the income varies.

Income that has a discrete end date and will not be repeated beyond the coming year during the family's upcoming annual reexamination period will be excluded from a family's annual income as nonrecurring income. This does not include unemployment income and other types of periodic payments that are received at regular intervals (such as weekly, monthly, or yearly) for a period of greater than one year that can be extended. For example, an increasing number of cities and states are

piloting guaranteed income programs that have discrete beginning and end dates. This income can be excluded as nonrecurring in the final year of the pilot program. For example, for an annual recertification effective July 1, 2025, guaranteed income that will be repeated in the coming year but will end before the next reexamination on July 1, 2026, will be fully excluded from annual income. Income amounts excluded under this category may include, but are not limited to, nonrecurring payments made to the family or to a third party on behalf of the family to assist with utilities, eviction prevention, security deposits to secure housing, payments for participation in research studies depending on the duration, and general one-time payments received by or on behalf of the family.

The following list of exclusions is codified at 24 C.F.R. 5.609(b)(24) as nonrecurring income. Note that the list is not exhaustive:

- Payments from the U.S. Census Bureau for employment lasting no longer than 180 days and not culminating in permanent employment;
- Direct federal or state economic stimulus payments;
- Amounts directly received by the family as a result of state refundable tax credits or state tax refunds at the time they are received;
- Amounts directly received by the family as a result of federal refundable tax credits or federal tax refunds at the time they are received;
- Gifts for holidays, birthdays, or other significant life events or milestones (for example, wedding, baby shower, or anniversary gifts);
- In-kind donations (for example, food, clothing, or toiletries received from a food bank or similar organization); and
- Lump-sum additions to net family assets (for example, lottery winnings, contest winnings, etc.).

Excluded Recurring Income

Below is a list of income that is not counted as part of household income (refer to 24 C.F.R. 5.609(b) for the full list and to Attachment G in HUD Notice 2023-10 for additional detail):

- Earned income of children under age 18.
- Payments received for the care of foster children or foster adults, or State or Tribal kinship or guardianship care payments.
- Insurance payments and settlements for personal or property losses, including but not limited to payments through health insurance, motor vehicle insurance, and workers' compensation. Any workers’ compensation is always excluded from annual income, regardless of the frequency or length of the payments.
- Amounts received by the family that are specifically for, or in reimbursement of, the cost of health and medical care expenses for any family member.

- Any amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to a family member arising out of law, that resulted in a member of the family becoming disabled.
- Income of a live-in aide, foster child, or foster adult.
- Income and distributions from any Coverdell education savings account under section 530 of the Internal Revenue Code of 1986 or any qualified tuition program under section 529 of such Code; and income earned by government contributions to, and distributions from, baby bond accounts created, authorized, or funded by Federal, State, or local government.
- The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
- Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS).
- Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (such as special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program.
- Amounts received under a resident service stipend not to exceed $200 per month. A resident service stipend is a modest amount received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development.
- Incremental earnings and benefits resulting to any family member from participation in training programs funded by HUD or in qualifying Federal, State, Tribal, or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives and are excluded only for the period during which the family member participates in the employment training program unless those amounts are excluded under paragraph (b)(9)(i) of this section.
- Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
- Earned income of dependent full-time students in excess of the annually adjusted amount of the deduction for a dependent.
- Adoption assistance payments for a child in excess of the annually adjusted amount of the deduction for a dependent.
- Deferred periodic amounts from Supplemental Security Income and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts, or any deferred Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts.
- Payments related to aid and attendance under 38 U.S.C. 1521 to Veterans in need of regular aid and attendance. This income exclusion applies only to Veterans in need of regular aid and attendance and not to other beneficiaries of the payments, such as a surviving spouse.

- Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit.
- Payments made by or authorized by a State Medicaid agency (including through a managed care entity) or other State or Federal agency to a family to enable a family member who has a disability to reside in the family's assisted unit. Authorized payments may include payments to a member of the assisted family through the State Medicaid agency (including through a managed care entity) or other State or Federal agency for caregiving services the family member provides to enable a family member who has a disability to reside in the family's assisted unit. Both the person providing the care and the person who has the disability must be family members (not foster adult, foster child or live-in aides) and must live in the same household. The exclusion does not apply to income earned by the family for other caregiving services provided to individuals outside of the assisted household.
- Loan proceeds (the net amount disbursed by a lender to or on behalf of a borrower, under the terms of a loan agreement) received by the family or a third party (such as proceeds received by the family from a private loan to enable attendance at an educational institution or to finance the purchase of a car).
- Payments received by Tribal members as a result of claims relating to the mismanagement of assets held in trust by the United States, to the extent such payments are also excluded from gross income under the Internal Revenue Code or other Federal law. Generally, payments received by Tribal members in excess of the first $2,000 of per capita shares are included in a family's annual income for purposes of determining eligibility. However, payments made under the Cobell Settlement, and certain per-capita payments under the recent Tribal Trust Settlements, must be excluded from annual income in programs that adopt the definitions of annual income in 24 C.F.R. 5.609. Note that payment received by a Tribal member from the Tribe for distribution of Indian gaming profits is not a per-capita payment within the meaning of the Per Capita Distribution Act and does not qualify for income exclusion. If a family member who is a Tribal member receives the IRS Form 1099-MISC, Miscellaneous Income, from the Tribe for reporting Indian gaming profits, then this payment must be counted toward the family's annual income.
- Amounts that HUD is required by Federal statute to exclude from consideration as income for purposes of determining eligibility or benefits. HUD will publish a notice in the Federal Register to identify the benefits that qualify for this exclusion. Updates will be published when necessary. Examples include:
    - The value of the allotment provided to an eligible household under the Food Stamp Act of 1977.
    - Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (including employment through AmeriCorps, Volunteers in Service to America [VISTA], Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, and senior companions).

  - Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program.
  - The first $2,000 of per capita shares received from judgment funds awarded by the National Indian Gaming Commission or the U. S. Claims Court, the interests of individual Indians in trust or restricted lands, and the first $2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands. This exclusion does not include proceeds of gaming operations regulated by the Commission.
  - Payments received from programs funded under Title V of the Older Americans Act of 1985 (such as Green Thumb, Senior Aides, and Older American Community Service Employment Program).
  - Any amount received under the Richard B. Russell School Lunch Act and the Child Nutrition Act of 1966, including reduced-price lunches and food under the Special Supplemental Food Program for Women, Infants, and Children (WIC).
- Replacement housing gap payments made in accordance with 49 C.F.R. 24 that offset increased out-of-pocket costs of displaced persons that move from one federally subsidized housing unit to another Federally subsidized housing unit. Such replacement housing gap payments are not excluded from annual income if the increased cost of rent and utilities is subsequently reduced or eliminated, and the displaced person retains or continues to receive the replacement housing gap payments.
- Nonrecurring income, which is income that will not be repeated in the coming year based on information provided by the family. Income received as an independent contractor, day laborer, or seasonal worker is not excluded from income under this paragraph, even if the source, date, or amount of the income varies. See the Nonrecurring Income section above for more information.
- Civil rights settlements or judgments, including settlements or judgments for back pay.
- Income earned on amounts placed in a family's Family Self Sufficiency Account.

The amount of rental subsidy paid to the owner on behalf of a household by a Public Housing Authority or other government administrator is also not included in income. Private or philanthropic rental assistance is considered regular contributions by persons not living in the unit and must be included in income.

Earned Income Disregard

The Earned Income Disregard (EID) will not apply to any family who is not eligible for *and already participating in* the disallowance as of December 31, 2023.

The EID allowed eligible families to have a portion of their earned income excluded from annual income for a maximum period of 24 consecutive months. Although HOTMA eliminates the EID from HUD regulations, families who were receiving the EID benefit as of December 31, 2023, may continue

to receive the full benefit until the remaining timeframe for an individual family's EID expires. Because the EID lasts up to 24 consecutive months, no family will still be receiving the EID benefit after December 31, 2025.

3.10 Annualized Income

Income determination is based on the annual gross income a household anticipates it will receive for the 12-month certification period. Disclosure and verification of all sources of current and anticipated income for all household members age 18 and older, persons under the age of 18 who are treated as adults because they are the head of household, co-head or spouse, and unearned income of minor children must be obtained in order to establish that the income limits are not exceeded.

Convert all verified incomes to annual amounts.

To annualize full-time employment, multiply:

- Hourly wages by 2,080 hours
- Weekly wages by 52
- Bi-weekly wages by 26
- Semi-monthly wages by 24
- Monthly wages by 12

To annualize income from other than full-time employment, multiply:

- Hourly wages by the number of hours the individual is expected to work per week by 52; if verification shows a range of hours, use the average number of hours (for example, verification shows 30-35 hours per week, use 32.5 hours).
- Average weekly amounts by the number of weeks the individual is expected to work
- Other periodic amounts (for example, monthly, bi-weekly) by the number of periods the individual expects to work

Some affordable housing professionals use non-conforming methodologies for calculating wages including using the highest of a range of hours provided by the employer or basing income determinations on the higher calculation of income provided by the employer and a calculation of annual income based on year-to-date information. As noted above, Minnesota Housing uses the average of a range of hours given and anticipated wage information supplied by the employer, consistent with Section 8. More conservative methodologies are not prohibited; however, using more conservative methodologies may exclude households that qualify based on Section 8 methodologies. In any event, any approach developed by an owner/agent must be consistently applied to all applicants and tenants to avoid the risk of a fair housing violation.

Seasonal Income

If an applicant is in a seasonal line of work, for example a job dependent on weather conditions such as roofing, and normally collects unemployment during the off months, both incomes are used for the appropriate number of months. For example, if an individual makes $1,800 a month during a nine-month roofing season and collects unemployment in the amount of $800 a month for the remaining three months, income is calculated as follows:

$1,800 x 9 = $16,200

$800 x 3 = $2,400

$16,200 + $2,400 = $18,600 = Total Annualized Income

Zero Income Members

If an adult member of an applicant family has no regular verifiable income or income from assets from any source and claims zero income, a Certification of Zero Income must be completed. Note that the current HUD Handbook requires non-monetary contributions (excluding groceries) to be counted as income. Under HOTMA, non-monetary in-kind donations from a food bank or similar organization cannot be assigned a monetary value (including food, clothing or toiletries).

3.11 Income from Assets

Assets are items of value, other than necessary personal items, and are considered along with verified income to determine eligibility.

For certifications and recertifications effective before July 1, 2025 (or such later date as HUD may require full HOTMA implementation), refer to HUD Handbook 4350.3 for a complete listing and discussion of income from assets.

For certifications effective on or after July 1, 2025 (or such later date as HUD may require full HOTMA implementation), refer to HUD Notice 2023-10 Attachment F for changes resulting from HOTMA and this guide.

Under HOTMA, assets have three categories:

- Necessary Personal Property
- Non-Necessary Personal Property
- Real Property

Assets include the net cash value of all real property and the net cash value of all non-necessary items of personal property.

Necessary Personal Property

Necessary Personal Property (NPP) are items that are essential to the family for maintenance, use, and occupancy of the residence, or necessary for employment, education, or health and wellness. NPP also includes items that assist persons with disabilities, including items for disability-related needs and items required for reasonable accommodation. NPP does not include luxury items.

Owners must determine whether an item is considered necessary or non-necessary to determine whether it should be included as an asset.

This is a highly fact-specific determination. Therefore, owners must collect enough facts to make this determination. If an item is considered necessary personal property, it is not included as an asset.

Examples of NPP (list is not exhaustive):

- Car(s)/vehicle(s) that a family relies on for transportation for personal or business use (for example, bike, motorcycle, skateboard, scooter)
- Furniture, carpets, linens, kitchenware
- Common appliances
- Common electronics (for example, radio, television, DVD player, gaming system)
- Clothing
- Personal effects that are not luxury items (for example, toys, books)
- Wedding and engagement rings
- Jewelry used in religious/cultural celebrations and ceremonies
- Religious and cultural items
- Medical equipment and supplies
- Healthcare-related supplies
- Musical instruments used by the family
- Personal computers, phones, tablets, and related equipment
- Professional tools of trade (for example, professional books)
- Educational materials and equipment, including equipment to accommodate persons with disabilities
- Equipment used for exercising (for example, treadmill, stationary bike, kayak, paddleboard, ski equipment

Non-Necessary Personal Property

If personal property is not deemed necessary, as HUD guidance provides, then it is considered Non-Necessary Personal Property (NNPP) and may need to be included as an asset.

Under HOTMA, the combined value of NNPP up to the amount that HUD allows to be self-certified is excluded from net family assets, but any income earned by these assets is included in gross annual

household income. Refer to HUD's Annual Inflationary Adjustments and Passbook Rate webpage for the current amount of assets HUD allows to be self-certified (updated annually, adjusted for inflation).

If the total value of NNPP exceeds the amount HUD allows to be self-certified, owners must verify all asset amounts and any income earned. If an asset does not earn income, owners must use HUD's passbook savings rate to calculate an imputed income. Refer to HUD's Annual Inflationary Adjustments and Passbook Rate webpage for the current passbook savings rate (updated annually, adjusted for inflation).

Examples of NNPP (list is not exhaustive):

- Bank accounts or other financial investments (for example, checking account, savings account, stocks/bonds, money market or mutual funds, certificates of deposit)
- A mortgage or deed of trust held by an applicant or resident (for example, contract for deed or deed of trust); payments on this type of asset are often received as one combined payment of principal and interest with the interest portion counted as income from the asset
- Cash value of life insurance policies available to the individual before death (for example, the surrender value of a whole life policy or a universal life policy)
- Recreational car/vehicle not needed for day-to-day transportation (for example, campers, motorhomes, travel trailers, all-terrain vehicles [ATVs])
- Recreational boat/watercraft
- Expensive jewelry without religious or cultural value, or which does not hold family significance
- Collectibles (for example, coins/stamps)
- Equipment/machinery that is not used to generate income for a business
- Items such as gems/precious metals, antique cars, artwork, etc.
- Assets disposed of for less than fair market value within 2 years of the effective date of the certification
    - Assets lost to foreclosure, bankruptcy, divorce or separation settlements are not counted as disposed of assets, and assets put into an irrevocable trust for another member of the same household are not counted as disposed; neither are assets that are simply used to buy goods or services that are not counted as assets

Bank accounts include amounts in cash apps and digital wallets that hold balances. Examples include Venmo, PayPal, GoFundMe, Cash App, Google Pay, Google Wallet, etc., and cards used to receive government and other cash benefits. Retailers such as Wal-Mart, Target and Starbucks may also have cash-holding apps.

Apps that merely facilitate transferring funds from one account to another and do not actually hold any money, are not assets (for example, Zelle).

Stocks, bonds, treasury bills, certificates of deposit, money market accounts, mutual funds. Interest or dividends earned are counted as income from assets even when the earnings are reinvested. The value

of stocks and other assets vary from one day to another. The value of the asset may go up or down the day before or after income is calculated and multiple times during the year thereafter. The owner may assess the value of these assets at any time after the authorization for the release of information has been received.

Real Property

The value of real property is always counted as an asset.

Equity in rental property or other capital investment. Include the current fair market value less (a) any unpaid balance on any loans secured by the property; and (b) reasonable costs that would be incurred in selling the asset (that is, penalties, broker fees, etc.). If the person's main business is real estate, then count any income as business income. Do not count it as an asset and as business income.

Only the interest portion of the monthly payment received by the tenant is included as income. For interest income from the sale of real property, if said property was sold on an installment sales contract, request one of the following:

- A letter from an accountant, attorney, real estate broker, the buyer, or a financial institution stating interest due for the next 12 months; a copy of the check(s) paid by the buyer to the tenant is *not* sufficient since appropriate breakdowns of interest and principal are not included
- Amortization schedule showing interest for the 12 months following the date the purchaser intends taking occupancy

For rental income from property owned by the tenant, request each of the following:

- IRS Form 1040 with Schedule E (Rental Income)
- Lease between the tenant and the tenant’s renter
- Lessee's written statement identifying monthly payments due the tenant and tenant's affidavit as to net income realized

3.12 Household Asset Exclusions

Household assets do not include:

- NPP including clothing, furniture, cars, etc.
- Retirement accounts under IRS-recognized retirement plans (for example, IRA, employer retirement plans, and retirement plans for self-employed individuals)
    - Note that regular distributions or withdrawals from such accounts are treated as income.
- Real property without legal authority to sell
- Legal settlements from civil actions or settlement based on a claim of malpractice, negligence or other breach of duty owed to a family member, for an incident resulting in a disability

- Interests in Indian land trusts
- Coverdell or 529 education savings accounts, ABLE accounts, baby bond accounts
- Term life insurance policies
- Equity in a manufactured home where the family receives assistance under 24 C.F.R. 982 (Housing Choice Voucher)
- Equity in property under the Homeownership Option for which a family receives assistance under 24 C.F.R. 982
- Family Self-Sufficiency Accounts
- Federal tax refunds or refundable tax credits from the 12 months prior to the certification effective date (for example, Earned Income Tax Credits)
    - Note that HUD instructs owners to subtract the value of any tax return that a household has received in the last 12 months from total net assets. This may mean self-certification of assets is allowed if subtracting the refunds or refundable credits puts the total value of net assets below the amount HUD allows to be self-certified.
- Trust funds that are not revocable by, or under the control of, any family member as long as they continue to be held as such.
    - When a trust is in the control of a household it is an asset to the household, and income is counted as the trust generates it.
    - Distributions/withdrawals from the trust in the household's control are not counted as income. When a trust is NOT in the control of a household it is NOT an asset to the household.
    - Distributions received from the trust are income except for the following two exclusions: 1. Distributions from the principle or corpus of the trust; 2. Distributions that are made to pay for the health and medical expenses of a minor child.
- Assets that are part of an active business (not including rental of properties that are held as investment and not a main occupation)
- Assets that are not effectively owned by the applicant; that is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household, and that other person is responsible for income taxes incurred on income generated by the assets
- Assets not accessible to the applicant and provide no income to the applicant (for example, a battered spouse owns a house with her husband. Because of the domestic situation, she receives no income from the asset and cannot convert the asset to cash)

3.13 Assets Owned Jointly

For assets jointly owned by one or more individuals outside of the family, owners must include the total value of the asset in the calculation of net assets, unless the asset is otherwise excluded, or unless the applicant can demonstrate that the asset is inaccessible to them, or that they cannot dispose of any portion of the asset without the consent of another owner who refuses to comply. If the applicant

demonstrates that they can only access a portion of an asset, then only that portion's value shall be included in the calculation of net assets. Likewise, any income from a jointly owned asset must be included in annual income, unless that income is specifically excluded, or unless the applicant demonstrates that they do not have access to the income from that asset, or that they only have access to a portion of the income from that asset.

If an individual is a beneficiary who is entitled to access the account's funds only upon the death of the account's owner, and may not otherwise withdraw funds from an account, then the account is not an asset, and the individual should provide proper documentation demonstrating that they are only a beneficiary on the account.

3.14 Instructions for Valuing Assets

In computing assets, owners must use the cash value of the asset; that is, the amount the family or household would receive if the asset were converted to cash. Cash value is the market value of the asset minus reasonable costs that were or would be incurred in selling or converting the asset to cash. Expenses which may be deducted include:

- Penalties for withdrawing funds before maturity
- Broker/legal fees assessed to sell or convert the asset to cash
- Settlement costs for real estate transactions

For non-liquid assets, enough information should be collected to determine the current cash value: the net amount the family would receive if the asset were converted to cash.

Owners must count assets disposed of for less than fair market value during the two years preceding certification or recertification. The amount counted as an asset is the difference between the cash value and the amount received, if the difference is more than $1,000. If a tenant has sold their home (either a private residence or rental) or disposed of other assets within the past two years for less than fair market value, request:

- Copies of closing documents (HUD-1, settlement statement) showing the selling price, the distribution of the sales proceeds and the net amount to the tenant
- Divestiture of Assets Verification identifying the disposed-of asset, the cash value and amount actually received

Actual income from assets is always included in a family's annual income, regardless of the total value of net family assets, unless that income is specifically excluded by 24 C.F.R. 5.609(b).

Income or returns from assets are generally considered to be interest, dividend payments, and other actual income earned on the asset, and not the increase in market value of the asset. The increase in market value is relevant to the cash value of the asset for the purpose of determining total net family assets and imputing income.

When total net assets exceed the amount HUD allows to be self-certified (when HOTMA implementation guidance was released, this amount was $50,000), income from assets is no longer determined based on the greater of actual or imputed income from the assets. Instead, imputed asset income must be calculated for specific assets when three conditions are met:

1. The value of net family assets exceeds the amount HUD allows to be self-certified
2. The specific asset is included in net family assets
3. Actual asset income cannot be calculated for the specific asset

Imputed asset income is calculated by multiplying the net cash value of the asset, after deducting reasonable costs that would be incurred in disposing of the asset, by the current HUD-published passbook rate.

To properly calculate income from assets:

1. Review the list of assets provided by the applicant or resident.
2. Categorize assets as NPP, NNPP, and real property.
3. Exclude any NPP.
4. Determine the total value of NNPP.
    a. If the total value of all NNPP is less than the amount HUD allows to be self-certified, assign a $0 value to each asset, but calculate income, if any.
    b. If the total value of all NNPP exceeds the amount HUD allows to be self-certified, fully verify the assets, assign the net value of the asset and calculate actual or imputed income to each asset.
5. Add NNPP to any real property. If the total value exceeds the amount HUD allows to be self-certified, impute income for any assets that cannot otherwise have income determined.
6. Subtract any federal tax return or refundable tax credit the household received in the past 12 months (if an applicant anticipates a $500 federal tax refund but only receives $250, then only $250 will be excluded from net assets because that is the amount actually received. If the subtraction results in a negative number, then net family assets are considered $0.

Refer to the examples in Attachment F to HUD Notice 2023-10.

Owners should not conflate an asset with an actual return of $0, with an asset for which an actual return cannot be computed, such as could be the case for some non-financial assets. If the asset is a financial asset and there is no income generated (for example, a bank account with a 0% interest rate or a stock that does not issue dividends), then the asset generates zero actual asset income, and imputed income is not calculated. When a stock issues dividends in some years but not others (for example, due to market performance), the dividend is counted as the actual return when it is issued, and when no dividend is issued, the actual return is $0. When the stock never issues dividends, the actual return is consistently $0.

3.15 General Income Verification Requirements

The Sworn Statement of Income and Asset (or owner's application containing, at a minimum, the information on the Sworn Statement of Income and Asset) must be used as the basis for determining the necessary verifications.

Refer to Table J2 in HUD Notice 2023-10 for Verification Hierarchy and order of acceptability. Note that HUD's EIV system *cannot* be used for the HOME or NHTF programs.

Owners must follow up on any incomplete, inconsistent, or missing information with the verification source and document such follow-up in the resident file. A Phone Verification/Clarification Record form is recommended for this purpose. Verifications and follow-up records are considered supporting documentation to the TIC.

Reminder: Owners are not allowed to use information obtained through Enterprise Income Verification (EIV) for the HOME and NHTF Programs. EIV cannot be used to verify income, nor can it be in the HOME or NHTF portion of a tenant's file.

Acceptable Verification Descriptions and Guidance

Upfront Income Verification (UIV) (Level 6/5)

The verification of income before or during a family reexamination, through an independent source that systematically and uniformly maintains income information in computerized form for a number of individuals. HUD encourages owners to use tools such as The Work Number (an automated verification system) and state government databases to verify tenant-reported income.

Written, Third-Party Verification (Level 4)

An original or authentic document generated by a third-party source dated within six months of the date received by the owner. For fixed-income sources, a statement dated within the appropriate benefit year is acceptable documentation.

Such documentation may be in the possession of the tenant (or applicant) and is commonly referred to as tenant-provided documents. Owners may obtain any tenant-provided documents and follow up directly with the third-party source to obtain necessary verification of information, when necessary.

Examples of acceptable tenant-provided documentation (generated by a third-party source) include but are not limited to the following: pay stubs, payroll summary report, employer notice/letter of hire/termination, SSA benefit verification letter, bank statements, child support payment stubs, welfare benefit letters and/or printouts, and unemployment monetary benefit notices.

Owners are required to obtain a minimum of two months' worth of current and consecutive pay stubs for determining annual income from wages. If a family disagrees with the income calculation, owners

may request additional paystubs for a more accurate calculation. For new income sources or when a sufficient number of pay stubs are not available, use the verification hierarchy level 3, then level 2 if necessary, then level 1 if attempts to obtain level 3 and level 2 verifications are not successful (see definitions and documentation requirements, below).

Income tax returns with corresponding official tax forms and schedules attached and including third-party receipt of transmission for income tax return filed (that is, tax preparer's transmittal receipt, summary of transmittal from online source, etc.) are an acceptable form of written, third-party verification.

When verification of assets is required, owners are required to obtain a minimum of one statement that reflects the current balance of banking/financial accounts.

Written, Third-Party Verification Form (Level 3)

This type of verification uses forms specifically developed to collect information from a third-party source. Owners send the form directly to the third-party source by mail, fax, or email. The form is completed by the third party by hand (in writing or typeset) and returned to the owner.

Minnesota Housing provides sample verifications and other forms to assist owners with this method. The release of information (at the top of the form) must be completed and signed by the person who is the subject of the verification prior to sending the form to an employer or other source.

Oral Third-Party Verification (Level 2)

Independent verification of information by contacting the individual income/expense source(s), as identified through the UIV technique, or identified by the family, via telephone or in-person visit. Owner must document in the tenant file the date and time of the telephone call (or visit to the third party) and the name of the person contacted and their telephone number, along with the confirmed information.

This verification method is commonly used when the independent source does not respond to the owner's faxed, mailed, or e-mailed request for information in a reasonable time frame (for example, 10 business days).

Non-Third-Party Verification: Self-Certification (Level 1)

The tenant submits a signed statement of reported income and/or expenses to the owner. This verification method should be used as a last resort when obtaining information via all other required verification techniques is not successful and the tenant file must contain documentation of why third-party verification was not available.

The self-certification is not required to be notarized; however, the following language should be included on any self-certification to ensure the certifier understands the consequences of knowingly providing false information:

> *"I/We, the undersigned, certify under penalty of perjury that the information provided here is true and correct, to the best of my knowledge and recollection. WARNING: Anyone who knowingly submits a false claim or knowingly makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. 287, 1001, 1010, 1012; 31 U.S.C. 3279, 3802)"*

Self-Certification of Assets

Minnesota Housing allows self-certification of assets when the net value does not exceed the amount HUD allows to be self-certified (when HOTMA implementation guidance was released, this amount was $50,000).

Minnesota Housing's monitoring procedure do not permit an owner to rely on a low-income tenant's signed, sworn statement of annual income from assets if a reasonable person in the owner's position would conclude that the tenant's income is higher than the tenant's represented annual income. In this case, the owner must obtain other documentation of the low-income tenant's annual income from assets to satisfy the documentation requirement of third-party asset verification.

Optional Streamlined Income Determination for Fixed-Income Source

During the annual income recertification, owners may use a streamlined income determination to adjust a family's income according to the percentage of a family's unadjusted income that is from fixed income (refer to list of fixed income sources below) as follows:

- When 90% or more of a family's unadjusted income consists of fixed income, owners must apply a cost-of-living adjustment (COLA) to the family's fixed income sources, provided that the family certifies both that 90 % or more of their unadjusted income is fixed income and that their sources of fixed income have not changed from the previous year. Owners may accept a self-certification by the tenant to adjust income for non-fixed sources.
- When less than 90% of a family's unadjusted income consists of fixed income, owners must apply a COLA to each of the family's sources of fixed income. Owners must verify all non-fixed income sources using regular verification methods.

The following are fixed income sources eligible for the streamlined approach:

- Social Security, Supplemental Security Income, Supplemental Disability Insurance
- Federal, state, local or private pension plans

- Annuities or other retirement benefit programs, insurance policies, disability or death benefits, or other similar types of periodic receipts
- Any other source of income subject to adjustment by a verifiable COLA or current rate of interest (for example, Veteran's Administration (VA) Disability, TANF, federal pensions)

The current COLA or rate of interest specific to the fixed source of income must be used to adjust the income amount. Verification of the COLA or rate of interest must be obtained from a public source or through tenant-provided, third-party generated documentation and a copy must be placed in the tenant file. If no such verification is available, this streamlined process cannot be used and regular, third-party verification will be required.

This streamlined process can only be used for two years following regularly verified income and only for the sources described above. Every third year, third party verification must be obtained. Assets are not subject to streamlining and must be verified each year.

3.16 Determination of Income Using Other Means-Tested Public Assistance

Owners may determine a family's annual income, including income from assets, using income determinations from other means-tested public assistance (Safe Harbor). The following types of means-tested federal public assistance programs may be used:

- The Temporary Assistance for Needy Families block grant (42 U.S.C. 601, et seq.)
- Medicaid (42 U.S.C. 1396 et seq.)
- The Supplemental Nutrition Assistance Program (42 U.S.C. 2011 et seq.)
- The Earned Income Tax Credit (26 U.S.C. 32)
- The Special Supplemental Nutrition Program for Woman, Infants, and Children (42 U.S.C. 1786)
- Supplemental Security Income (42 U.S.C. 1381 et seq.)
- Other programs administered by the Secretary
- Other means-tested forms of federal public assistance for which HUD has established a memorandum of understanding
- Other federal benefit determinations made by other means-tested federal programs that the Secretary determines to have comparable reliability and announces through a Federal Register notice

If owner elects to use the annual income determination from one of the above-listed forms of means-tested federal public assistance, they must obtain the income information by means of a third-party verification. The third-party verification must state the family size, must be for the entire family (that is, the family members listed in the documentation must match the family's composition in the assisted unit, except for household members), and must state the amount of the family's annual income. The annual income need not be broken down by family member or income type. Annual income includes income earned from assets, therefore when using Safe Harbor to verify a family's

income, owners will neither further inquire about a family's net family assets, nor about the income earned from those assets. The Safe Harbor verification may be in the form of an award letter from the relevant federal program and must show that the family's income determination was made in the previous 12 months. HUD clarifies that the verification will be considered acceptable if the documentation meets the criteria that the income determination was made within the 12 months prior to the receipt of the verification by the owner.

The Safe Harbor documentation will be considered acceptable if any of the following dates fall into the 12-month period prior to the receipt of the documentation by the owner:

- Income determination effective date
- Program administrator's signature date
- Family's signature date
- Report effective date
- Other report-specific dates that verify the income determination date

The only information owners are permitted to use to determine income under this Safe Harbor is the total income determination made by the federal means-test program administrator. Other federal programs may provide additional information about income inclusions and exclusions in their award letters; however, these determinations and any other information must not be considered for purposes of the HOTMA Safe Harbor provision. Owners are not permitted to mix and match Safe Harbor income determinations and other income verifications.

If an owner does not accept Safe Harbor documentation, is unable to obtain Safe Harbor documentation, or if the family disputes the other program's income determination, the owner must calculate the family's annual income using regular verification methods.

If the owner uses a Safe Harbor to determine the family's income, this might mean that a certain source of income was not considered in the family's income, because the other program did not consider the source to be income. For example, if a family begins receiving a new source of income on February 1, 2026, and the owner completed a TIC effective March 1, 2026, using a Safe Harbor income determination, the new source of income would not be included. This aligns with the Section 8 program's Safe Harbor determination which would require the new source of income to be reported and included at the next income reexamination.

Minnesota Housing will also consider the gross income determination for project-based and tenant-based Section 8 and USDA Rural Development to be Safe Harbor income determinations for HOME and NHTF. A fully completed, signed and dated tenant income certification for those programs will satisfy all third-party verification requirements.

3.17 Effective Term of Verification

Verifications are valid for six months from the date of receipt by the owner. For fixed-income sources, a statement dated within the appropriate benefit year is acceptable documentation.

3.18 Date Stamp

All income, asset and eligibility verifications should be date-stamped as they are received. If verifications are not date stamped, Minnesota Housing may use the date the document was signed by the verification source or generated from the web to determine its age.

3.19 Electronic Signatures

Minnesota Housing will not fail a tenant file solely because it contains documents signed by electronic means as long as the owner has followed the guidance in HUD Notice 2020-10 . Applicants and tenants must still be given the option to use wet signatures on paper, if requested.

As part of the inspection of administrative records, compliance staff may review the owner's e-signature policy and procedures, if applicable, to determine whether the requirements of HUD Notice H 20-10 are being satisfied for the use of electronic signatures.

3.20 Adjusted Gross Income for Over Income Households – HOME Only

When determining eligibility to occupy a HOME unit, the household's gross income must always be considered. However, if a tenant goes over the income guidelines after move-in, the owner must raise the over-income household's rent as soon as the lease permits in accordance with the terms of the lease; refer to Chapter 2 (Maintaining the Unit Mix) of this document. In certain circumstances, the rent for an over-income household may need to be adjusted such that the tenant pays 30% of the tenant's monthly adjusted family income.

To determine adjusted income, refer to the deductions and allowances in Attachment C in HUD notice 2023-10. Note that these deductions and allowances are subject to annual inflationary adjustments. Visit HUD's Annual Inflationary Adjustments and Passbook Rate webpage for current rates.

3.21 Tenant Files

Owners must maintain a tenant file for each assisted unit. All permanent documents must be kept together so they are accessible at each compliance review (income certification and supporting documentation, lease/addendum, etc.). Annual recertification information (see list below) must be grouped together by year, with the most recent year placed on top of the documents for review.

The tenant files must contain the following:

- Minnesota Government Data Practices Act Statement (note that a data practices form for a housing tax credit suballocator or other funder will not be accepted)
- Sworn Statement of Income and Assets or equivalent form
- Tenant Income Certification (initial certification and annual recertifications) with acceptable verifications of income and assets for initial occupancy and every sixth year of the affordability period
- Certification of annual student eligibility for properties with HOME commitments on or after August 23, 2013
- Signed lease agreement, HOME/NHTF Form #22, Lease Addendum, HUD VAWA Lease Addendum, and Minnesota Housing's VAWA Attachment
- Lead-based paint acknowledgements (properties built pre-1978)

All move-out files must also contain the following:

- Written 30-day (or greater) notice to vacate (if not available – document in file)
- Move-out inspection report (both parties signed and dated)
- Security deposit refund (check number and date) or letter of intent to withhold security deposit within 14 days of move-out
- Itemized list of costs charged to tenant within 45 days

Tenant records, including income verifications, development rents, and unit inspections must be retained for the most recent five-year period, until five years after the period of affordability terminates.

Chapter 4 – Owner Reporting Requirements

The owner must maintain a report of all tenants residing in each unit at the time of written agreement through the end of the period of affordability and submit annual reports to Minnesota Housing in a form and manner requested by Minnesota Housing.

The items noted in section 4.01 (Annual Owner Certification) and 4.02 (Compliance Report) below are due to Minnesota Housing by February 15, or if this day falls on a holiday or weekend the next business day, of each year during the period of affordability. The owner certification and compliance report for the final year of the period of affordability will be due upon request by the assigned compliance officer.

4.01 Annual Owner Certification

Complete the Annual Owner Certification online in Minnesota Housing's Property Online Reporting Tool Annual Owner Certification Submission Site to certify compliance for the preceding calendar year. Follow data entry instructions in Chapter 4 of the PORT User Guide. It is not necessary to submit a hard copy certification form; however, owners must submit any required documentation (for example, copies of inspection reports and evidence of correction). If this information contains private information on tenants, submit via Minnesota Housing's Secure Upload Tool. If the information does not contain private information, it can be emailed directly to the assigned compliance officer. In either case, be sure to include the D number and property name with your submission.

4.02 Compliance Report

The Annual Owner Certification is supported by a report of unit events for all units in the property. Follow instructions in Chapter 3 of the PORT User Guide. All unit events must be reported annually for the full term of the effective period.

Minnesota Housing will annually monitor program compliance by reviewing annual owner certifications and analyzing compliance information submitted by the owner. Failure to submit the owner certification and/or update the Property Online Reporting Tool (PORT) on all units and their related activity by the due date will constitute noncompliance with the HOME or NHTF Programs and the related loan documents.

Chapter 5 – Compliance Inspections

The compliance inspection includes, but is not limited to, an inspection of at least 20% of the assisted units and tenant files (with a minimum of four units), a review of administrative records, and inspection of the physical condition of the property, including all common areas and mechanicals.

Minnesota Housing will notify the owner and manager by email when a compliance inspection is due. The owner or manager will be required to complete and submit a Pre-Inspection Form as part of the inspection. This form is used to answer questions regarding property characteristics and to identify the applicable administrative records such as UA source documentation, tenant selection plans, Affirmative Fair Housing Marketing Plans (AFHMP), fire, boiler and elevator certificates, etc. to be submitted or reviewed on-site. It is also used to identify other inspections that are due in the same year so that inspections can be coordinated, if possible.

Once the date and time of inspection has been agreed to, Minnesota Housing will send a confirmation email along with a list of units selected for review. If the file review and physical inspection are conducted separately, separate confirmation emails may be sent and separate unit lists may be used. At least 24 hours prior to the inspection date, the owner must notify all occupants of restricted units that their unit may be inspected, not just those identified on the unit list. A site representative must accompany the compliance officer during the inspection.

The property inspection and tenant file review may be conducted at the same time or may be conducted separately by different staff.

A compliance inspection will be conducted at least once every three years. Inspections may be conducted more frequently if Minnesota Housing determines it to be necessary based on concerns raised during a previous review or other information. The first compliance inspection will be conducted in conjunction with project completion.

5.01 Physical Inspections

The goal of the physical inspection is to ensure that the property and units are well maintained and in compliance with HUD's inspection standards.

Inspections will be conducted using HUD's NSPIRE, which focuses on inside the building, outside the building, and within the units to ensure that they are, "functionally adequate, operable, and free of health and safety hazards." HOME and NHTF properties are not subject to NSPIRE's scoring protocol. However, noncompliance with any of the NSPIRE inspection standards is considered noncompliance for HOME and NHTF.

Refer to section 1.13 (Property Standards) of this document and HUD's National Standards for the Physical Inspection of Real Estate webpage for details regarding NSPIRE.

Owners should conduct routine property inspections and perform any needed maintenance to ensure that the property continually complies with all applicable codes and NSPIRE standards.

5.02 Review of Tenant Files and Property Records

As part of the inspection, Minnesota Housing staff will review tenant income certifications and all supporting documentation, leases, tenant ledgers and other information for selected units.

Minnesota Housing staff will also review the following property information:

- Utility allowances and supporting documentation
- Current written tenant selection plan, occupancy policy and/or house rules
- Current lease and lease addenda
- Affirmative Fair Housing Marketing Plan, unless otherwise reviewed by HUD or other Minnesota Housing staff
- Marketing and advertising
- Fire alarm, boiler, elevator, call-for-aid, and fire extinguisher certificates
- Where applicable, ongoing lead-based paint maintenance records

5.03 Review of Ongoing Lead-Based Paint Maintenance (24 C.F.R. 35.1355)

All borrowers with properties built before 1978 that have not been verified as lead free by a lead inspection must institute ongoing maintenance of painted surfaces and safe work practices as part of regular building operations. This includes a visual inspection of lead-based paint annually and at unit turnover, repair of all unstable paint, and repair of encapsulated or enclosed areas that are damaged.

Ongoing Maintenance Records

Borrowers must keep ongoing maintenance records and records of relevant building operations for use during reevaluations.

Borrowers and their maintenance personnel must be trained in ongoing lead-based paint maintenance or must contract with a qualified individual or company to perform ongoing maintenance. Ongoing maintenance of lead-based paint must be conducted only by individuals who have completed a HUD-approved course on lead safe work practices, are licensed lead workers or lead supervisors, or are working under the direction of a licensed lead supervisor.

Chapter 6 – Correction and Consequences of Noncompliance

6.01 Notice to Owner

Minnesota Housing will provide prompt notice via email to the owner if Minnesota Housing does not receive the annual owner certification and income and occupancy report by the required due date; or does not receive or is not permitted to inspect the tenant income certifications, supporting documentation, and rent records; or discovers by inspection, review, or in some other manner, that the property is not in compliance with the requirements of the respective program, or with the property's loan documents, including the Declaration.

6.02 Correction Period

The owner will be given a correction period to be established by Minnesota Housing and set forth in a Notice of Noncompliance sent via email to the owner with instructions on how to respond to the notice. Minnesota Housing may extend the correction period, but only if Minnesota Housing determines there is good cause for granting the extension. Requests for an extension must be in writing from the owner (email is acceptable), must be received by Minnesota Housing no later than the last day of the correction period identified on the Notice of Noncompliance, and must include each of the following:

- A description of efforts to make corrections within the correction period
- A plan to correct all remaining violations
- A timeline for when corrections are expected to be made

If the owner fails to respond or fails to supply evidence that all violations have been corrected within the correction period, Minnesota Housing will issue a second notice with a 10-day correction period. If the owner fails to respond or fails to supply evidence that any remaining violations have been corrected within this 10-day period, the owner will be given a notice of failure to comply with a final 10-day correction period. If the owner still fails to respond or fails to supply evidence that all remaining violations have been corrected, Minnesota Housing may consider the loan in default and consult with the Minnesota Attorney General's Office for legal action. Minnesota Housing reserves the right to modify this process, at its sole discretion.

6.03 Owner's Response

Minnesota Housing will review the owner's response and evidence of correction to determine whether the noncompliance has been clarified, corrected or whether the owner remains out of compliance and will update the status of the violation in PORT accordingly.

Clarified noncompliance is, for example, where income eligibility was not properly documented and the inspector initially could not make a reasonable determination that the unit is in compliance but the

owner conducts a retroactive (re)certification that completely and clearly documents the sources of income and assets that were in place at the time the certification should have been effective, and applies income and rent limits that were in effect on that date. If documentation is complete and it supports that the household was eligible as of the effective date, the file is considered clarified.

Corrected noncompliance is when a violation is observed, there is a period of time during which the unit is out of compliance, but the unit is brought back into compliance. For example, a late certification or recertification is out of compliance on the certification due date, and back in compliance as of the date the last tenant signs the Tenant Income Certification.

Uncorrected noncompliance is a violation that is not corrected or clarified by the end of the correction period.

Failure to correct all noncompliance issues could result in extension of the end of the effective period, acceleration of the loan, or other legal remedies, and failure to correct all noncompliance issues may also affect the owner's eligibility for future financing from Minnesota Housing under any or all of its programs.

Minnesota Housing reserves the right to conduct a follow-up inspection if documentation is not sufficient to confirm that all life-threatening violations and any other hazardous deficiencies have been corrected.

Chapter 7 – Loan Modification and Requests for Action

7.01 Sale or Transfer, Event of Default

Repayment of the loan may be required upon sale or transfer of the property without the prior consent of Minnesota Housing or in the event of default. Requests for refinance of the existing debt or partial release of mortgage will be considered and are subject to the terms and conditions of the program as set forth in the loan documents.

The affordability requirements apply for the full period of affordability without regard to the term of any loan or mortgage, repayment of the loan, or the transfer of ownership.

7.02 Modifications and Other Servicing Requests

The Request for Action process is used for all servicing requests, including ownership/management company changes, subordinations, payoffs, and other requests.

1. An RFA Form must be completed for all requests.
2. Upon receipt of your complete RFA form, Minnesota Housing will send you:
    a. A letter acknowledging your request, to be signed by the owner
    b. A list of required due diligence items
3. Minnesota Housing's loan processor and underwriting staff will review submitted materials and present them to the appropriate committees for approval. The average timeline for a decision is *30-90 business days* from Minnesota Housing's receipt of all required documentation. This timeline may be extended depending on the nature of the request or the completeness of the documentation.
4. We will notify you in writing of the final decision and provide you with next steps. Your file is then transferred to our legal team, where a timeline for closing will be determined and additional documentation is often required.

The decision of whether to partially release or to subordinate a mortgage is at the sole discretion of Minnesota Housing. If Minnesota Housing allows the subordination of its mortgage, the Declaration shall remain in a priority position.

Minnesota Housing will not consider a request for action within the first year after development completion. Exceptions to this may be the death of the owner or an incorrect legal description encumbering unimproved property.

Chapter 8 – Financial Oversight

Properties with HOME funds committed on or after July 2014 and all NHTF properties are required to have financial oversight by Minnesota Housing. Owners must submit annual budgets, operating data, audited financial statements, and annual updated Physical Needs Assessment (PNA) data for review by the assigned asset manager.

Questions regarding financial oversight should be directed to Minnesota Housing's Asset Management team at mhfa.am@state.mn.us.

Appendix A – Legal Addendum

1.01 Conflict and Control

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

1.02 Fraud

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

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

1.03 Misuse of Funds

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

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

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

1.04 Conflict of Interest

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

- **Actual Conflict of Interest:** An Actual Conflict of Interest occurs when a person's decision or action would compromise a duty to a party without taking immediate appropriate action to eliminate the conflict.
- **Potential Conflict of Interest:** A Potential Conflict of Interest may exist if a person has a relationship, affiliation or other interest that could create an inappropriate influence if the person is called on to make a decision or recommendation that would affect one or more of those relationships, affiliations or interests.
- **Appearance of a Conflict of Interest:** An Appearance of a Conflict of Interest means any situation that would cause a reasonable person, with knowledge of the relevant facts, to question whether another person's personal interest, affiliation or relationship inappropriately influenced that person's action, even though there may be no Actual Conflict of Interest.

A conflict of interest includes any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a Partner, Family Member, Relative, Friend, Business or other Outside Interest with which they are involved. Such terms are defined below.

- **Business:** Any company, corporation, partnership, proprietorship, firm, enterprise, franchise, association, organization, self-employed individual or any other legal entity which engages either in nonprofit or profit-making activities.
- **Family Member:** A person's current and former spouse; children, parents, and siblings; current and former children-in-law, parents-in-law, and siblings-in-law; current and former stepchildren and stepparents; grandchildren and grandparents; and members of the person's household.
- **Friend:** A person with whom the individual has an ongoing personal social relationship. "Friend" does not generally include a person with whom the relationship is primarily professional or primarily based on the person being a current or former colleague. "Friend" does not include mere acquaintances (that is, interactions are coincidental or relatively superficial). Social media friendships, connections, or links, by themselves, do not constitute friendship.
- **Outside Interest:** An Outside Interest may occur when an individual, their Family Member or their Partner has a connection to an organization via employment (current or prospective), has a financial interest or is an active participant.
- **Partner:** A person's romantic and domestic partners and outside Business partners.
- **Relative:** Uncle or aunt; first or second cousin; godparent; godchild; other person related by blood, marriage or legal action with whom the individual has a close personal relationship.

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

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

- Terminating the contracting party's participation

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

1.04.1 Federal Conflict of Interest Requirements

State and federal conflict of interest requirements differ, and Minnesota Housing business partners must comply with all requirements.

Minnesota Housing administers various programs using federal funds. Minnesota Housing requires that each of its external business partners (for example, administrators, borrowers, contractors, grantees or subrecipients) complies with all applicable federal conflict of interest standards. Specifically, no external business partner's employee, agent or consultant may participate in the selection, award or administration of a contract supported by a federal award if they have a real or apparent conflict of interest. Such a conflict of interest would arise when the business partner's employee, agent, consultant or any member of their immediate family, their partners, or an organization which employs or is about to employ any of these parties, has a financial or other interest in, or obtains a tangible personal benefit from, a firm considered for a contract. External business partner's employees, agents and consultants may neither solicit nor accept gratuities, favors or anything of monetary value from contractors or parties to subcontracts supported by a federal award. Minnesota Housing will not consider it a violation of this policy if the external business partner's employee, agent or consultant receives an unsolicited item of nominal value.

In addition, no external business's partner employees, agents or consultants "who exercise or have exercised any functions or responsibilities with respect to activities assisted with" funds from HOME Investment Partnerships (HOME), HOME American Rescue Plan (HOME ARP), Housing Opportunities for Persons with AIDS (HOPWA) or National Housing Trust Fund (NHTF) "or who are in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or financial benefit from" a HOME, HOME ARP, HOPWA or NHTF-assisted activity "or have a financial interest in any contract, subcontract, or agreement with respect to the" HOME, HOME ARP, HOPWA or NHTF-assisted activity "or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including a stepparent), child (including a stepchild), brother, sister (including a

stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person."[1] Violation of federal conflict of interest requirements by business partners, agents or consultants will result in appropriate actions by Minnesota Housing, including the potential termination of the relationship and additional contractual or other remedies. Violation of federal conflict of interest requirements may need to be reported to the federal government in appropriate circumstances.

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

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

1.05 Assistance to Employees and Affiliated Parties

Any party entering into a contract with Minnesota Housing for the purpose of receiving an award or benefit in the form of a loan, grant, combination of loan and grant or other funding is restricted in issuing a loan, grant, combination of loan and grant or other funding to a recipient ("Affiliated Assistance") who is also: (1) a director, officer, agent, consultant, employee or Family Member of an employee of the contracting party; (2) an elected or appointed official of the state of Minnesota; or (3) an employee of Minnesota Housing, unless each of the following provisions are met:

- The recipient meets all eligibility criteria for the program;
- The assistance does not result in a violation of the contracting party's internal conflict of interest policy, if applicable;
- The assistance does not result in a conflict of interest as outlined in section 1.04 of this Addendum;
- The assistance is awarded utilizing the same costs, terms and conditions as compared to a similarly situated unaffiliated recipient and the recipient receives no special consideration or access as compared to a similarly situated unaffiliated recipient; and
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and independent of any Family Member of the recipient. Family Member is defined in section 1.04 of this Addendum.

[1] See generally, HOME: 24 C.F.R. 92.356; including any revisions by the Appendix to the HOME-ARP Notice as amended; HOPWA: 24 C.F.R. 574.625; NHTF: 24 C.F.R. 93.353. In limited circumstances, a conflict of interest could be waived via an exception request, in writing. For further information, see federal regulations at: HOME: 24 C.F.R. 92.356; HOPWA: 24 C.F.R. 574.625; NHTF: 24 C.F.R. 93.353.

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

1.06 Suspension

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

1.07 Disclosure and Reporting

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

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

1.08 Electronic Signatures

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

1.09 Fair Housing Policy

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

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

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

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

Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish

design and construction mandates for covered multifamily dwellings and requires those in the business of buying and selling dwellings to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

Under certain circumstances, applicants will be required to submit an Affirmative Fair Housing Marketing Plan at the time of application, to update the plan regularly and to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions.

As a condition of funding through Minnesota Housing, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a Housing Choice Voucher or other form of tenant-based rental assistance.

1.10 Minnesota Government Data Practices

Minnesota Housing, and any party entering into a contract with Minnesota Housing, must comply with the Minnesota Government Data Practices Act, Minnesota Statutes, Chapter 13, as it applies to all data provided by Minnesota Housing under the contract, and as it applies to all data created, collected, received, stored, used, maintained or disseminated by the contracting party under the contract. The civil remedies of Minnesota Statutes, section 13.08 apply to the release of the data referred to in this section by either the contracting party or Minnesota Housing. If the contracting party receives a request to release the data referred to in this section, the contracting party must notify Minnesota Housing. Minnesota Housing will give the contracting party instructions concerning the release of the data to the requesting party before the data is released. The contracting party's response to the request shall comply with applicable law.

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Item: Approval, 2027 Minnesota Housing Board Meeting Schedule

Consent Item: 6.E
Date: 11/19/2026
Staff Contacts: Rachel Franco, rachel.franco@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff requests the approval of the 2027 meeting schedule. Committee and special meetings will be scheduled as needed and in consultation with board members.

Fiscal Impact

None.

Agency Priorities

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

Attachments

- Meeting Schedule

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

2027 Schedule of Minnesota Housing Board Meetings

January 28

February 25

March 25

April 22

May 27

June 24

July 22

August 26

September 23

October 28

November 18 *(one week early due to Thanksgiving Holiday)*

December 16 *(one week early due to Christmas Holiday)*

Item: Commitment, Bridge Loan — Albert Lea Family Housing, D8586, Albert Lea

Action Item: 7.A
Date: 11/19/2026
Staff Contacts: Sarah Foley, 651.539.9886, sarah.foley@state.mn.us
Request Type: Approval, Resolution

Request Summary:

At the December 19, 2024, meeting, the Minnesota Housing board selected the proposed development for financing with a Bridge Loan (BL) in the amount of up to $11,025,000 in Resolution MHFA No. 24-083. Agency staff completed the underwriting and technical review of the proposed development and recommends:

1. Adoption of a resolution authorizing the issuance of a BL commitment not to exceed $6,900,000.

Fiscal Impact:

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

Agency Priorities:

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

Attachments:

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

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information				
Development Name	Albert Lea Family Housing		D#8586	M#19646
Address	105 Garfield Ave.			
City	Albert Lea	County	Freeborn	
Date of Selection	December 19, 2024	Region	Southeast	

A. Project Description and Population Served

- The development is the new construction of 60 units in a three-story building with units ranging from one to four bedrooms.
- The development will provide general occupancy, workforce and permanent supportive housing for High Priority Homelessness (HPH) and Persons with Disabilities (PWD) households.
- The development will serve households with incomes that range from 30% to 50% Multifamily Tax Subsidy Projects (MTSP).
- Seven units will serve HPH for Single Adults and seven units will serve PWD households. Eighteen units will be deeply affordable to households at 30% MTSP, 14 of which will benefit from Housing Support income supplement.
- In addition to the Agency loans discussed below, the project includes 4% federal Low-Income Housing Tax Credits (HTCs) from Minnesota Housing.
- The project is anticipated to begin construction fall 2026 and is anticipated to open for residents in spring 2028.

B. Mortgagor Information

Ownership Entity:	Albert Lea Family Housing, LP
Sponsor:	Albert Lea Family Housing LLC
General Partner:	Albert Lea Family Housing LLC
Guarantor:	Julie Blum, Christopher Blum and Thomas LaSalle

C. Development Team Capacity Review

The sponsor, Albert Lea Family Housing LLC, appears to have the experience and capacity to complete the project. The developer LaSalle Development Group, Ltd. and processing agent Landon Group, LLC also bolster the team's capacity.

The property manager, Tapestry Management, LLC appears to have the capacity to manage this development.

The service provider, Comfort Health, is experienced in serving HPH/PWD residents and appears to have the capacity to serve this development.

Kaas Wilson National PC is the architect and Greiner Construction, Inc. is the general contractor and both appear to have the capacity to effectively design and construct the project.

The project sponsor, architect, general contractor all represent Black-, Indigenous-, and People of Color-owned or Women-owned Business Enterprise (BIPOCBE/WBE).

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction /End Loan
Bridge	BL	TEB*	$6,900,000	Bond Rate + 1.0%	NA	Approx. 24 months	n/a	Construction

*Tax-exempt volume limited bonds.

- The tax-exempt volume limited bonds are sized at approximately 30% of aggregate costs to qualify the development for 4% HTCs.

The development was also selected for deferred funding up to $4,500,000 under the HOME program and $10,617,000 under the Housing Infrastructure (HI) program under Resolution MHFA No. 24-082. There are no changes to the HOME loan amount and the loan is not subject to additional board action. The $10,617,000 HI loan amount was previously increased by $299,000 to $10,916,000 under Board Delegation No. 005. The HOME and HI loan commitments were previously extended to August 18, 2027, under Board Delegation No. 009.

Amortizing Mortgage Loan to Cost: NA **Amortizing Mortgage Loan to Value:** NA

E. Significant Changes Since Date of Selection

- The project was selected in the 2024 Multifamily Consolidated RFP/2025 Housing Tax Credits Round 1, and its financing can now qualify under the 25% bond test instead of the 50% test, which conserves Agency volume cap and significantly reduces interest costs and bond fees. Current underwriting shows that the tax-exempt volume-limited bonds are sized at roughly $4.125 million less than they were at the time of selection.
- The general partner was originally comprised of Julie Blum (51%) and Christopher Blum (49%). Thomas LaSalle and RCIL Albert Lea LLC (an LLC formed by Rochester Barrier Free Housing Corporation) were added as members. The new composition of the general partner is now: Julie Blum (51%), Christopher Blum (1%), Thomas LaSalle (47%), and RCIL Albert Lea LLC (1%). This holds Julie Blum's 51% interest, which maintains the Women-owned Business Enterprise points awarded. Thomas LaSalle was added for added financial strength, and RCIL Albert Lea LLC was added so that funds from the City, County and Housing and Redevelopment Authority could be structured as equity instead of loans to mitigate investor concerns around the true debt test.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	$ 390,000	$ 6,500
Construction Costs	$ 18,004,760	$ 300,079
Environmental Abatement	$ 236,010	$ 3,933
Professional Fees	$ 1,190,517	$ 19,842
Developer Fee	$ 2,874,284	$ 47,905
Financing Costs	$ 1,157,640	$ 19,294
Total Mortgageable Costs	$ 23,853,210	$ 397,553
Reserves	$ 843,381	$ 14,056
Total Development Cost	**$ 24,696,591**	**$ 411,610**

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

B. Permanent Capital Sources

Description	Amount	Per Unit
HTC Equity Proceeds (Cinnaire)	$ 6,644,119	$ 110,735
Agency Deferred Funding (HIA)	$ 10,916,000	$ 181,933
Agency Deferred Funding (HOME)	$ 4,500,000	$ 75,000

Description	Amount	Per Unit
RCIL Contribution	$ 2,088,052	$ 34,801
Deferred Developer Fee	$ 513,920	$ 8,565
Rebates	$ 34,500	$ 575
Total Permanent Financing	**$ 24,696,591**	**$ 411,610**

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

C. Financing Structure

- The development will qualify for approximately $871,447 of annual, 4% HTCs, which will result in $6,644,119 equity proceeds from Cinnaire. The term of the Land Use Restrictive Agreement will be 50 years.

D. Cost Reasonableness

The predictive cost model is a tool that Minnesota Housing uses to identify, from a statistical perspective, proposed rental developments with unusually high costs. The model predicts the costs of a proposed development based on building characteristics and cost data from developments that the Agency has previously financed or to which it has issued tax credits and is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 51% to 73% of the variation in historical costs, it cannot capture all components of every proposed project.

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

Currently, the TDC per unit is $411,610, which exceeds the predictive cost model estimate of $372,039 by 10%. Because the percentage is within the predictive cost model threshold of 25% for new construction developments as permitted in Board Policy No.15, no further action is required.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (%, of MTSP or AMI)	Rental Assistance Source
1 BR	10	$ 1,071	50% MTSP	30% MTSP	Housing Support
1 BR	2	$ 613	50% MTSP	30% MTSP	Housing Support
2 BR	24	$ 958	50% MTSP	50% MTSP	
2 BR	4	$ 517	30% MTSP	30% MTSP	
2 BR	2	$ 927	50% MTSP	30% MTSP	Housing Support
3 BR	12	$ 1,105	50% MTSP	50% MTSP	
4 BR	6	$ 1,229	50% MTSP	50% MTSP	

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

B. Feasibility Summary

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

- The project maintains positive cash flow for 15 years.
- The project was underwritten at 7% vacancy, with 2% income and 3% expense inflators.
- Fourteen units have Housing Support income supplement, and contacts are anticipated to be renewed annually.

Map of 105 Garfield Ave, Albert Lea, MN 56007



Picture of 105 Garfield Ave, Albert Lea, MN 56007

SUBJECT PROPERTY PHOTOGRAPHS



Westerly view of subject as seen from Garfield Ave



Westerly view of subject as seen from Garfield Ave



Easterly view from subject's interior



Northerly view down Garfield Ave

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

RESOLUTION NO. MHFA 26-xxx

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
BRIDGE LOAN (BL) PROGRAM

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

Name of Development:	Albert Lea Family Housing
Sponsors:	Albert Lea Family Housing LLC
Guarantors:	Julie Blum, Christopher Blum and Thomas LaSalle
Location of Development:	Albert Lea
Number of Units:	48
Amount of BL (not to exceed)	$6,900,000

WHEREAS, the Minnesota Housing Finance Agency board approved the proposed development for financing under the Bridge Loan program in the amount of up to $11,025,000 in Resolution No. MHFA 24-083; and

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

WHEREAS, Agency staff has determined that such applicant is an eligible sponsor under the Agency's rules; and that the construction of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the board hereby authorizes Agency staff to issue a commitment to provide a construction loan to the sponsor or an affiliate thereof from the proceeds of Rental Housing Bonds for the Bridge Loan (if authorized by the board), in an amount up to $6,900,000 for the indicated development, upon the following terms and conditions:

1. This authorization shall expire on April 30, 2027; and
2. The BL transaction will be financed with the proceeds of tax-exempt Rental Housing Bonds of the Agency, and the commitment is subject to the ability of the Agency to sell bonds on terms and conditions, and in a time and manner, acceptable to the Agency; and

3. The amount of the BL shall not exceed $6,900,000; and

4. The interest rate on the BL will be based on the interest rate on the Rental Housing Bonds issued to finance the BL plus 1.00%, interest will be payable monthly, and the principal will be due in a balloon payment no more than 24 months after closing; and

5. The BL commitment shall be entered into on or before April 30, 2027, and shall have a six-month term; and

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

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

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

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

Adopted this 19th day of November 2026

_____

CHAIR

October 30, 2026

Albert Lea Family Housing, LP
Jules Michel Blum
2001 Killebrew Drive, Suite 100
Minneapolis, MN 55425

RE: Term Letter
Albert Lea Family Housing, Albert Lea
Development D8586, Project M19646

Dear Jules M. Blum:

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

Borrower:	A single asset entity: Albert Lea Family Housing, LP
General Partner:	Albert Lea Family Housing LLC
Development Description/Purpose:	New construction of a 60-unit affordable housing development located in Albert Lea, Minnesota

Program	Bridge Loan / Tax-exempt Bond Funded*	Housing Infrastructure Appropriation (HIA)	HOME Investment Partnerships Program (HOME)
Loan Amount	$6,900,000	$10,916,000	$4,500,000
Interest Rate	Bond financing rate plus 1.0%	0%	0%
Mortgage Insurance Premium (%)	Not Applicable	Not Applicable	Not Applicable
Term	Approximately 24 months	Approx. 24 months (construction) + 40 years	Approx. 24 months (construction) + 40 years
Amortization / Repayment	Interest only during term based on the full amount of the loan	Annual payment that is equal to 20% of the amount by which Eligible Cash (as defined in the Note) exceeds $50,000; with remaining balance due in lump sum payment in 40 years (+ 24 month construction period).	Deferred lump sum payment due in approx. 24 months (construction) + 40 years.
Prepayment Provision	No prepayment earlier than six months prior to Bond Maturity.	Prepay at any time with prior written approval without penalty.	Prepay at any time with prior written approval without penalty.
Nonrecourse or Recourse	Recourse	Nonrecourse	Nonrecourse
Construction to Permanent Loan, Construction Bridge Loan or End Loan	Construction Bridge Loan	Construction to Permanent Loan	Construction to Permanent Loan
Lien Priority	First	First (2^{nd} during construction period)	Second (3^{rd} during construction period)

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

Origination Fees:	• Bond-funded Bridge Loan: $34,500 • HI Loan: Not applicable (payable at the earlier of loan commitment or loan closing)
Bond Issuance Fee:	$151,750 (payable at loan closing)
LMIR Interest Rate Extension Fee:	Not applicable.
Construction Oversight Fee:	$75,000 (payable at loan closing)
End Loan Commitment:	Not applicable.
Guarantee / Guarantor(s):	Bridge Loan: Completion, Repayment and Operations Guarantee from individuals Julie Michel Blum, Christopher R. Blum and Thomas W. LaSalle.
Operating Deficit Escrow Reserve Account:	Not applicable.
Operating Cost Reserve Account:	Capitalized operating reserve required by the syndicator will not be held by Minnesota Housing.
Replacement Reserve Cost Account:	Monthly deposits will be required in the amount of $2,250. The account will be held by Minnesota Housing.
Escrows:	Real estate tax escrow and property insurance escrow to be established after completion of construction (outside of the development budget) and will be held by Minnesota Housing.
Collateral/Security:	Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.
Rent and Income Requirements:	<u>Housing Infrastructure:</u> • 27 units with incomes not exceeding 80% MTSP and rents at 50% MTSP.

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

HOME:

- 16 units at Low HOME rents as published by United States Department of Housing and Urban Development (HUD) for the HOME Program; with Very Low Income Limits (50% Area Median Income), as published by HUD for the HOME Program.
- 20 years of compliance are required under the HOME program.

HAP or Other Subsidy Agreement: Commitment to construction period plus 15 years of affordability from the date of loan closing under the Housing Support Program for 14 units.

Other Occupancy Requirements:

- Not applicable.

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

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

Expiration Date: This term letter will expire on the earlier of April 30, 2027, or loan closing.

Additional Terms: Not applicable.

Other Conditions: Not applicable.

Board Approval: Commitment of the Bridge Loan is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.

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

additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return to Term Letter in the Pre-Construction Checklist in Portal on or before 10 business days from date of this letter.

If you have any questions related to this letter, please contact Sarah Foley at (651) 539-9886 or by email at sarah.foley@state.mn.us.

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

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

ALBERT LEA FAMILY HOUSING, LP

By: _____

Jules M. Blum

Date Accepted: 10/31/26

Minnesota Housing
400 Wabasha St. N
Suite 400
St. Paul, MN 55102

February 6, 2025

Jules Michael Blum
Albert Lea Family Housing LLC
Rochester, MN 55902
822 8th Ave SW

Re: **Multifamily Consolidated Request for Proposals**
D8586 M19646 Albert Lea Family Housing - Deferred Loan with 4% Housing Tax Credits Proposal
Project Type: Workforce Housing

Dear Jules Michael Blum:

Thank you for all the work you do to create housing that is affordable for Minnesotans. As indicated in Minnesota Housing's letter dated December 20, 2024, your proposal met the initial criteria for selection, and we look forward to working with you on further developing the project. This letter provides additional detail on specific requirements of the selection including rent, income, and occupancy restrictions, financing structure requirements, and any conditions of financing, if applicable. In addition, the attached Selection Criteria identifies those commitments made in the Self-Scoring Worksheet. These items will be included in the loan and housing tax credit (HTC) documents and monitored by Minnesota Housing.

This letter is not a commitment by Minnesota Housing to provide financing or a reservation of HTCs. When an application is selected for funding, the proposed project and financing structure may still require modifications to meet Minnesota Housing requirements and any conditions of approval. Potential modifications may relate, but are not limited, to such factors as management and operating numbers, underwriting, and design requirements. If a project cannot meet funding requirements and conditions, a funding selection approval may be withdrawn.

The amounts listed are subject to change based upon a thorough underwriting and due diligence analysis and are subject to the availability of resources.

Funding Under Consideration

Program	Amount	Term	Interest Rate
Bridge Loan (TEB)	$11,025,000	2 years	4.625% est.
HOME MF	$4,500,000	30 years	0%
Hsg Infrastructure Aprp 50 Per	$10,617,000	30 years	0%

Rent and Income Restrictions:

HOME

- 4 units at Low HOME rents, as published by United States Department of Housing and Urban Development (HUD) for the HOME program; with Very Low Income limits (50% Area Median Income, as published by HUD for the HOME program);
- 13 units at High HOME rents, as published by HUD for the HOME program; with Low Income Limits (80% Area Median Income as published by HUD for the HOME program).
- Note that the number of units is based on a preliminary analysis is subject to change during underwriting.
- 20 years of compliance is required under the HOME program.

Housing Infrastructure (HI) Loan

- 60 units with incomes not exceeding 60% MTSP and rents at 60% MTSP. Notwithstanding these restrictions, in no case may the initial income exceed 80% of the greater of state or area median income as determined by HUD, and the rents may not exceed the Affordable to the Local Workforce rent limits, as published by Minnesota Housing.
- 46 units will be further restricted with rents affordable to households with incomes at or below 50% of the area median income for the applicable county or metropolitan area as published by the United States Department of Housing and Urban Development (HUD), as adjusted for household size.

Financing Structure:

Bridge Loan (funded by Tax-Exempt Volume Limited Bonds)

- The Bridge Loan is required to be in a first lien position.
- The Bridge Loan will generally have a 24-month term and be sized in increments of $5,000.
- Interest rates are based on market rates for the bonds at the time of the sale of the bonds, plus a 1.0% spread.
- In addition to LMIR Program requirements, the loan will be subject to all bond requirements under Minn. Stat. § 474A.047.
- Minnesota Housing will not issue bonds in a principal amount greater than 53% of the aggregate basis of the building and land.
- It is a condition of funding that Minnesota Housing is able to issue and sell its tax-exempt bonds on terms and conditions, and in a time and manner acceptable to Minnesota Housing.

- The development must comply with Internal Revenue Code Section 42 requirements and the Qualified Allocation Plan (QAP) that is in effect for the calendar year in which the tax-exempt volume limited bonds are issued in an amount sufficient to finance at least 50% of the aggregate basis of the building and land. The proposed development was scored and selected based on the 2024-2025 QAP.

For HOME

- The number of units is estimated only and is subject to change during underwriting. The actual number of restricted units will be determined in conjunction with final Mortgage Credit Committee approval and will be documented in the Term Letter.

Housing Infrastructure (HI) Loan

- The eligible use under the HI loan is:
  - Rent Restricted General Occupancy
    - The number of units is estimated only and is subject to change during underwriting. The actual number of restricted units will be determined in conjunction with final Mortgage Credit Committee approval and will be documented in the Term Letter.
- The HI loan will be repayable at the end of 30 years.

For all deferred loans

- The issuance of a mortgage loan commitment and the closing of the loans must occur no later than August 19, 2026; but if a development elects an End Loan Commitment, the End Loan Commitment must occur no later than August 19, 2026, and construction of the development must be completed within 18 months from the date of the End Loan Commitment.

State Prevailing Wage:

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

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

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

Tenant Selection Plan:
Minnesota Housing's updated Tenant Selection Plan Guidelines requires all properties financed with applicable Minnesota Housing program and funding sources to have a Tenant Selection Plan (TSP). Based on the type of financing and the population served, requirements and implementation timelines will differ. A list of applicable program and funding sources, TSP best practices and requirements, as well as training and implementation resources can be found on Minnesota Housing's TSP website at: https://www.mnhousing.gov/sites/multifamily/tenantselectionplan.

In addition to the requirements identified above and, in the attached Selection Criteria, Minnesota Housing staff will convey additional issues to be addressed through the underwriting process at the project launch meeting. Minnesota Housing will also communicate regularly regarding any additional issues that arise as a result of the underwriting and due diligence analysis. Resolution of all issues to the satisfaction of Minnesota Housing, in its sole discretion, is a condition of selection and funding.

If you have any questions regarding the contents of this letter, please reach out to your assigned Underwriter, Tom Anderson at tom.a.anderson@state.mn.us.

Our vision at Minnesota Housing is that all Minnesotans live and thrive in a stable, safe home they can afford in the community of their choice. Thank you for helping to advance this vision. We look forward to working with you on this project!

Sincerely,



James Lehnhoff
Assistant Commissioner, Multifamily

Enclosure(s)

Project Name: Albert Lea Family Housing

Project City: Albert Lea

Property Number (D#): D8586

Project Number: M19646

Deeper Rent Targeting A

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

Loan/HTC Commitment and Compliance Monitoring

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

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

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

Deeper Rent Targeting B

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

Loan/HTC Commitment and Compliance Monitoring

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

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

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

Large Family Housing

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
75% two or more bedrooms and 1/3 of the 75% contain three or more bedrooms	12	75% two or more bedrooms and 1/3 of the 75% contain three or more bedrooms	12	30 2 Bedrooms Units 12 3 Bedrooms Units 6 4 Bedrooms Units 0 5 Bedrooms Units 0 6 Bedrooms

Loan/HTC Commitment and Compliance Monitoring

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

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

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

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

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

Loan/HTC Commitment and Compliance Monitoring

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

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

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

Permanent Supportive Housing for High Priority Homeless

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

Loan/HTC Commitment and Compliance Monitoring

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

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

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

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

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

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

People with Disabilities – Tier 1

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
10% to 14.99% of the total units, but no fewer than 5 units	9	10% to 14.99% of the total units, but no fewer than 5 units	9	7

Loan/HTC Commitment and Compliance Monitoring

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

The Owner agrees units will be set aside and rented to households with a disability with income limits at 30% MTSP. The Owner also agrees that if units set aside for People with Disabilities are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the required rent

restrictions set out in the Self-scoring Worksheet and will be incorporated into the loan and/or HTC documents.

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

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

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

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

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

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

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

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

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

Rental Assistance

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
20.1% but under 51% of the total units	13	20.1% but under 51% of the total units	13	14

Loan/HTC Commitment and Compliance Monitoring

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

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

For purposes of this category, project-based rental assistance is defined as project-specific funding stream that supports the operations of the property, reduces the tenant burden, and provides the tenant portion of rent to be no greater than 30% of household income except as approved by Minnesota Housing. The project must comply

with the requirements in the Self-Scoring Worksheet.

Minnesota Housing, at its sole discretion, will consider rental assistance programs with alternative rent structures as proposed by the applicant, where households may pay more than 30% of their household income when the program goals align with the needs of low-income populations such as with the Moving to Work and site-based Housing Support programs.

Rental Assistance units cannot be used to satisfy Preservation or Serves Lowest Income Unit criteria; units must be separate and distinct.

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

Rental Assistance – Further Restricted Rental Assisted Units (FRRA)

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
15.1% to 25% of the total units	4	15.1% to 25% of the total units	4	14

Loan/HTC Commitment and Compliance Monitoring

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

Owner agrees to further restrict units with project-based rental assistance or Housing Support to households whose incomes do not exceed 30% of MTSP income limit for a 10-year period. The 10-year period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

Senior Housing – 30% income restricted units and the units satisfying the Rental Assistance Further Restricting criterion must be distinct and cannot be layered.

The owner will be required to certify on an annual basis that the development complies with this criterion for the 10-year period.

Serves Lowest Income Tenants/Rent Reduction

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
50% of the total unit rents at 50% MTSP	8	50% of the total unit rents at 50% MTSP	8	46

Loan/HTC Commitment and Compliance Monitoring

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

The project must not exceed the gross rent levels for the term deferred loan Declaration and/or LURA. The period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

Units that have rental assistance cannot be used to satisfy the Serves Lowest Income Tenants/Rent Reduction

criterion; units must be separate and distinct. The owner will be required to certify on an annual basis that the rent restrictions are in compliance.

Serves Lowest Income Tenants/Rent Reduction – 30% Further Restriction

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
5% to 9.99% of the total units	4	5% to 9.99% of the total units	4	4

Loan/HTC Commitment and Compliance Monitoring

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

The project must not exceed the 30% MTSP gross rent limits for the term of the deferred Loan Declaration/LURA. The period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

Units that have rental assistance cannot be used to satisfy the Serves Lowest Income Tenants/Rent Reduction criterion; units must be separate and distinct. The owner will be required to certify on an annual basis that the rent restrictions are in compliance.

Long Term Affordability

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

Loan/HTC Commitment and Compliance Monitoring

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

Need for More Affordable Housing Options

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

Loan/HTC Commitment and Compliance Monitoring

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

Workforce Housing Communities

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Long Commute Community	3	Long Commute Community	3

Loan/HTC Commitment and Compliance Monitoring

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

Transit and Walkability

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
One half mile of a designated transit stop, or served by demand response/dial-a-ride, or within one half mile of a commuter rail station; and is available daily, Monday through Friday, providing same day service.	7	One half mile of a designated transit stop, or served by demand response/dial-a-ride, or within one half mile of a commuter rail station; and is available daily, Monday through Friday, providing same day service.	7

Loan/HTC Commitment and Compliance Monitoring

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

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Walk Score between 30 and 49	1	Walk Score between 30 and 49	1

Loan/HTC Commitment and Compliance Monitoring

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

Community Development Initiative

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

Loan/HTC Commitment and Compliance Monitoring

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

Rural/Tribal

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 2: The project is located in a Rural/Tribal Designated Area outside of	4	Tier 2: The project is located in a Rural/Tribal Designated Area outside of	4

the Metropolitan Area and has a population at or greater than 5,000	the Metropolitan Area and has a population at or greater than 5,000

Loan/HTC Commitment and Compliance Monitoring

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

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

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

Loan/HTC Commitment and Compliance Monitoring

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

Multifamily Award History

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Communities that have not received an award or allocation for the last five years	4	Communities that have not received an award or allocation for the last five years	4

Loan/HTC Commitment and Compliance Monitoring

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

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

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Owner for-profit Women-owned Business Enterprise	5	Owner for-profit Women-owned Business Enterprise	5

Loan/HTC Commitment and Compliance Monitoring

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

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

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Two or more entities are Women-owned Business	4	Two or more entities are Women-owned Business	4

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

Loan/HTC Commitment and Compliance Monitoring

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

Financial Readiness to Proceed/Leveraged Funds

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
7.51% to 9.0% of funding secured	12	6.01% to 7.5% of funding secured	10

Loan/HTC Commitment and Compliance Monitoring

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

Intermediary Costs

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

Loan/HTC Commitment and Compliance Monitoring

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

Universal Design

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
Buildings with an elevator	3	Buildings with an elevator	3	60 Elevator Building Units

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase and architectural review.

Smoke Free Building

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Smoke Free Buildings	1	Smoke Free Buildings	1

Loan/HTC Commitment and Compliance Monitoring

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

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

Enhanced Sustainability - Optional Criteria Points

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 2: Project includes at least 3x the minimum number of optional criteria points in the Intended Methods	2	Tier 1: Project includes at least 2x the minimum number of optional criteria points in the Intended Methods	1

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase, during architectural review, and post construction.

Enhanced Sustainability - Performance Pathways

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 3: Project meets at least one alternative building performance pathways	3	Tier 3: Project meets at least one alternative building performance pathways	3

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase, during architectural review, and post construction.

Total Developer Claimed: 137 **Total Agency Awarded:** 134

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Item: Adoption, Series Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2026 G (Albert Lea Family Housing)

Action Item: 7.B
Date: 11/19/2026
Staff Contacts: Matt Dieveney, 651.539.9827, matthew.dieveney@state.mn.us
Andy Pratt, 651.539.9618, andy.pratt@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff is requesting authorization to issue fixed-rate bonds under the existing Rental Housing Bond Resolution to finance development of Albert Lea Family Housing, a 60-unit multifamily development in Albert Lea. The bonds will fund a short-term bridge loan for the construction phase of the project and a long-term LMIR loan. The Agency anticipates to price and issue the bonds described in the attached Preliminary Official Statement in February 2026.

Fiscal Impact

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

Agency Priorities

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

Attachments

- Resolution

RESOLUTION NO. MHFA 26-073

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

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

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

Section 2. Authorization of Series Bonds.

(a) *Purpose*. To provide sufficient funds to be used and expended for the purposes set forth in Section 1, it is now determined to be necessary to issue one series of Bonds pursuant to the Bond Resolution, which is designated as "Rental Housing Bonds, 2026 Series G," in the principal amount to be determined pursuant to Section 2(f) (the "Series Bonds"). The "2026" in the designation of the Bonds may be changed to "2027" and the "G" in the designation of the Bonds may be changed to "H" or such other uppercase letter, each as an Authorized Officer (as hereinafter defined) of the Agency shall so designate. Proceeds of the Series Bonds are to be used:

(i) For the financing of the Mortgage Loan to the Mortgagor; and

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

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

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

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

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

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

The Preliminary Official Statement (the "Preliminary Official Statement") relating to the Series Bonds shall be in the form substantially similar to the most recent final offering document relating to Bonds issued under the Bond Resolution, and shall contain information relating to the Agency, the Bond Resolution, the Series Resolution, the Development, and the Series Bonds. Any of the Chair, the Commissioner, the Executive Finance Officer, or the Executive Investment Officer (each an "Authorized Officer") is hereby authorized to finalize the Preliminary Official Statement and establish the date of sale of the Series Bonds.

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

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

Section 2(f) below.

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

(i) the principal amount of the Series Bonds; provided that the principal amount of the Series Bonds is not in excess of $6,900,000;

(ii) the maturity date of the Series Bonds; provided that the Series Bonds mature at any time or times in such amount or amounts not later than 3 years from the Issue Date thereof;

(iii) the interest rate borne by the Series Bonds; provided that the interest rate on the Series Bonds shall not exceed 6.00%; and

(iv) the commission payable to the Underwriter of the Series Bonds; provided that the commission shall not exceed three percent of the principal amount of the Series Bonds.

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

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

Section 3. Forms.

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

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

rearrangement of the text to facilitate machine entry of data upon registration, transfer and exchange.

Section 4. Terms of Series Bonds.

(a) *Issue Date, Denominations, and Interest Payment Dates*. The Issue Date of the Series Bonds shall be the date of original delivery of the Series Bonds or such other date as shall be approved by an Authorized Officer and as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof. The Series Bonds shall be issued in denominations of $5,000 principal amount or any integral multiple thereof, not exceeding the principal amount maturing on any maturity date. Interest on the Series Bonds shall be payable each February 1 and August 1, commencing February 1, 2027, or a subsequent August 1 or February 1 as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be.

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

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

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

of Section 607 of the Bond Resolution in the case of Bonds which are mutilated, destroyed, stolen, or lost), except as otherwise provided in Section 5(b) herein.

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

Section 5. Issuance and Delivery.

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

(b) *Securities Depository*.

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

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

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

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

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

the Agency shall be affected by any notice to the contrary. Neither the Trustee nor the Agency shall have any responsibility or obligation to any Participant, any person or entity claiming a beneficial ownership interest in the Series Bonds under or through DTC or any Participant, or any other person or entity which is not shown on the bond register as being a registered owner of any Series Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of, premium, if any, and interest on the Series Bonds, with respect to any notice which is permitted or required to be given to owners of Series Bonds under the Bond Resolution or this Series Resolution, with respect to the selection by DTC or any Participant of any person or entity to receive payment in the event of a partial redemption of the Series Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Series Bonds. So long as any Series Bond is registered in the name of Cede & Co., as nominee of DTC, the Trustee shall pay all principal of, premium, if any, and interest on such Series Bond, and shall give all notices with respect to such Series Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the principal of, premium, if any, and interest on the Series Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Series Bonds will be transferable to such new nominee in accordance with subsection (4) hereof.

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

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

(c) *Opinion and Officer's Certification*. The Trustee has been furnished a copy of the Bond Resolution. Before delivery of the Series Bonds, the Agency shall furnish to the Trustee a certified copy of this Series Resolution, together with an Opinion of Counsel to the Agency and an Officer's Certificate executed by an Authorized Officer, in form and substance as required in Section 203 of the Bond Resolution and Sections 2(f), 4(a), 4(b) and 6 of this Series Resolution, and shall obtain from the Trustee the certification required in Section 203(C) of the Bond Resolution.

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

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

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

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

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

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

(d) At no time will either the Mortgagor or any related party be permitted to occupy a unit in the Development other than units occupied or to be occupied by agents, employees or representatives of the Mortgagor and reasonably required for the proper maintenance or management of the Development. In the event a unit within the Development is occupied by the Mortgagor, the Development will include no fewer than four units not occupied by the Mortgagor.

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

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

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

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

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

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

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

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

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

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

(e) [Reserved].

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Adopted by the Minnesota Housing Finance Agency this 19th day of November, 2026.

By: _____
Chair

Attest: _____
Commissioner

[Signature page to Resolution No. MHFA 26-073]

EXHIBIT A

DESCRIPTION OF MORTGAGOR AND DEVELOPMENT

Mortgagor	Name	Location	Number of Units
Albert Lea Family Housing, LP	Albert Lea Family Housing	Albert Lea, Minnesota	60

EXHIBIT B

FORM OF SERIES BONDS

No.____ $_____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND
[2026] SERIES [G]

Interest Rate	**Maturity**	**Date of Original Issue**	**CUSIP**

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

CEDE & CO.

or registered assigns, the principal sum of _____ DOLLARS

on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing [February 1, 2027]/[August 1, 2027], until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Computershare Trust Company, National Association, in St. Paul, Minnesota, successor Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series Bond is not a debt of the State.

This Series Bond is one of a duly authorized series of Rental Housing Bonds, [2026] Series [G], issued in the original aggregate principal amount of $_____ (the "Series Bonds"), to provide funds needed to finance the acquisition and construction of a multifamily housing

development in Albert Lea, Minnesota (the "Development"). The Series Bonds are issued under and pursuant to the Agency's Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 26-073, adopted November 19, 2026, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series Bonds, and the terms upon which the Bonds, including the Series Bonds, are issued, delivered and secured.

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

The Series Bonds are subject to redemption in the manner, at the prices, at the times and under the circumstances provided in the Series Resolution.

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

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

Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

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

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

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

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

The Agency and the Trustee under the Bond Resolution may deem and treat the person in

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

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

[Remainder of page intentionally left blank]

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

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

Date of Authentication: _____

Trustee's Certificate

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

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

By: _____
Authorized Representative

MINNESOTA HOUSING FINANCE AGENCY

By: _____
Chair (Facsimile Signature)

Attest: _____
Commissioner (Facsimile Signature)

ASSIGNMENT

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

_____

(please print or type name and address of transferee)

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

Dated:_____

_____

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

Signature Guaranteed:_____

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

Please insert social security or other identifying number of assignee:

_____

Item: Commitment, Low and Moderate Income Rental Loan and Bridge Loan – Henry Hill Apartments, D0603, Granite Falls

Action Item: 7.C
Date: 11/19/2026
Staff Contacts: Jennifer Finnesgard, 651.296.0756, jennifer.finnesgard@state.mn.us
Request Type: Approval, Resolution

Request Summary:

At the December 18, 2025, meeting, the Minnesota Housing board approved the development for financing for a Bridge Loan (BL) in an amount of up to $4,480,000 in Resolution No. MHFA 25-097. Agency staff completed the underwriting and technical review of the proposed development and recommends:

1. Adoption of a resolution authorizing the selection and issuance of a Low and Moderate Income Rental Program (LMIR) program commitment in the amount of up to $1,490,000; and
2. Adoption of a resolution authorizing the issuance of a BL commitment not to exceed $3,150,000.

Fiscal Impact:

Minnesota Housing will earn interest rate spread income on the LMIR and the BL, as well as additional fee income from originating the loans for this development.

Agency Priorities:

☒ Improve the Housing System

☒ Preserve and Create Housing Opportunities

☐ Make Homeownership More Accessible

☒ Support People Needing Services

☒ Strengthen Communities

Attachments:

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

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information				
Development Name	Henry Hill Apartments		D#0603	M#20004
Address	150 7th Avenue			
City	Granite Falls	**County**	Yellow Medicine	
Date of Selection	December 18, 2025	**Region**	Southwest	

A. Project Description and Population Served

- The development involves the acquisition and rehabilitation of 54 units in a six-story elevator building in Granite Falls with units ranging from one to two bedrooms.
- The development provides partial supportive housing for seniors and disabled persons, and four units will serve single adults experiencing High Priority Homelessness (HPH).
- The development will serve households with incomes no greater than 30% Multifamily Tax Subsidy Projects (MTSP).
- The project will preserve 54 units that benefit from Project-based Section 8 rental assistance and be deeply affordable to households at 30% MTSP.
- The project is anticipated to begin construction in spring 2027 and is anticipated to open for residents in spring 2029.

B. Mortgagor Information

Ownership Entity:	Henry Hill Apts Limited Partnership
Sponsor:	Kimberly Cooper & Associates LLC
General Partner:	Henry Hill Apts GP LLC
Guarantor:	Minnesota Brokerage Group, Ltd.

All entity names are confirmed and shown exactly as they appear on organizational documents and/or Minnesota Secretary of State website.

C. Development Team Capacity Review

The sponsor, Kimberly Cooper & Associates LLC, are expected to have sufficient capacity to complete the project.

The property manager, MBG Property Management, Inc., is expected to have sufficient capacity to operate the project.

The service provider, Prairie Five Community Action Council, Incorporated, is experienced in serving HPH/Persons With Disabilities (PWD) residents and is expected to have sufficient capacity to complete the project.

Kaas Wilson Architects, LLC is the architect and Greiner Construction, Inc. is the general contractor, and both appear to have the capacity to effectively design and construct the project. They are expected to have sufficient capacity to complete the project.

The sponsor represents a Women-owned Business Enterprise. The general contractor represents a Black, Indigenous, People of Color-owned Enterprise.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort / Cash Flow	Construction /End Loan
Amortizing	LMIR	TEB*	$1,490,000	7.375% Max	0.125 %	Approx 24 mos. (const) + 35 years	35 years	Construction to Permanent
Bridge	BL	TEB*	$3,150,000	Bond Rate + 1.0% Est.	N/A	Approx. 24 mos.	N/A	Construction

*Tax-exempt volume limited bonds.

- The tax-exempt volume limited bonds are sized at approximately 30% of aggregate costs to qualify the development for 4% federal Low-Income Housing Tax Credits (HTCs).
- The interest rate on the LMIR loan will be based on the bond rate at the time of sale plus a spread, with a maximum of 7.375%.
    - The rate is subject to being reset at the then market rates if the LMIR loan commitment is not executed by April 30, 2027.
- The LMIR loan will be insured under the United States Department of Housing and Urban Development (HUD) Risk-Sharing program.

The development was also selected for deferred funding up to $10,476,000 under the PARIF program under Resolution No. MHFA 25-096. The PARIF loan amount decreased by $313,000 to up to $10,163,000 due to the addition of the amortizing loan.

The financing will include 4% HTCs from Minnesota Housing.

Amortizing Mortgage Loan to Cost: 8.37% **Amortizing Mortgage Loan to Value:** TBD*
*Subject to confirmation by the appraisal prior to closing. The maximum loan to value is 90%.

E. Significant Changes Since Date of Selection

The project received an increase to its Section 8 Housing Assistance Payment (HAP) contract rents. This rent increase was significant at 17% and allows the project to support a first mortgage. As such, the funding was right sized since selection and an Agency first mortgage is being added.

Since selection, total development costs (TDC) increased by 5%, or $777,542. Most of the cost increases were related to additional abatement needs and financing costs. In addition, HTC pricing decreased and a funding source identified at selection was awarded significantly less than had been requested. The funding gap created by that reduction, the reduction in syndication pricing and increase in TDC was filled by the addition of the amortizing LMIR loan.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	$ 4,550,000	$ 84,259
Construction Costs	$ 7,998,469	$ 148,120
Environmental Abatement	$ 69,095	$ 1,280
Professional Fees	$ 1,532,546	$ 28,380
Developer Fee	$ 2,133,664	$ 39,512
Financing Costs	$ 1,114,313	$ 20,636
Total Mortgageable Costs	$ 17,398,087	$ 322,187
Reserves	$ 393,879	$ 7,294
Total Development Cost	$ 17,791,966	$ 329,481

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

B. Permanent Capital Sources

Description	Amount	Per Unit
LMIR Amortizing Mortgage	$ 1,490,000	$ 27,593
General Partner Cash	$ 0	$ 0
HTC Equity Proceeds (Minnesota Equity Fund / Cinnaire)	$ 4,522,703	$ 83,754
Agency Deferred Funding (PARIF)	$ 10,163,000	$ 188,204
City of Granite Falls Loan	$ 95,000	$ 1,759
Seller Note	$ 675,000	$ 12,500

Description	Amount	Per Unit
Current Reserves	$ 30,092	$ 557
Rebates	$ 6,170	$ 114
Deferred Developer Fee	$ 810,000	$ 15,000
Total Permanent Financing	$ 17,791,965	$ 329,481

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

C. Financing Structure

The development will qualify for approximately $607,135 of annual, 4% HTCs, which will result in equity proceeds from Minnesota Equity Fund/Cinnaire. The term of the Land Use Restrictive Agreement will be 50 years.

D. Cost Reasonableness

The predictive cost model is a tool that Minnesota Housing uses to identify, from a statistical perspective, proposed rental developments with unusually high costs. The model predicts the costs of a proposed development based on building characteristics and cost data from developments that the Agency has previously financed or to which it has issued tax credits and is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 51% to 73% of the variation in historical costs, it cannot capture all components of every proposed project.

In accordance with Board Policy No. 15, if a project's proposed TDC is more than 25% higher than the predicted cost for new construction or 35% for preservation and adaptive reuse developments, staff must conduct additional due diligence and determine that the costs are still reasonable before seeking a cost waiver from the board. Currently, the TDC per unit is $329,481, which exceeds the predictive cost model estimate of $278,208 by 18%.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (%, of MTSP or AMI)	Rental Assistance Source
1 bedroom	53	$ 1,155	50% MTSP	30% MTSP	Section 8 HAP
2 bedrooms	1	$ 1,335	50% MTSP	30% MTSP	Section 8 HAP

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

LMIR

- 54 units restricted as follows:
  - 22 units with rents and incomes not exceeding 60% MTSP;
  - 13 units with unrestricted incomes; and
  - 19 units with incomes equal to or less than 100% of the greater of area or statewide median income as determined by HUD.

PARIF

- 54 units with incomes not exceeding 60% MTSP
- 54 units with rents at 60% MTSP
- Commitment to construction period plus 50 years of affordability from the date of loan closing

B. Feasibility Summary

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

- The project maintains positive cash flow for 15 years, with a projected debt coverage ratio in year 15 of 1.40.
- The project was underwritten at 7% vacancy, with 2% income and 3% expense inflators.
- All 54 units will benefit from a HAP contract that allows for a higher contract rent.

Map of 150 7th Avenue, Granite Falls, MN



Picture of 150 7th Avenue, Granite Falls, MN



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

RESOLUTION NO. MHFA 26-xxx

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

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

Name of Development:	Henry Hill Apartments
Sponsors:	Kimberly Cooper & Associates
Guarantors:	Minnesota Brokerage Group, Ltd.
Location of Development:	Granite Falls
Number of Units:	54
Amount of LMIR Mortgage: (not to exceed)	$1,490,000
Amount of BL (not to exceed)	$3,150,000

WHEREAS, the Minnesota Housing Finance Agency board approved the proposed development for financing under the Bridge Loan in the amount of $4,480,000 in Resolution No. MHFA 25-097; and

WHEREAS, Agency staff has determined the modified loan sizes are reasonable and justified; and

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

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the board hereby authorizes Agency staff to issue a commitment to provide construction and permanent mortgage loans to the sponsor or an affiliate thereof from the proceeds of Rental

Housing Bonds (if authorized by the Board) for the indicated development, upon the following terms and conditions:

1. This authorization shall expire on April 30, 2027; and
2. The LMIR and the BL transactions will be financed with the proceeds of tax-exempt Rental Housing Bonds of the Agency, and the commitment is subject to the ability of the Agency to sell bonds on terms and conditions, and in a time and manner, acceptable to the Agency; and
3. The amount of the LMIR amortizing loan shall not exceed $1,490,000; and
4. The interest rate on the LMIR loan shall be based on the interest rate on the Rental Housing Bonds issued to finance the loans plus a spread, not to exceed 7.375% (subject to change, as set forth in the attached Agency term letter dated November 4, 2026); and
5. Interest-only payments will be payable monthly during the approximately 24-month construction period, after which the loan will commence monthly principal and interest payments over the remaining 35-year term (based on a 35-year amortization), plus 0.125% per annum HUD Risk-Sharing Mortgage Insurance Premium; and
6. The term of the permanent LMIR loan shall be 35 years and the construction period shall not exceed 24 months; and
7. The amount of the BL shall not exceed $3,150,000; and
8. The interest rate on the BL will be based on the interest rate on the Rental Housing Bonds issued to finance the BL plus 1.00%, interest will be payable monthly, and the principal will be due in a balloon payment no more than 24 months after closing; and
9. The BL commitment shall be entered into on or before April 30, 2027and shall have a six-month term; and
10. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The Commissioner is authorized to approve non-material modifications to those terms; and
11. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and
12. The Guarantor shall guarantee the mortgagor’s payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.11 debt service coverage ratio (assuming actual revenue and underwritten expenses) for three consecutive months; and
13. The Guarantor shall guarantee the mortgagor’s payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and
14. The sponsor, the general contractor, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loans, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 19th day of November 2026

_____

CHAIR

November 4, 2026

Henry Hill Apts Limited Partnership
C/O Kimberly Cooper & Associates LLC
4725 Excelsior Blvd, Suite 300
Minneapolis, MN 55416

RE: Term Letter
Henry Hill Apartments, Granite Falls
Development #D0603, Project #M20004

Dear Kimberly Cooper:

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

Borrower:	A single asset entity: Henry Hill Apts Limited Partnership
General Partner(s) / Managing Member(s):	Henry Hill Apts GP LLC
Development Description/Purpose:	Acquisition and rehabilitation of a 54-unit affordable housing development located in Granite Falls, Minnesota

Minnesota Housing Loan Type/Terms

Program	Tax-exempt Bond Funded * Low and Moderate Income Rental Program (LMIR) with HUD Risk- Sharing	Bridge Loan / Tax-exempt Bond Funded*	Preservation Affordable Rental Investment Fund (PARIF)
Loan Amount	$1,490,000	$3,150,000	$10,163,000
Interest Rate	7.375%**	Bond financing rate plus 1.0%	0%
Mortgage Insurance Premium (%)	.125% *(first year premium is paid in advance)*	Not Applicable	Not Applicable
Term	Approx. 24 months (construction) + 35 years	Approximately 24 months	Approx. 24 months (construction) + 40 years
Amortization / Repayment	Interest only during construction based on the full amount of the loan; 35 years	Interest only during term based on the full amount of the loan	Annual payment that is equal to 20% of the amount by which Eligible Cash (as defined in the Note) exceeds $50,000; with remaining balance due in lump sum payment in 40 years (+ construction period).
Prepayment Provision	No prepayment first 10 years from date of the Note.	No prepayment earlier than six months prior to Bond Maturity.	Prepay at any time with prior written approval without penalty.
Nonrecourse or Recourse	Nonrecourse	Recourse	Nonrecourse
Construction to Permanent Loan, Construction Bridge Loan or End Loan	Construction to Permanent Loan	Construction Bridge Loan	Construction to Permanent Loan
Lien Priority	First (Second during construction period)	First during construction period	Second (Third during construction period)

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

** The interest rate on the LMIR loan will be based on the bond rate at the time of sale plus a spread, with a maximum of 7.375% in consultation with the Finance Division. The maximum rate is subject to being reset at the then market rates if the loan does not close by April 30, 2027, at Minnesota Housing's sole discretion.

Origination Fees:	LMIR HUD Risk Share Loan: $29,800 Bond-funded Bridge Loan: $15,750
Bond Issuance Fee	$138,525 (payable at loan closing)
Construction Oversight Fee:	$75,000 (payable at loan closing)
End Loan Commitment:	Not applicable
Guarantee / Guarantor(s):	Bridge Loan: Completion, Repayment and Operations Guarantee from Minnesota Brokerage Group, Ltd. LMIR Permanent Loan: Completion, Repayment and Operations Guarantee from Minnesota Brokerage Group, Ltd.
Operating Deficit Escrow Reserve Account:	$44,700 to be funded on the day of closing of the LMIR/HRS loan by cash or letter of credit (outside of the development budget) to be held by Minnesota Housing.
Operating Cost Reserve Account:	Capitalized in the amount of $339,865 funded at initial loan closing. The account will be held by Minnesota Housing.
Replacement Reserve Cost Account:	Capitalized in the amount of $54,014 funded at initial loan closing. Monthly deposits will be required in the amount of $1,575. The account will be held by Minnesota Housing.
Escrows:	Real estate tax escrow and property insurance escrow to be established at initial loan closing (outside of the development budget) and will be held by Minnesota Housing.
Collateral/Security:	Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

Rent and Income Requirements:	LMIR:
	• 54 units restricted as follows:
	  • 22 units with rents and incomes not exceeding 60% Multifamily Tax Subsidy Projects (MTSP);
	  • 13 units with unrestricted incomes; and
	  • 19 units with incomes equal to or less than 100% of the greater of area or statewide median income as determined by HUD.

- Commitment to affordability in effect while the loan is outstanding

PARIF:

- 54 units with incomes not exceeding 60% MTSP
- 54 units with rents at 60% MTSP
- Commitment to construction period plus 50 years of affordability from the date of loan closing

HAP or Other Subsidy Agreement:	Commitment to construction period plus 40 years of affordability from the date of loan closing under the HAP Program for 54 units.
Other Occupancy Requirements:	Not Applicable
Other Requirements:	The PARIF loan is subject to the terms in the attached Selection Criteria.
Closing Costs:	Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.
Expiration Date:	This term letter will expire on the earlier of April 30, 2027, or loan closing/end loan commitment.
Additional Terms:	Not Applicable
Other Conditions:	HUD Use Agreement will be in priority position above all liens.
Board Approval:	Commitment of the loans under the LMIR program and Bridge Loans are subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.
Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return to the Term Letter in the Pre-Construction Checklist in Portal on or before 10 business days from date of this letter.

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

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

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

HENRY HILL APTS LIMITED PARTNERSHIP

By: _____
Kimberly Cooper

Date Accepted: _____

Project Name: Henry Hill Apartments

Project City: Granite Falls

Property Number (D#): D0603

Project Number: M20004

Deeper Rent Targeting A

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

Loan/HTC Commitment and Compliance Monitoring

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

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

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

Deeper Rent Targeting B

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

Loan/HTC Commitment and Compliance Monitoring

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

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

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

Senior Housing

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
80% to 89.99% of the total units restricted to at least one household member that is age 55 or older.	2	80% to 89.99% of the total units restricted to at least one household member that is age 55 or older.	2	44

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the deferred loan Declaration and/or LURA. The owner agrees units will be restricted to at least one household member that is age 55 years or older.

Senior Housing is defined as housing intended and operated for occupancy by Senior Households, provided that at least 80% of the units are occupied by at least one Senior per unit, and there is a publication of, and adherence to, policies and procedures that demonstrate an intent by the owner or manager to provide housing for Seniors. Senior is defined as a person 55 years of age or older.

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

Senior Housing - 30% Income and Rent Units

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
30% to 100% of the total units	4	30% to 100% of the total units	4	44

Loan/HTC Commitment and Compliance Monitoring

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

The owner agrees units will be restricted to at least one household member that is age 55 years or older with an income at or below 30% MTSP.

The owner also agrees that units occupied by households without rental assistance will restrict the rent to at or below the county 30% MTSP gross rent limit.

Projects awarded Housing Infrastructure Bonds also agree units will be restricted to the HIB Senior household income limit.

Senior Housing – 30% income restricted units and the units satisfying the Further Restricting Rental Assistance selection criterion must be distinct and cannot be layered.

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

Permanent Supportive Housing for Households Experiencing Homelessness - High Priority Homeless (HPH)

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

Loan/HTC Commitment and Compliance Monitoring

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

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

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

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

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

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

Preservation Tier 1: Existing Federal Rental Assistance

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
50.01% to 100% of the total units	40	50.01% to 100% of the total units	40	54

Loan/HTC Commitment and Compliance Monitoring

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

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

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

Preservation: Severity of Physical Critical Needs

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Critical Physical Needs greater than $25,000 per unit	5	Critical Physical Needs greater than $25,000 per unit	5

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase, architectural review, and post construction.

Long Term Affordability

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

Loan/HTC Commitment and Compliance Monitoring

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

Access to More Affordable Housing

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 2 Tract or City(ies)	4	Tier 2 Tract or City(ies)	4

Loan/HTC Commitment and Compliance Monitoring

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

Transit and Walkability

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
One-half mile of a designated transit stop, or served by demand response/dial-a-ride, or within one-half mile of a commuter rail station; and is available daily, Monday through Friday, providing	7	One-half mile of a designated transit stop, or served by demand response/dial-a-ride, or within one-half mile of a commuter rail station; and is available daily, Monday through Friday, providing	7

same day service	same day service

Loan/HTC Commitment and Compliance Monitoring

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

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Walk Score of 50 or more	2	Walk Score of 50 or more	2

Loan/HTC Commitment and Compliance Monitoring

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

Community Development Initiative

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Contributes to active implementation of a Community Development Initiative	3		0

Loan/HTC Commitment and Compliance Monitoring

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

Equitable Development

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Address the needs of a Community Most Impacted by housing disparities and has a role in the project proposal and Qualifying Stakeholder Groups.	3	Address the needs of a Community Most Impacted by housing disparities and has a role in the project proposal and Qualifying Stakeholder Groups.	3

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase, architectural review and deferred loan post construction and/or 8609.

Rural/Tribal

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 2: The project is located in a Rural/Tribal Designated Area outside of	6	Tier 2: The project is located in a Rural/Tribal Designated Area outside of	6

the Metropolitan Area and within a community that has a population between 2,001 and 5,000	the Metropolitan Area and within a community that has a population between 2,001 and 5,000

Loan/HTC Commitment and Compliance Monitoring

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

Multifamily Award History

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Project is located in a community that has not received an award or allocation of funding or Housing Tax Credits in the last five years	4	Project is located in a community that has not received an award or allocation of funding or Housing Tax Credits in the last five years	4

Loan/HTC Commitment and Compliance Monitoring

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

Black-, Indigenous-, People of Color-owned Business Enterprises or Women-owned Business Enterprise - Ownership and Sponsorship

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Owner and Sponsor is a for-profit Women-owned Business Enterprise	5	Owner and Sponsor is a for-profit Women-owned Business Enterprise	5

Loan/HTC Commitment and Compliance Monitoring

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

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

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Two or more entities are each a Black-, Indigenous-, People of Color-owned Business Enterprise	7	One entity is a Black, Indigenous, People of Color-owned Business Enterprise or a Women-owned Business Enterprise	1

Loan/HTC Commitment and Compliance Monitoring

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

Financial Readiness to Proceed/Leveraged Funds

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
9.01% to 10.5% of funding secured, awarded or committed	14	7.51% to 9.0% of funding secured, awarded or committed	12

Loan/HTC Commitment and Compliance Monitoring

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

Other Contributions

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
.01% to 1.49%	2	.01% to 1.49%	2

Loan/HTC Commitment and Compliance Monitoring

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

Intermediary Costs

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
25.1% to 30%	1	25.1% to 30%	1

Loan/HTC Commitment and Compliance Monitoring

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

Enhanced Sustainability

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 1: Project includes at least 2x the minimum number of Optional Criteria points in the Intended Methods Worksheet	2	Tier 1: Project includes at least 2x the minimum number of Optional Criteria points in the Intended Methods Worksheet	2

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase, during architectural review, and deferred loan post construction and/or 8609.

Enhanced Sustainability - Performance Pathways

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 3: Project meets at least one alternative building performance pathways in the Intended Methods Worksheet	6	Tier 3: Project meets at least one alternative building performance pathways in the Intended Methods Worksheet	6

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase, during architectural review, and deferred loan post construction and/or 8609.

Total Developer Claimed: 133 **Total Agency Awarded:** 122

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Item: Adoption, Series Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2026 H (Henry Hill Apartments)

Action Item: 7.D
Date: 11/19/2026
Staff Contacts: Matt Dieveney, 651.539.9827, matthew.dieveney@state.mn.us
Andy Pratt, 651.539.9618, andy.pratt@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff is requesting authorization to issue fixed-rate bonds under the existing Rental Housing Bond Resolution to finance development of Henry Hill Apartments, a 54-unit multifamily development in Granite Falls. Two tax-exempt bond-series will separately fund a short-term bridge loan for the construction phase of the project and a long-term LMIR loan. The Agency anticipates to price and issue the bonds described in the attached Preliminary Official Statement in February 2026.

Fiscal Impact

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

Agency Priorities

☒ Improve the Housing System

☒ Preserve and Create Housing Opportunities

☐ Make Homeownership More Accessible

☒ Support People Needing Services

☒ Strengthen Communities

Attachments

- Resolution

RESOLUTION NO. MHFA 26-075

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

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

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

Section 2. Authorization of Series Bonds.

(a) *Purpose*. To provide sufficient funds to be used and expended for the purposes set forth in Section 1, it is now determined to be necessary to issue two series of Bonds pursuant to the Bond Resolution, which are designated as "Rental Housing Bonds, 2026 Series H-1" and "Rental Housing Bonds, 2026 Series H-2," in the aggregate principal amount to be determined pursuant to Section 2(F) (individually, the "Series 1 Bonds" and the "Series 2 Bonds," and collectively, the "Series Bonds"). The "2026" in the designation of the Bonds may be changed to "2027" and the "H" in the designation of the Bonds may be changed to "I" or such other uppercase letter, each as an Authorized Officer (as hereinafter defined) of the Agency shall so designate. Proceeds of the Series Bonds are to be used:

(i) For the financing of the Mortgage Loans to the Mortgagor; and

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

(b) *Single Issue*. Pursuant to the provisions of Section 1.150-1(c)(1) of the Income Tax Regulations (the "Regulations"), the Agency may treat the Series 1 Bonds and the Series 2 Bonds (together, the "Tax-Exempt Series Bonds"), together with any other Bonds issued or to be issued pursuant to the Bond Resolution and intended to be issued on a tax-exempt basis which may be sold by the Agency less than fifteen days apart from the date of sale of the Tax-Exempt Series Bonds, as a single issue of bonds. The Tax-Exempt Series Bonds and such other Bonds are herein collectively referred to as the "Issue."

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

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

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

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

The Preliminary Official Statement (the "Preliminary Official Statement") relating to the Series Bonds shall be in the form substantially similar to the most recent final offering document relating to Bonds issued under the Bond Resolution, and shall contain information relating to the Agency, the Bond Resolution, the Series Resolution, the Development, and the Series Bonds. Any of the Chair, the Commissioner, the Executive Finance Officer, or the Executive Investment Officer (each an "Authorized Officer") is hereby authorized to finalize the Preliminary Official Statement and establish the date of sale of the Series Bonds.

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

The Agency has received and examined a draft of the form of a bond purchase agreement (the "Bond Purchase Agreement"). An Authorized Officer is authorized to execute and deliver in the name and on behalf of the Agency the Bond Purchase Agreement

with the Purchaser reflecting the terms of sale authorized pursuant to this Section 2(e) and Section 2(f) below.

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

(i) the principal amount of the Series Bonds; provided that the aggregate principal amount of the Series Bonds is not in excess of $4,640,000;

(ii) the maturity schedule of the Series Bonds; provided that the Series 1 Bonds mature at any time or times in such amount or amounts not later than 42 years from the Issue Date thereof and the Series 2 Bonds mature at any time or times in such amount or amounts not later than 3 years from the Issue Date thereof;

(iii) the interest rates borne by the Series Bonds; provided that the interest rate on the Series 1 Bonds shall not exceed 7.50% per annum, and the interest rate on the Series 2 Bonds shall not exceed 6.00% per annum; and

(iv) the commission payable to the Underwriter of the Series Bonds; provided that the commission shall not exceed three percent of the aggregate principal amount of the Series Bonds.

Such approval shall be conclusively evidenced by the execution of the Bond Purchase Agreement with the Underwriter (the "Purchaser") by such Authorized Officer. The terms of the Series Bonds, including any mandatory sinking fund provisions and the purchase price, shall be set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof.

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

Section 3. Forms.

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

(b) *Form of Series Bonds*. The Series Bonds shall be in substantially the form of Exhibit B and C hereto (which are hereby incorporated herein and made a part hereof),

with such additions, deletions or modifications as are permitted or required by the Bond Resolution or this Series Resolution, including but not limited to changes required as a result of the sale of the Series 1 Bonds or Series 2 Bonds in accordance with Section 2(e) and the spacing and rearrangement of the text to facilitate machine entry of data upon registration, transfer and exchange.

Section 4. Terms of Series Bonds.

(a) *Issue Date, Denominations, and Interest Payment Dates*. The Issue Date of the Series Bonds of each series shall be the date of original delivery of the Series Bonds or such other date as shall be approved by an Authorized Officer and as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof. The Series Bonds shall be issued in denominations of $5,000 principal amount or any integral multiple thereof, not exceeding the principal amount maturing on any maturity date. Interest on the Series Bonds shall be payable each February 1 and August 1, commencing February 1, 2027, or a subsequent August 1 or February 1 as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be.

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

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

(d) *Trustee*. The principal amount of and interest and any redemption premium on the Series Bonds shall be payable in lawful money of the United States by check drawn to the order of the registered owner, or other agreed means of payment, by Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee and Paying Agent under the Bond Resolution, or its successor, and shall be payable to the

registered owner as shown on the registry books as of the Record Date. The principal amount of and any redemption premium on a Series Bond shall be payable only upon surrender of the Series Bond at the Principal Office of the Trustee (subject to the provisions of Section 607 of the Bond Resolution in the case of Bonds which are mutilated, destroyed, stolen, or lost), except as otherwise provided in Section 5(b) herein.

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

Section 5. Issuance and Delivery.

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

(b) *Securities Depository*.

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

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

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

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

(ii) The Series 1 Bonds and Series 2 Bonds shall be initially issued as separately authenticated fully registered bonds, and one Series 1 Bond and one Series 2 Bond shall be issued in the principal amount of each stated maturity of the Series 1 Bonds and the Series 2 Bonds. Upon initial issuance, the ownership of the Series Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Trustee and the Agency may treat DTC (or its nominee) as the sole and exclusive owner of the Series Bonds registered in its name for the purposes of payment of the principal of, premium, if any, and interest on the Series

Bonds, selecting the Series Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Series Bonds under the Bond Resolution or this Series Resolution, registering the transfer of Series Bonds, and for all other purposes whatsoever, and neither the Trustee nor the Agency shall be affected by any notice to the contrary. Neither the Trustee nor the Agency shall have any responsibility or obligation to any Participant, any person or entity claiming a beneficial ownership interest in the Series Bonds under or through DTC or any Participant, or any other person or entity which is not shown on the bond register as being a registered owner of any Series Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of, premium, if any, and interest on the Series Bonds, with respect to any notice which is permitted or required to be given to owners of Series Bonds under the Bond Resolution or this Series Resolution, with respect to the selection by DTC or any Participant of any person or entity to receive payment in the event of a partial redemption of the Series Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Series Bonds. So long as any Series Bond is registered in the name of Cede & Co., as nominee of DTC, the Trustee shall pay all principal of, premium, if any, and interest on such Series Bond, and shall give all notices with respect to such Series Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the principal of, premium, if any, and interest on the Series Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Series Bonds will be transferable to such new nominee in accordance with subsection (4) hereof.

(iii) In the event the Agency determines to discontinue the book-entry-only system through DTC with respect to any or all of the Series 1 Bonds or the Series 2 Bonds, the Agency may notify DTC and the Trustee, whereupon DTC shall notify the Participants of the availability through DTC of the Series 1 Bonds and/or Series 2 Bonds, as applicable, in the form of certificates. In such event, the Series 1 Bonds and/or Series 2 Bonds, as applicable, will be transferable in accordance with subsection (iv) hereof. DTC may determine to discontinue providing its services with respect to either any or all of the Series 1 Bonds and the Series 2 Bonds at any time by giving notice to the Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Series 1 Bonds and/or Series 2 Bonds, as applicable, will be transferable in accordance with subsection (iv) hereof.

(iv) In the event that any transfer or exchange of Series 1 Bonds and Series 2 Bonds is permitted under subsection (ii) or (iii) hereof, such transfer or exchange shall be accomplished upon receipt by the Trustee of the Series 1 Bonds and/or the Series 2 Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of the Bond Resolution and this Series Resolution. In the event the Series 1 Bonds

and/or the Series 2 Bonds in the form of certificates are issued to registered owners other than Cede & Co., its successor as nominee for DTC as registered owner of all the Series 1 Bonds and/or the Series 2 Bonds, or another securities depository as registered owner of all the Series 1 Bonds and/or the Series 2 Bonds, the provisions of the Bond Resolution and this Series Resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Series 1 Bonds and/or the Series 2 Bonds in the form of bond certificates and the method of payment of principal of, redemption premium, if any, and interest on such Series 1 Bonds and/or the Series 2 Bonds.

(c) *Opinion and Officer's Certification*. The Trustee has been furnished a copy of the Bond Resolution. Before delivery of the Series Bonds, the Agency shall furnish to the Trustee a certified copy of this Series Resolution, together with an Opinion of Counsel to the Agency and an Officer's Certificate executed by an Authorized Officer, in form and substance as required in Section 203 of the Bond Resolution and Sections 2(e), 4(a), 4(b) and 6 of this Series Resolution, and shall obtain from the Trustee the certification required in Section 203(C) of the Bond Resolution.

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

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

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

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

(b) At least forty percent (40%) of the completed units in the Development shall be occupied (or treated as occupied) by Qualifying Tenants. "Qualifying Tenants" shall mean those persons and families (treating all occupants of a unit as a single family) who shall be determined from time to time by the Mortgagor to be eligible as "individuals whose income is sixty percent (60%) or less of area median gross income" within the meaning of Section 142(d)(2)(B) of the Code. The term of the foregoing restrictions shall commence

on the date of issuance of the Tax-Exempt Series Bonds and shall end on the latest of the following: (i) the date which is 15 years after the date on which at least 50% of the units in the Development were first occupied; or (ii) the first day on which none of the Tax-Exempt Series Bonds are Outstanding; or (iii) the termination date of any Housing Assistance Payments Contract relating to the Development under Section 8 of the United States Housing Act of 1937, including the initial term and any renewal thereof.

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

(d) At no time will either the Mortgagor or any related party be permitted to occupy a unit in the Development other than units occupied or to be occupied by agents, employees or representatives of the Mortgagor and reasonably required for the proper maintenance or management of the Development. In the event a unit within the Development is occupied by the Mortgagor, the Development will include no fewer than four units not occupied by the Mortgagor.

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

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

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

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

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

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

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

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

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

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

(e) The Mortgagor will incur "rehabilitation expenditures" (as defined in Section 147(d)(3) of the Code) with respect to a portion of the Development in an amount not less than 15% of the acquisition cost of such portion of the Development funded with the net proceeds of the Series Bonds lent to the Mortgagor within the later of two years from (i) the date the Development is acquired by the Mortgagor or (ii) the date the Series Bonds are issued.

(f) The average reasonably expected economic life of the Development within the meaning of Section 147(b) of the Code is not less than 40 years.

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

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

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

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

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

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

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

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

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

(b) The Agency acknowledges that the Tax-Exempt Series Bonds are subject to the rebate requirements of Section 148(f) of the Code and applicable Regulations. The Agency agrees that it will retain such records, make such determinations, file such reports and documents and pay such amounts at such times as required under Section 148(f) of the

Code and applicable Regulations to preserve the exclusion of interest on the Tax-Exempt Series Bonds from gross income for federal income tax purposes.

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

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

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

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Adopted by the Minnesota Housing Finance Agency this 19th day of November, 2026.

By: _____
Chair

Attest: _____
Commissioner

[Signature page to Resolution No. MHFA 26-075]

EXHIBIT A

DESCRIPTION OF MORTGAGOR AND DEVELOPMENT

Mortgagor	Name	Location	Number of Units
Henry Hill Apts Limited Partnership	Henry Hill Apartments	Granite Falls, MN	54

EXHIBIT B

FORM OF 2026 SERIES H-1 BONDS

No.____ $_____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND
[2026] SERIES [H]-1

Interest Rate	**Maturity**	**Date of Original Issue**	**CUSIP**

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

CEDE & CO.

or registered assigns, the principal sum of _____ DOLLARS

on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing [February 1, 2027], until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series H-1 Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Computershare Trust Company, National Association, in St. Paul, Minnesota, successor Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series H-1 Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series H-1 Bond is not a debt of the State.

This Series H-1 Bond is one of a duly authorized series of Rental Housing Bonds, [2026] Series [H]-1, issued in the original aggregate principal amount of $_____ (the "Series Bonds"), to provide funds needed to finance the acquisition and construction of a multifamily

housing development in Granite Falls, Minnesota (the "Development"). The Series H-1 Bonds are issued under and pursuant to the Agency's Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 26-075, adopted November 19, 2026, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series H-1 Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series H-1 Bonds, and the terms upon which the Bonds, including the Series H-1 Bonds, are issued, delivered and secured. The Series H-1 Bonds are issued contemporaneously with the Agency's Rental Housing Bonds, 2026 Series H-2.

The Series H-1 Bonds are issuable only in fully registered form. The Series H-1 Bonds are issued in denominations of $5,000 principal amount or integral multiples thereof not exceeding the principal amount maturing in any year.

The Series H-1 Bonds are subject to redemption in the manner, at the prices, at the times and under the circumstances provided in the Series Resolution.

Notice of any redemption of Series H-1 Bonds will be mailed to the registered Holders of the Series H-1 Bonds (or portions thereof) to be redeemed, at their last addresses on the registry books as of the Record Date, not less than thirty (30) days before the redemption date, stating (i) the principal amount to be redeemed, (ii) the maturities of the Series H-1 Bonds to be redeemed, (iii) that on the redemption date the redemption price of the Series H-1 Bonds or portions thereof to be redeemed will be payable, with accrued interest, and (iv) that thereafter interest will cease to accrue or be payable thereon. No failure to give such notice or defect in the notice shall affect the validity of the proceedings for the redemption of Series H-1 Bonds not affected by such failure or defect. Notice having been so mailed, the Series H-1 Bonds or portions of Series H-1 Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series H-1 Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

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

Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Holders of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time the consent is given. Any such resolution shall be binding upon the Agency and all fiduciaries and Holders of Bonds at the expiration of thirty days after filing with the Trustee of proof of mailing of notice that the required consent has been given. Supplemental resolutions may also be adopted, effective immediately, for the purpose of adding restrictions on or covenants by or surrendering privileges of the Agency, authorizing additional Bonds, or making provisions affecting only Bonds not yet issued, and may also be adopted, effective upon consent of the Trustee, for the purpose of curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with the Bond Resolution, clarifying matters or questions arising under it. Every Holder hereof is deemed by purchase and retention of this Series H-1 Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

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

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series H-1 Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required; and that the issuance of this Series H-1 Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series H-1 Bond is transferable upon the books of the Minnesota Housing Finance Agency at the designated corporate trust office of Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee thereunder, by the registered owner hereof in person or by the owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or the owner's duly authorized attorney. Upon such transfer the Agency will issue in the name of the transferee a new Series Bond or Bonds of the same aggregate principal amount, Series, interest rate and maturity as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

The Agency and the Trustee under the Bond Resolution may deem and treat the person in whose name this Series H-1 Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series H-1 Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series H-1 Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Series H-1 Bond, so long as this Series H-1 Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of, premium, if any, and interest on this Series H-1 Bond, and shall give all notices with respect to this Series H-1 Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

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Unless the Trustee's Certificate hereon has been manually executed by or on behalf of the Trustee, this Series H-1 Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Agency has caused this Series H-1 Bond to be executed by the facsimile signatures of its Chair and Commissioner, the Agency having no corporate seal, and has caused this Series H-1 Bond to be dated as of the date set forth below.

Date of Authentication: _____

Trustee's Certificate	MINNESOTA HOUSING FINANCE AGENCY
This is one of the Series Bonds delivered pursuant to the Bond and Series Resolution mentioned within.	By: _____ Chair (Facsimile Signature)
COMPUTERSHARE TRUST COMPANY, NATIONAL ASSOCIATION, St. Paul, Minnesota, as successor trustee	
By: _____ Authorized Representative	Attest: _____ Commissioner (Facsimile Signature)

ASSIGNMENT

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

_____

(please print or type name and address of transferee)

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

Dated:_____

_____

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

Signature Guaranteed:_____

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

Please insert social security or other identifying number of assignee:

_____

EXHIBIT C

FORM OF 2026 SERIES H-2 BONDS

No.____ $_____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND
[2026] SERIES [H]-2

Interest Rate	**Maturity**	**Date of Original Issue**	**CUSIP**

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

CEDE & CO.

or registered assigns, the principal sum of _____ DOLLARS

on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing [February 1, 2027], until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series H-2 Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Computershare Trust Company, National Association, in St. Paul, Minnesota, successor Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series H-2 Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series H-2 Bond is not a debt of the State.

This Series H-2 Bond is one of a duly authorized series of Rental Housing Bonds, [2026] Series [H]-2, issued in the original aggregate principal amount of $_____ (the "Series Bonds"), to provide funds needed to finance the acquisition and construction of a multifamily

housing development in Granite Falls, Minnesota (the "Development"). The Series H-2 Bonds are issued under and pursuant to the Agency's Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 26-075 adopted November 19, 2026, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series H-2 Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series H-2 Bonds, and the terms upon which the Bonds, including the Series H-2 Bonds, are issued, delivered and secured. The Series H-2 Bonds are issued contemporaneously with the Agency's Rental Housing Bonds, 2026 Series H-1.

The Series H-2 Bonds are issuable only in fully registered form. The Series H-2 Bonds are issued in denominations of $5,000 principal amount or integral multiples thereof not exceeding the principal amount maturing in any year.

The Series H-2 Bonds are subject to redemption in the manner, at the prices, at the times and under the circumstances provided in the Series Resolution.

Notice of any redemption of Series H-2 Bonds will be mailed to the registered Holders of the Series H-2 Bonds (or portions thereof) to be redeemed, at their last addresses on the registry books as of the Record Date, not less than thirty (30) days before the redemption date, stating (i) the principal amount to be redeemed, (ii) the maturities of the Series H-2 Bonds to be redeemed, (iii) that on the redemption date the redemption price of the Series H-2 Bonds or portions thereof to be redeemed will be payable, with accrued interest, and (iv) that thereafter interest will cease to accrue or be payable thereon. No failure to give such notice or defect in the notice shall affect the validity of the proceedings for the redemption of Series H-2 Bonds not affected by such failure or defect. Notice having been so mailed, the Series H-2 Bonds or portions of Series H-2 Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series H-2 Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

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

Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Holders of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time the consent is given. Any such resolution shall be binding upon the Agency and all fiduciaries and Holders of Bonds at the expiration of thirty days after filing with the Trustee of proof of mailing of notice that the required consent has been given. Supplemental resolutions may also be adopted, effective immediately, for the purpose of adding restrictions on or covenants by or surrendering privileges of the Agency, authorizing additional Bonds, or making provisions affecting only Bonds not yet issued, and may also be adopted, effective upon consent of the Trustee, for the purpose of curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with the Bond Resolution, clarifying matters or questions arising under it. Every Holder hereof is deemed by purchase and retention of this Series H-2 Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

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

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series H-2 Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required; and that the issuance of this Series H-2 Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series H-2 Bond is transferable upon the books of the Minnesota Housing Finance Agency at the designated corporate trust office of Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee thereunder, by the registered owner hereof in person or by the owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or the owner's duly authorized attorney. Upon such transfer the Agency will issue in the name of the transferee a new Series Bond or Bonds of the same aggregate principal amount, Series, interest rate and maturity as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

The Agency and the Trustee under the Bond Resolution may deem and treat the person in whose name this Series H-2 Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series H-2 Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series H-2 Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Series H-2 Bond, so long as this Series H-2 Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of, premium, if any, and interest on this Series H-2 Bond, and shall give all notices with respect to this Series H-2 Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

[Remainder of page intentionally left blank]

Unless the Trustee's Certificate hereon has been manually executed by or on behalf of the Trustee, this Series H-2 Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Agency has caused this Series H-2 Bond to be executed by the facsimile signatures of its Chair and Commissioner, the Agency having no corporate seal, and has caused this Series H-2 Bond to be dated as of the date set forth below.

Date of Authentication: _____

Trustee's Certificate	MINNESOTA HOUSING FINANCE AGENCY
This is one of the Series Bonds delivered pursuant to the Bond and Series Resolution mentioned within.	By: _____ Chair (Facsimile Signature)
COMPUTERSHARE TRUST COMPANY, NATIONAL ASSOCIATION, St. Paul, Minnesota, as successor trustee	
By: _____ Authorized Representative	Attest: _____ Commissioner (Facsimile Signature)

ASSIGNMENT

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

_____

(please print or type name and address of transferee)

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

Dated:_____

_____

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

Signature Guaranteed:_____

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

Please insert social security or other identifying number of assignee:

_____

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Item: Adoption, 12-month Extension of Investment Banking/Underwriting Team

Action Item: 7.E
Date: 11/19/2026
Staff Contacts: Matt Dieveney, 651.539.9827, matthew.dieveney@state.mn.us
Request Type: Approval, Motion

Request Summary

At the December 15, 2022, board meeting, the board approved the selection of the Agency's investment banking and bond underwriting team for an initial three-year appointment, with the option of two 12-month extensions before needing to undergo a new request-for-proposal (RFP) selection process. The initial three-year appointment period ended December 31, 2025. The board approved a 12-month extension of the appointments at the December 18, 2025, board meeting, along with the addition of Northland Securities as a permanent co-manager on the investment banking and bond underwriting team.

Currently, Agency staff recommend a second 12-month extension to December 31, 2027. The Agency intends to undergo the RFP process in 2027 to select the investment-banking and underwriting team.

Fiscal Impact

The Investment Banking/Underwriting team will continue to support the Agency's bond issuance and minimize cost of funds.

Agency Priorities

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

Attachments

- Background
- Underwriter Review by Agency's financial advisor

Background

The current investment banking/underwriting team is comprised of Royal Bank of Canada as senior manager on the Agency's bond issues with Morgan Stanley, Piper Sandler, Northland Securities and Wells Fargo serving as regular co-managers. The senior manager leads the strategy, structuring and sales of the Agency's bonds with input and support from the co-managers. Additional support to the Agency is provided by firms in the team group such as interest-rate swaps, liquidity and remarketing for variable rate bonds, credit facilities to provide liquidity and recycling of tax-exempt volume cap.

A selling group of firms expands sales reach to retail investors. While the senior and co-managers provide bond-purchase orders from both retail and institutional investors, the selling group only covers retail investors.

Agency finance staff and its financial advisor, CSG Advisors, are satisfied with the underwriting team's collective performance in structuring and marketing bond issues to minimize borrowing costs to fund Agency programs. The attached underwriter review provided by the Agency's financial advisor, CSG Advisors, offers further context and discussion of the recommendations.

MINNESOTA HOUSING FINANCE AGENCY
Underwriter Performance Review
Calendar Year 2026 to Date, as of 11/9/26

As financial advisor to Minnesota Housing Finance Agency, CSG Advisors has prepared this review of underwriter performance on the Agency's financings for the calendar year 2026. The purpose is to help the Agency evaluate the performance of the members of the current underwriting team as MHFA considers the extension of the current underwriting team for an additional twelve months.

Summary of Recommendations

- Due to the continued successful performance of the underwriting team and pricings of the Agency's bonds, CSG recommends that the Agency extend the current underwriting team by twelve months, through December 2027.
- The Agency should begin preparing to conduct a selection process in the second half of 2027 to establish the underwriting team for 2028 and potentially beyond.

1. CURRENT UNDERWRITING TEAM

A. Members

The Agency selected its current underwriting team in December 2022. The appointment was for three years, with the option of two twelve-month extensions before MHFA needs to undertake a new selection process. Last year MHFA elected to do the first twelve-month extension, through December 2026. Without a second extension, the existing underwriting team selection would end in December 2026.

The current team consists of RBC Capital Markets as senior manager and four co-managers – Morgan Stanley, Northland Securities, Piper Sandler, and Wells Fargo.

In addition to these managers, the Agency also has a selling group that may submit orders from retail customers. The selling group includes eight firms – Amerivet, Blaylock Van, DA Davidson, Huntington, J.P. Morgan, Mesirow, Raymond James, and TD Financial. The selling group can help maximize orders, especially from Minnesota retail customers, and broaden retail distribution of the bonds. Last year the Agency stopped its past practice of elevating a selling group member into a rotating co-manager position on an issue-by-issue basis based on performance on the prior issue and instead promoted Northland Securities to a standing co-manager role given its consistent success in delivering additional institutional orders for MHFA bonds.

B. Roles

The different members of the underwriting team are expected to perform distinct functions as described in the following sections.

Senior Manager: RBC

a) Serves as the lead underwriting manager between bond sales, helping to provide numerous services in evaluating the market, keeping track of the Agency's ongoing bond yield compliance requirements on past issues (both single family and multifamily), participating in and providing analyses at annual finance team meetings, and making suggestions and recommendations as to potential financing alternatives;

b) Represents the underwriting team in pricing the bonds, accepting orders, allotting bonds to orders, and committing the managers to underwrite unsold bonds;

c) As the 'book-running' manager on each bond sale, leads the marketing campaign for the bonds and typically receives most institutional investor orders (and generally receives the largest share of sales compensation, or "takedown," from each institutional order); and

d) Receives the largest share of the management fee on each bond issue while also assuming the largest share of the risk on any bonds that are underwritten but not purchased by the public on the date of sale.

Regular Co-Managers. Morgan Stanley, Northland Securities, Piper Sandler and Wells Fargo

a) Actively assist the Agency between bond sales in evaluating the market, participating in annual finance team meetings, and making suggestions and recommendations as to potential financings;

b) At each bond sale, provide input as to potential bond pricing levels, and actively solicit both retail and institutional orders;

c) Receive a share of the management fee and take on a share of the risk on any unsold bonds; and

d) If for any reason the senior manager is unable to perform its functions (as happened in 2008 when the prior senior manager, UBS, abruptly closed its public finance offices) or is removed by the Agency, be able to immediately step into the role of senior manager and perform it quickly and well. Regular co-managers need to be thoroughly familiar with Agency financial needs and concerns, bond issues, and loan production.

Selling Group Members. These firms are included in the team solely to expand the retail distribution network for bond sales. They do not provide input into bond pricing, receive any management fee, or take risk on unsold bonds. Their salespeople receive a sales commission ("takedown") on orders they submit and for which bonds are allotted.

C. Team Structure Compared to Other State HFAs

The Agency's team structure is different from that used by the majority of state housing finance agencies. Many housing finance agencies use a team of rotating co-senior managers; a different regular co-senior manager becomes the book-running on each transaction. Over time, this approach spreads the work and compensation among those selected as co-senior managers. In practice, however, this also means that no one firm takes on the primary ongoing responsibility between issues to keep track of bond yield compliance or the Agency's financing needs and opportunities. Some agencies feel that using rotating managers may encourage more firms to present financing ideas, but this is usually at the expense of continuity in working relationships and of in-depth understanding of the HFA's needs.

In practice, rotation is either simply automatic regardless of performance or, in the case of some agencies, the HFA creates a 'jump ball' for each new bond issue by asking for competing proposed structures from

all the co-managers and then selecting whoever has the best ideas or has performed best or might be best suited to a structure that the HFA has already decided on (or, frequently, who hasn't recently had a chance to be the senior manager).

Minnesota Housing's approach places more responsibility on the senior manager and in return expects a very high level of ongoing service and a long-term perspective on the needs of the Agency – as opposed to the best outcome for the underwriter on one particular bond sale.

In 2022, the Agency continued this same structure of a single senior manager that it has used since the Agency's inception and that it has found – and CSG believes from our active participation with the Agency and other HFAs – serves it well in meeting the Agency's objectives.

2. 2026 BOND SALES

A. Sales Performance

Retail Sales. Table 1 shows each firm's total retail orders received on all RHFB and Housing Infrastructure Bond transactions sold to date in 2026. (There are no retail orders received by anyone other than RBC on Rental Housing Bonds). It also shows the actual allotments of bonds, based on subscription levels for particular maturities and rules giving higher priority to Minnesota retail than national retail orders. Allotments thus measure how important the orders were to the Agency in selling bonds in particular maturities.

Table 1. Retail Order and Allotment Summary
MHFA RHFB and State Appropriation Housing Infrastructure Bonds
2026 Year to Date, as of 11/10/26 (in 000's)

Firm	Role	Orders	As %	Allotments	As %
RBC Capital Markets	Senior Manager	39,015	62.5%	29,075	62.7%
Morgan Stanley	Co-Manager	6,860	11.0%	6,130	13.2%
Northland Securities	Co-Manager	1,125	1.8%	1,050	2.3%
Piper Sandler	Co-Manager	3,690	5.9%	1,725	3.7%
Wells Fargo	Co-Manager	4,895	7.8%	2,770	6.0%
AmeriVet	Selling Group	350	0.6%	350	0.8%
Blaylock Van	Selling Group	0	0.0%	0	0.0%
D.A. Davidson	Selling Group	0	0.0%	0	0.0%
Huntington	Selling Group	0	0.0%	0	0.0%
J.P. Morgan	Selling Group	3,445	5.5%	2,295	5.0%
Mesirow	Selling Group	0	0.0%	0	0.0%
Raymond James	Selling Group	3,060	4.9%	2,960	6.4%
TD Financial	Selling Group	0	0.0%	0	0.0%
Total		**62,440**	**100.0%**	**46,355**	**100.0%**

Observations from Retail Sales Performance:

- As expected, RBC as the senior manager received the largest number of retail orders at over 62% of total orders and allotments. Their significant retail strength in Minnesota also contributed to this performance.

- Of the co-managers and selling group members, Morgan Stanley provided the highest share of both retail orders and allotments (11.0% and 13.2%, respectively), while Piper Sandler, Wells Fargo, J.P. Morgan, and Raymond James also contributed at levels of above 5% of orders or allotments.

Institutional Sales. Although orders from institutional buyers can be brought in by either the senior manager or co-managers (and are then allocated among multiple firms), institutional orders have historically been received predominately by the senior manager on most housing bond transactions. In recent years, however, both with the Agency and other housing issuers, co-managers have sometimes supplied institutional orders, which can contribute to a successful bond sale.

The following Table 2 shows the amounts of institutional orders and allotments for the senior and co-managing underwriters on all RHFB and Housing Infrastructure Bond transactions sold to date in 2026.

Table 2. Institutional Order and Allotment Summary
MHFA RHFB and State Appropriation Housing Infrastructure Bonds
2026 Year to Date, as of 11/10/26 (in 000's)

Firm	Role	Orders	As %	Allotments	As %
RBC Capital Markets	Senior Manager	1,728,850	97.5%	624,300	96.9%
Morgan Stanley	Co-Manager	1,370	0.1%	835	0.1%
Northland Securities	Co-Manager	17,690	1.0%	7,925	1.2%
Piper Sandler	Co-Manager	16,680	0.9%	9,775	1.5%
Wells Fargo	Co-Manager	8,050	0.5%	1,635	0.3%
Total		**1,772,640**	**100.0%**	**644,470**	**100.0%**

Observations from Institutional Sales Performance:

- As expected, RBC as the book-running senior manager over 97% of all institutional orders in 2026.
- In Northland's first full year as a regular co-manager (rather than a temporarily-elevated selling group member), they delivered $17.69 million of institutional orders, the second highest amount of institutional orders behind RBC.
- Piper Sandler had the third-highest amount of institutional orders, $16.68 million.

B. Bond Pricing

As the Agency's financial advisor, CSG both participates actively in each bond pricing and provides post-sale memos including charts comparing pricing levels to that of bond issues of other HFAs during the same period. As described in the post-sale memos, the bond pricings for Minnesota Housing have been highly competitive, with the Agency's RHFB AA-rated bonds often comparing favorably with AAA rated issues from other agencies.

3. PERFORMANCE BETWEEN BOND ISSUES

Senior Manager RBC. Active investment banking contributions between bond sales is a key role for the senior manager and to a lesser extent for the regular co-managers. From our participation in and review of those efforts, our view is that RBC has played as strong and valuable a role as any senior manager for any of our state HFA clients. The significant depth of assigned personnel, range of expertise (including rental housing issuance and lending), timely provision of arbitrage yield and maintenance of bond volume

genealogy, experience with and knowledge of the Agency's indentures and balance sheet, and input from their trading desk between sales were all extremely strong. As the Agency had sought, RBC has helped provide significant continuity and brought a long-range perspective to the Agency's financing needs.

In addition, RBC's innovation of pass-through bonds backed by mortgage-backed securities and their leadership in developing the market for these bonds was uniquely valuable for Minnesota Housing's ability to continue to finance its production at attractive rates when traditional financing structures were uneconomic.

RBC has provided numerous financing facilities for the Agency. One of the most important has been the recycling line of credit for preserving private activity bond volume cap, described below. In addition, RBC has provided highly competitive terms for standby bond purchase contracts, often at similar rates for extended facilities as the Federal Home Loan Bank, which has been the other major provider for Minnesota Housing. RBC is also one of the four interest rate swap providers used by the Agency, along with Bank of America, Bank of New York Mellon and Wells Fargo.

Co-Managers Morgan Stanley, Northland Securities, Piper Sandler, and Wells Fargo. Co-manager roles and participation vary amongst HFAs. From our experience, each of the Agency's co-managers were cooperative and informed.

An important vehicle for mutual sharing between the entire finance team, including co-managers, and the Agency has been the annual meetings.

In terms of financing facilities, Wells Fargo has provided and bids on swaps of the Agency, and can provide standby bond purchase contracts.

4. PERFORMANCE OF THE UNDERWRITING TEAM IN MEETING MINNESOTA HOUSING OBJECTIVES

The most important measure of the underwriting team's performance is how well they help the Agency achieve its particular financing objectives on both a long-term as well as short-term basis. We have looked at this in terms of structuring approaches and consequences as well as performance on bond sales, since all are essential to Minnesota Housing achieving its goals.

A. Single Family Financing

The underwriters help the Agency find effective ways to finance single-family production to meet Agency objectives. Specifically, the underwriters have been asked to focus on two Agency criteria:

- assure that financing for new production (a) is at least as profitable for the Agency as selling loans directly in the secondary market, and (b) achieves full yield spread (1.125%) or better, which helps ensure long-term financial stability for the Agency; and

- leverage and minimize the use of new volume cap for single family financing, to preserve sufficient cap for allocation to rental housing projects which in turn helps those projects qualify for 4% low income housing tax credits.

The underwriting team has helped address these criteria in four key ways, three of which have been most prevalent in 2026:

Utilizing Taxable Debt. A major single-family achievement by the underwriting team in recent years has been increasing the amount of taxable debt used to finance single-family production. In 2026, of the $950 million of RHFB bonds the Agency has or will issue (including pending 26RS), $621.995 million or over 65% are taxable bonds. This has enabled the Agency to finance record amounts of production with a limited amount of volume cap. The tools for doing this have been taxable pass-through bonds, taxable variable rate bonds with interest rate swaps, and taxable fixed rate debt.

Recycling Bond Volume Cap. Recognizing that private activity bond volume cap is a valuable but limited resource in high demand, the underwriters in 2016 created a credit facility that allows the Agency to recycle certain amounts of its volume cap. At the end of each month, the principal on existing loans that would otherwise be used to call old bonds is refunded instead into the RBC Index Bank Note. This short-term financing vehicle allows the Agency to preserve and recycle this bond cap several months later when the Agency can efficiently issue long-term bonds to make new loans. Since January 2019, the Agency has preserved over $1.4 billion in volume cap through this RBC credit facility.

Managing Zero Participations. Zero participations help the Agency to earn full spread on each transaction. The underwriters monitor and manage these zero participations when available. This includes helping design RHFB bond issues with refundings to generate additional zeros and then using these zeros efficiently on new issues to assure full spread. These zeros played a critical role when bond interest rates spiked up dramatically during the course of pipeline production, such as in 2022.

Innovating and Marketing Single-Family Pass-Through Bonds. The Agency's underwriters helped the Agency issue the first pass-through bonds in the country and in the years since continued to develop and expand the market for such bonds. Minnesota Housing has been by far the national leader in such issues, though it hasn't issued pass-through bonds since 2022, given the steep increase in interest rates and reduced valuation of mortgage-backed securities and similar products. The pass-through approach provides alternative executions in often-challenging markets, in meeting the dual criteria for adding future spread income while stretching volume cap.

B. Rental Housing and State Appropriation Bonds

The underwriters have performed well in structuring and marketing rental housing bonds and state appropriation bonds for housing infrastructure, both of which help provide funding for affordable multi-family developments in the State.

Rental Housing Bonds. These financings typically fund loans for individual multi-family developments, although some have combined multiple developments to realize economies of scale and in 2024 the Agency did a 45-development portfolio financing to generate liquidity. Sometimes the financings are bridge-only, typically coupled with permanent loans from Pool 2, though more recently the Agency has issued long-term bonds to finance certain perm loans. The most important role of the underwriter on each issue has been managing the transaction to help assure the bond amounts, sources and uses, and timing work for the project as it goes through numerous changes in finalizing its details. Many of the financings involve multiple sources of subsidy and public approvals.

State Appropriation Bonds. The State Appropriation (Housing Infrastructure) Bonds are issued by Minnesota Housing but are backed by annual appropriations from the State. The most important innovation has been to design these issues so that the soft gap loans made from these funds can help projects meet the requirements for other funding sources, including in many cases 4% tax credits. The key role of the underwriters is helping structure these issues so that they meet the needs of the underlying projects to be assisted, while using the limited amount of annual State appropriation as efficiently as possible so the

Agency can assist the most projects. The in-state retail orders on these issues have been modest, but the overall issues have been well received.

5. SUMMARY

The underwriting team has played a very effective role in helping Minnesota Housing meet its financing needs in each of the areas described above.

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Item: Approval, Modification, Housing Infrastructure Bond Loan and Forgiveness and Preservation Affordable Rental Income Fund Program Loan — Bickham Court (fka Perspectives), D5230, St. Louis Park

Action Item: 7.F
Date: 11/19/2026
Staff Contacts: Tom Anderson, 651.539.9933, tom.a.anderson@state.mn.us
Request Type: Approval, Resolution

Request Summary:

Agency staff completed the underwriting and technical review of the proposed development and recommend adoption of two resolutions:

- Increasing the Housing Infrastructure Bond (HIB) loan by $1,500,000 from $8,560,000 to $10,060,000.
- Authorizing the forgiveness of the $562,280 deferred Preservation Affordable Rental Income Fund Program (PARIF) and the release of all related affordability and occupancy restrictions as part of the new financing structure for the recapitalization, rehabilitation and preservation of Bickham Court.

Fiscal Impact:

Minnesota Housing will not earn interest revenue on the HIB loan. As the debt service on the HIBs to be issued to finance the HIB loan is paid via state appropriations, there is also no interest expense to the Agency. Minnesota Housing will earn additional fee income from originating the HIB loan for this project.

Agency Priorities:

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

Attachments:

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

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information				
Development Name	Bickham Court (fka Perspectives)		**D#5230**	**M#19826**
Address	2753-2764 Louisiana Court			
City	Saint Louis Park	**County**	Hennepin	
Date of Selection	12/19/2024	**Region**	Metro	

A. Project Description and Population Served

- The development involves the acquisition and substantial rehabilitation of 56 units in a cluster of five three-story buildings with units ranging from one to three bedrooms.

- The development will provide 28 units of permanent supportive housing for single adults and families experiencing High Priority Homelessness (HPH) and nine units will serve Persons with Disabilities (PWD) households.

- The development will serve households with incomes that range from 30% to 50% Multifamily Tax Subsidy Projects (MTSP).

- All but one of the 56 units will benefit from rental assistance and be deeply affordable to households at 30% MTSP. The remaining unit will be designated for an on-site caretaker.
    - 22 units will benefit from Project-based Section 8 rental assistance.
    - 33 units will benefit from Housing Support income supplement.

- The project is anticipated to begin construction in early 2027 and is anticipated to be completed by late 2028.

B. Mortgagor Information

Ownership Entity:	Bickham Court Limited Partnership
Sponsor:	Trellis Co.

General Partner:	Trellis Bickham Court GP LLC
Guarantor:	Trellis Co.

All entity names are confirmed and shown exactly as they appear on organizational documents and/or Minnesota Secretary of State website.

C. Development Team Capacity Review

The sponsor, Trellis Co., has successfully completed numerous other projects similar in size and scope and are familiar with Minnesota Housing funding, processes and requirements. Staff expects them to have sufficient capacity to complete and operate the project.

The management company, Trellis Management Co., has experience managing similar properties and is expected to have sufficient capacity to manage this as well.

The service provider, Missions, Inc., is experienced in serving HPH/PWD residents and appears to have the capacity to serve this development.

Blumentals/Architecture Inc. is the architect and Frerichs Construction Company is the general contractor. Both appear to have the capacity to effectively design and construct the project.

The project sponsor, management company, and service provider all represent Women-owned Business Enterprises. Additionally, the architect firm has a capacity-building partnership with another Woman-owned Business Entity to perform a defined portion of design work.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction/ End Loan
Deferred	HIB	TEB*	$10,060,000	0%	NA	24 months (construction) +30 years	NA	Construction to Permanent

*Tax-exempt volume limited bonds.

- A partial prepayment of $1,500,000 shall be made no later than 24 months from construction closing.
- The deferred HIB loan is anticipated to carry a 0% interest rate, but if requested by borrower up to 1% may be allowed.
- The HIB loan is issued in the form of tax-exempt volume limited bonds that are sized at approximately 53% of aggregate costs to qualify the development for 4% federal Housing Tax Credits (HTCs). Since the underlying bonds were issued in 2025, the 50% test still applies and the project is not eligible for the 25% test.

E. Significant Changes Since Date of Selection

Total development costs increased by $3.3 million (18%) since selection in the 2024 Multifamily Consolidated RFP. This increase is attributable entirely to two categories: construction costs, which have increased by $1.96 million; and acquisitions costs, which have increased by $1.6 million. The construction cost increases have been driven by inflation in materials and labor, despite value engineering.

The acquisition cost increases have been driven by an accounting requirement to increase the acquisition price to offset the imputed value of the existing deferred loans that are being assumed by the new owner. Without this adjustment, a portion of the assumption of existing debt would be seen as income to the new partnership, thereby negatively impacting HTC pricing. This increase in cost does not contribute to any funding gap, because it is balanced dollar-for-dollar by a corresponding increase in sources from the seller loan.

Because the increases in costs have largely been balanced by an increase in HTC equity, increased deferred developer fee and a larger seller loan, the project does not have a permanent funding gap. However, the increase to aggregate basis has necessitated the requested $1,500,000 funding modification to ensure that the project has sufficient tax-exempt bonds to qualify for HTCs. Because these additional funds are not needed to fill a permanent funding gap, $1,500,000 of the $10,060,000 HIB loan will be repaid at the end of the construction period, while the remaining $8,560,000 will remain as a permanent loan.

The number of restricted units has also decreased by one since selection, from 56 to 55, to accommodate a request from the developer to retain a caretaker unit on site. This request has been approved through administrative authority.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	$ 7,027,354	$ 125,488
Construction Costs	$ 9,034,141	$ 161,324
Environmental Abatement	$ 50,000	$ 893
Professional Fees	$ 1,829,924	$ 32,677
Developer Fee	$ 2,228,900	$ 39,802
Financing Costs	$ 706,130	$ 12,609
Total Mortgageable Costs	$ 20,876,449	$ 372,794

Description	Amount	Per Unit
Reserves	$ 273,064	$ 4,876
Total Development Cost	$ 21,149,513	$ 377,670

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

B. Permanent Capital Sources

Description	Amount	Per Unit
General Partner Cash	$ 100	$ 2
HTC Equity Proceeds (Minnesota Equity Fund)	$ 5,818,689	$ 103,905
Rebates	$ 271,645	$ 4,851
Interim Income	$ 105,260	$ 1,880
Minnesota Housing Deferred Loan (HIB)	$ 8,560,000	$ 152,857
Hennepin County Affordable Housing Incentive Fund (assumed debt)	$ 710,000	$ 12,679
Hennepin County Supportive Housing Strategy	$ 1,200,000	$ 21,429
Family Housing Fund (assumed debt)	$ 300,000	$ 5,357
Seller Loan	$ 3,601,058	$ 64,305
Deferred Developer Fee	$ 582,761	$ 10,406
Total Permanent Financing	$ 21,149,513	$ 377,670

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

C. Financing Structure

- The development will qualify for approximately $725,000 of annual, 4% HTCs, which will result in equity proceeds from Minnesota Equity Fund. The term of the Land Use Restrictive Agreement will be 50 years.
- HTC Equity will be bridged by a construction loan of $1,750,000, provided by Greater Minnesota Housing Fund.

D. Cost Reasonableness

The predictive cost model is a tool that Minnesota Housing uses to identify, from a statistical perspective, proposed rental developments with unusually high costs. The model predicts the costs of a proposed development based on building characteristics and cost data from developments that the Agency has previously financed or to which it has issued tax credits and

is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 51% to 73% of the variation in historical costs, it cannot capture all components of every proposed project.

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

Currently, the TDC per unit is $377,670, which is 14% below the predictive cost model estimate of $440,147.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (%, of MTSP or AMI)	Rental Assistance Source
1BR	3	$ 1,246	30%	30%	Section 8
1BR	6	$ 680	50%	50%	Housing Support
1BR	1	$ 1,017	50%	50%	Housing Support
2BR	19	$ 1,529	30%	30%	Section 8
2BR	23	$ 1,000	50%	50%	Housing Support
3BR	3	$ 1,000	50%	50%	Housing Support
3BR	1	$ 1,000	Common Space	None	None

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

B. Feasibility Summary

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

- The project maintains positive cash flow for 15 years.

- The project was underwritten at 10% vacancy, with 2% income and 3% expense inflators.
- In addition to the income restrictions required by Minnesota Housing in the Rent Grid above, 22 units will have rent and incomes further restricted by Hennepin County to households earning 30% of MTSP.
- All 55 income-restricted units will benefit from rental assistance:
    - 22 units will benefit from Project-based Section 8 rental assistance, provided by a 20-year contract from the Saint Louis Park Housing Authority.
    - 33 units will benefit from Housing Support income supplement.

SECTION IV: DEBT FORGIVENESS

The table below details $2,383,000 in existing deferred debt on the property. All existing debt will either be forgiven or assumed and extended as noted in the table, with the exception of the acquisition loan from Greater Minnesota Housing Fund used to purchase the property in 2024.

Lender	Program Name	Interest Rate	Term (years)	Maturity Date	Current Balance	Action
Minnesota Housing	PARIF	0%	30	12/15/2038	$562,680	Forgiven
Hennepin County	HOME	0%	30	10/28/2029	$710,000	Forgiven
Hennepin County	AHIF	0%	30	12/27/2031	$710,000	Assumed
Saint Louis Park	CDBG	0%	30	12/31/2031	$100,474	Forgiven
Family Housing Fund	Loan	0%	30	12/31/2027	$300,000	Assumed
Greater MN Housing Fund	Acquisition Loan	6.07%		12/31/2027	$2,338,000	Paid Off
Total					$4,721,154	

Total recommended loan forgiveness from all lenders is approximately $1,373,154, including the $562,680 Minnesota Housing PARIF loan. An additional $1,010,000 in deferred loans from Hennepin County and Family Housing Fund will be assumed and extended.

Although the property will be acquired from a related party at closing, the proceeds generated by the sale are being used to pay off the acquisition loan, with the remaining amount being retained with the project in the form of a seller loan that will be paid from available cash flow and is not secured by a lien position. Trellis is not retaining any proceeds from the sale.

After reviewing the project and the considerations for debt forgiveness, this request meets the following:

No additional affordability gained by extending existing restrictions

The proposed new funding from Minnesota Housing as well as Hennepin County each include affordability restrictions significantly more stringent than the existing 80% of state median income restriction provided by the PARIF loan. The proposed funding structure will preserve 22 units of federal rental assistance and enable the provision of Housing Support rental assistance for the remaining 33 affordable units. The assistance ensures the tenants pay no more than 30% of their actual income toward rent.

Total debt on the property is greater than the value of the property

Based on an appraisal obtained by Minnesota Housing in 2025, the value of the property as it is currently operating is $3,850,000. Current outstanding debt totals $4,721,154. This is a loan to value ratio of 122%.

As it is an entirely supportive housing development, an as-complete appraisal for the property was not required. However, under the proposed new financing structure, even after accounting for the planned forgiveness of debt by Hennepin County and the City of Saint Louis Park, the remaining assumed existing debt plus proposed new debt of $13,361,058 would result in total debt of $14,933,728. This far exceeds the as-is value of the property even if it were released of all affordability restrictions, a scenario that was appraised at $6,140,000 in 2025.

No Reasonable Expectation of Repayment

As proposed, there are no excess sources to fund repayment of the Agency loan. The projected cash flow is dedicated to repayment of deferred developer fee for the first five years, after which remaining cash flows will repay a portion of the seller loan, currently projected to total just over $1 million of the $3.6 million seller loan over the first 15 years of operations.

Forgiveness of debt as a part of a larger stabilization or preservation effort

As part of consideration for providing new financing each of the existing funders completed a separate assessment on assumption or forgiveness of their existing debt. With the exception of

Family Housing Fund, each funder has expressed an intention to seek forgiveness in addition to the new resources they are providing the development:

- Hennepin County is expected to approve forgiveness of $710,000 in existing deferred HOME loans, in addition to providing $1,200,000 in new deferred funding.
- The City of Saint Louis Park is recommending forgiveness of all existing debt.

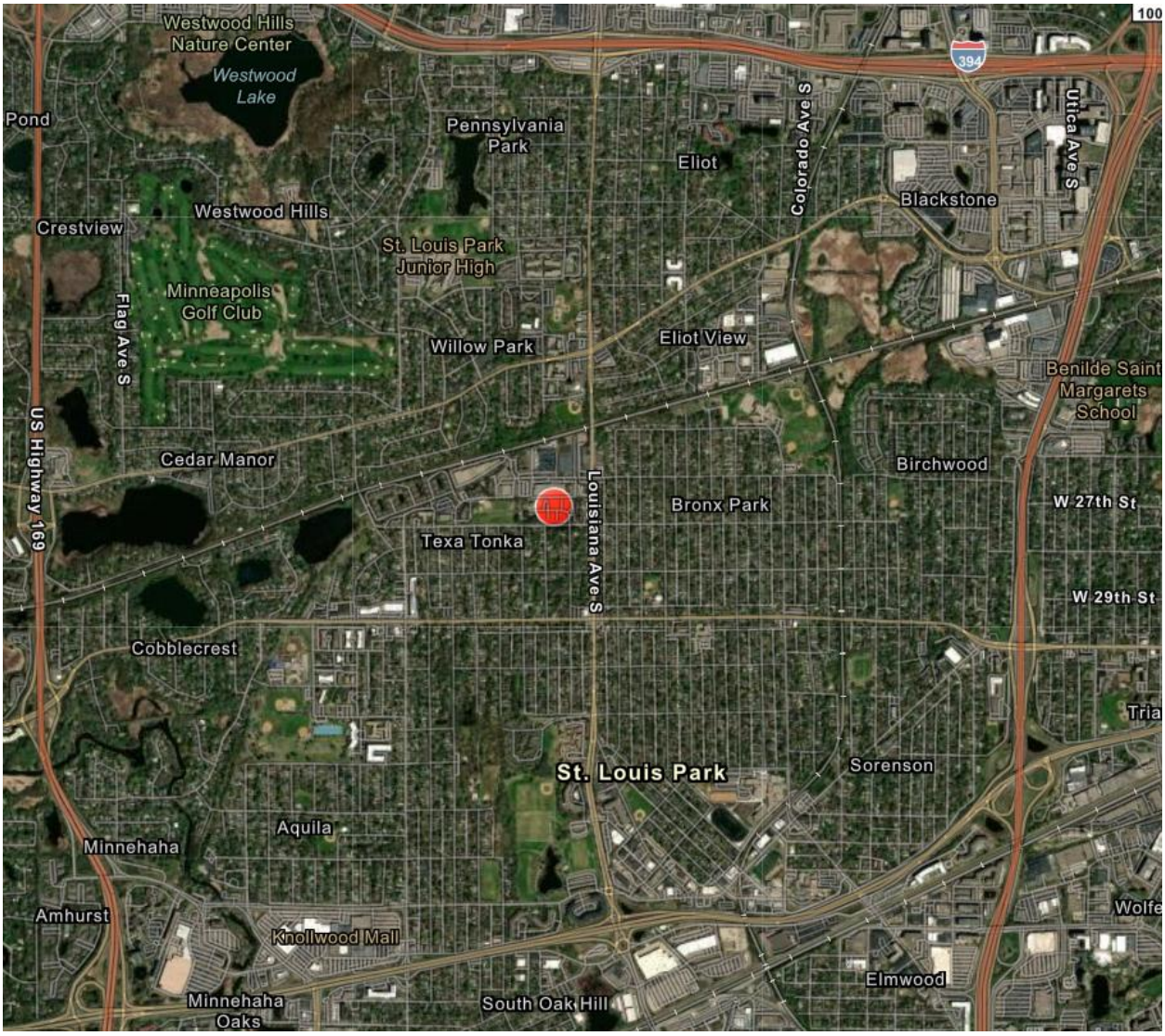
Meets Agency Mission and Strategic Priorities

The re-capitalization of this project provides the rehabilitation and preservation of permanent supportive housing that offers one-, two-, and three-bedroom unit types for families.

Reduces Administrative Burden

Debt forgiveness benefits the property and Agency by removing additional layers of compliance requirements, which reduces administrative costs without materially compromising the property's affordability.

Map of 2753-2764 Louisiana Court



Picture of 2753 Louisiana Court



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

RESOLUTION NO. MHFA 26-xxx
Modifying Resolution No. MHFA 24-082

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

WHEREAS, the Minnesota Housing Finance Agency board has previously authorized a commitment for $8,560,000 under the HIB program for the Bickham Court (fka Perspectives) development by its Resolution No. MHFA 24-082; and

WHEREAS, under Board Delegation No. 009, the Mortgage Credit Committee extended the commitment by twelve months on August 5, 2026, and now expires on August 18, 2027; and

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

WHEREAS, Agency staff has determined that there are increased development costs and the modified loan amount is reasonable and justified.

NOW THEREFORE, BE IT RESOLVED:

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

1. The Housing Infrastructure Bond loan shall not exceed $10,060,000; and

2. All other terms and conditions of Resolution No. MHFA 24-082 remain in effect.

Adopted this 19th day of November 2026

_____

CHAIR

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

RESOLUTION NO. MHFA 26-XXX

RESOLUTION APPROVING FORGIVENESS
PRESERVATION AFFORDABLE RENTAL INCOME FUND PROGRAM (PARIF) LOAN

WHEREAS, the Board has previously authorized commitments for Bickham Court (fka Perspectives) for a PARIF Loan of $562,680; and

WHEREAS, the property does not have the resources to repay the loan; and

WHEREAS, the affordability will be preserved through the new Housing Infrastructure Bond loan; and

WHEREAS, the debt forgiveness is in conjunction with an upcoming rehabilitation and preservation of the project; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes:

1. Forgiveness of the PARIF loan in the amount of $562,680.

Adopted this 19th day of November 2026

_____

CHAIR

Docusign Envelope ID: 81CA56CC-3F86-8763-81C5-AC8A9F926A7B

MINNESOTA HOUSING

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

October 16, 2026

Bickham Court Limited Partnership
C/O Trellis Co.
614 North 1st Street, Suite 100
Minneapolis, Minnesota, 55401

RE: Term Letter
Bickham Court, Saint Louis Park
Development #D5230, Project #M19826

Dear Elizabeth Flannery:

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

Borrower:	A single asset entity: Bickham Court Limited Partnership
General Partner:	Trellis Bickham Court GP LLC
Development Description/Purpose:	Acquisition and rehabilitation of a 56-unit affordable housing development located in Saint Louis Park, Minnesota

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Program	Housing Infrastructure Bonds – Preservation (HIB – Preservation)
Loan Amount	$ 10,060,000*
Interest Rate	0%
Mortgage Insurance Premium (%)	Not Applicable
Term	24 months (construction) + 30 years
Amortization / Repayment	Deferred lump sum payment due in 24 months (construction) + 30 years.
Prepayment Provision	Prepay at any time with prior written approval.
Nonrecourse or Recourse	Nonrecourse
Construction to Permanent Loan, Construction Bridge Loan or End Loan	Construction to Permanent Loan
Lien Priority	First Position (Second during construction period)

*A partial repayment of $1,500,000 shall be made no later than 24 months from construction closing.

Origination Fees: HIB Loan: $75,300 (payable at loan closing)

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

Guarantee / Guarantor(s): N/A

Replacement Reserve Cost Account: Monthly deposits will be required in the amount of $2,100. The account will established after construction completion and be held by Minnesota Housing.

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

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

Rent and Income Requirements:

HIB Loan

- 55 units with incomes not exceeding 80% MTSP and rents at 80% MTSP.
- 1 unit reserved for an on-site caretaker or manager.

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- Commitment to affordability for 50 years.

HAP or Other Subsidy Agreement:	Commitment to construction period plus 30 years of affordability from the date of loan closing under the HUD Section 8 Program for 22 units.
Other Occupancy Requirements:	N/A
Other Requirements:	The HIB loan is subject to the terms in the attached Selection Criteria.
Closing Costs:	Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.
Expiration Date:	This term letter will expire on the earlier of March 31, 2027 or loan closing.
Additional Terms:	N/A
Other Conditions:	N/A
Board Approval:	Commitment of the HIB loan is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.
Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and upload to the Term Letter item in the Pre-Construction Checklist in Portal on or before 10 business days from date of this letter.

If you have any questions related to this letter, please contact Tom Anderson at 651-539-9933 or by e-mail at tom.a.anderson@state.mn.us.

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

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

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AGREED AND ACCEPTED BY:

BICKHAM COURT LIMITED PARTNERSHIP,
A MINNESOTA LIMITED PARTNERSHIP

By: Trellis Bickham Court GP LLC,
a Minnesota limited liability company
Its: General Partner

By: DocuSigned by: Elizabeth Flannery 5E335A1908C045F...
Elizabeth Flannery
Its: President/Chief Manager

Date Accepted: 10/20/2026

Docusign Envelope ID: 81CA56CC-3F86-8763-81C5-AC8A9F926A7B

MINNESOTA HOUSING

Selection Criteria Related to 2024 RFP/2025 HTC Round 1

Project Name: **Bickham Court fka Perspectives**

Project City: **Saint Louis Park**

Property Number (D#): **D5230**

Project Number: **M19826**

Deeper Rent Targeting A

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

Loan/HTC Commitment and Compliance Monitoring

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

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

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

Deeper Rent Targeting B

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

Loan/HTC Commitment and Compliance Monitoring

Docusign Envelope ID: 81CA56CC-3F86-8763-81C5-AC8A9F926A7B

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

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

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

Permanent Supportive Housing for High Priority Homeless

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
50% to 100% of the total units, but no fewer than 20 units	30	50% to 100% of the total units, but no fewer than 20 units	30	28

Loan/HTC Commitment and Compliance Monitoring

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

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

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

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

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

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

People with Disabilities – Tier 1

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
15% to 25% of the total units, but no fewer than 6 units	10	15% to 25% of the total units, but no fewer than 6 units	10	9

Loan/HTC Commitment and Compliance Monitoring

Docusign Envelope ID: 81CA56CC-3F86-8763-81C5-AC8A9F926A7B

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

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

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

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

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

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

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

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

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

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

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

Preservation – Other Federal Rental Assistance and Critical Affordable Units – Tier 2

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
Existing housing with current deed restriction limiting rents for at least 50% of the total units to at or below 50% MTSP	15	Existing housing with current deed restriction limiting rents for at least 50% of the total units to at or below 50% MTSP	15	55

Loan/HTC Commitment and Compliance Monitoring

Docusign Envelope ID: 81CA56CC-3F86-8763-81C5-AC8A9F926A7B

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

The Owner agrees to restrict at least 50% of the units to rents at or below 50% MTSP for the term of the loan/LURA.

Preservation units cannot be used to satisfy the Rental Assistance criterion; units must be separate and distinct. Preservation – Tier 2 units cannot be used to satisfy the Serves Lowest Income criterion; units must be separate and distinct.

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

Rental Assistance

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
20.1% to 51% of the total units	13	20.1% to 51% of the total units	13	22

Loan/HTC Commitment and Compliance Monitoring

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

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

For purposes of this category, project-based rental assistance is defined as project-specific funding stream that supports the operations of the property, reduces the tenant burden, and provides the tenant portion of rent to be no greater than 30% of household income except as approved by Minnesota Housing. The project must comply with the requirements in the Self-Scoring Worksheet.

Minnesota Housing, at its sole discretion, will consider rental assistance programs with alternative rent structures as proposed by the applicant, where households may pay more than 30% of their household income when the program goals align with the needs of low-income populations such as with the Moving to Work and site-based Housing Support programs.

Rental Assistance units cannot be used to satisfy Preservation or Serves Lowest Income Unit criteria; units must be separate and distinct.

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

Rental Assistance – Further Restricting Rental Assisted Units (FRRA)

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
25.1% to 50% of the total units	5	25.1% to 50% of the total units	5	22

Loan/HTC Commitment and Compliance Monitoring

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

Owner agrees to further restrict units with project-based rental assistance or Housing Support to households whose incomes do not exceed 30% of MTSP income limit for a 10-year period. The 10-year period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

Senior Housing – 30% income restricted units and the units satisfying the Rental Assistance Further Restricting criterion must be distinct and cannot be layered.

The owner will be required to certify on an annual basis that the development complies with this criterion for the 10-year period.

Long Term Affordability

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

Loan/HTC Commitment and Compliance Monitoring

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

Need for More Affordable Housing Options

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

Loan/HTC Commitment and Compliance Monitoring

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

Workforce Housing Communities

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

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Loan/HTC Commitment and Compliance Monitoring

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

Transit and Walkability

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
One-quarter mile of a high service public transportation fixed stop	4	One-quarter mile of a high service public transportation fixed stop	4

Loan/HTC Commitment and Compliance Monitoring

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

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Walk Score between 50 and 59	1	Walk Score between 50 and 59	1

Loan/HTC Commitment and Compliance Monitoring

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

Community Development Initiative

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

Loan/HTC Commitment and Compliance Monitoring

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

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

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Owner non-profit Black-, Indigenous-, People of Color-owned or Women-owned Business Enterprise	4	Owner non-profit Black-, Indigenous-, People of Color-owned or Women-owned Business Enterprise	4

Loan/HTC Commitment and Compliance Monitoring

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

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

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

Loan/HTC Commitment and Compliance Monitoring

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

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

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Partnership with a Black-, Indigenous-, People of Color-owned/Women-owned Business Enterprise entity with the goal of building the entity's capacity	1	Partnership with a Black-, Indigenous-, People of Color-owned/Women-owned Business Enterprise entity with the goal of building the entity's capacity	1

Loan/HTC Commitment and Compliance Monitoring

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

Financial Readiness to Proceed/Leveraged Funds

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
10.51% or more of funding secured	16	6.01% to 7.5% of funding secured	10

Loan/HTC Commitment and Compliance Monitoring

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

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Other Contributions

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
6.1 to 8.0%	6	6.1 to 8.0%	6

Loan/HTC Commitment and Compliance Monitoring

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

Intermediary Costs

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
25.1% to 30%	1	25.1% to 30%	1

Loan/HTC Commitment and Compliance Monitoring

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

Smoke Free Building

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Smoke Free Buildings	1	Smoke Free Buildings	1

Loan/HTC Commitment and Compliance Monitoring

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

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

Enhanced Sustainability - Optional Criteria Points

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 2: Project includes at least 3x the minimum number of optional criteria points in the Intended Methods	2	Tier 2: Project includes at least 3x the minimum number of optional criteria points in the Intended Methods	2

Loan/HTC Commitment and Compliance Monitoring

Docusign Envelope ID: 81CA56CC-3F86-8763-81C5-AC8A9F926A7B

Eligibility was determined at the time of selection and will be validated during the underwriting phase, during architectural review, and post construction.

Enhanced Sustainability - Performance Pathways

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 3: Project meets at least one alternative building performance pathways	3	Tier 3: Project meets at least one alternative building performance pathways	3

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase, during architectural review, and post construction.

Total Developer Claimed:	**142**	**Total Agency Awarded:**	**136**

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Item: Approval, Amendments to the High-Rise Sprinkler System Program Guide

Action Item: 7.G
Date: 11/19/2026
Staff Contacts: Beverly Wilharm, 651.539.9635, bev.wilharm@state.mn.us
Anne Heitlinger, 651.296.9841, anne.heitlinger@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff requests approval of amendments to the High-Rise Sprinkler System Program Guide.

Fiscal Impact

None. This program is funded by state appropriations. The Agency does not anticipate earning interest on loans.

Agency Priorities

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

Attachments

- Background
- High-Rise Sprinkler System Program Guide

Background

In 2023, the legislature established the High-Rise Sprinkler System (HRSS) Grant Program (Minnesota Law 2023, chapter 37, article 1, section 2, subdivision 27 and art. 2, sec. 10) as a $10 million one-time grant program to install Sprinkler Systems in eligible high-rise residential buildings. The HRSS Program Guide was originally approved by the board on January 25, 2024. A competitive request for proposals (RFP) was issued in 2024, which resulted in two submitted applications and no grant awards because one application was deemed ineligible and the other later withdrew their application. The inability to award any funds in the original RFP was primarily due to three issues in the authorizing legislation:

- **Minimum Height Requirement**: To be eligible, the building had to be 75 feet or more above the lowest level of fire department vehicle access. This translates to generally seven to nine stories and is dependent on the floor to ceiling height of each of the floors. We had several interested property owners that had 7-story buildings that were just shy of meeting the height requirement.
- **Minimum Affordability Requirement:** The original law required that 2/3 of the units needed to be affordable to households with an annual income at or below 50% Area Median Income (AMI) and not paying more than 30% of annual income on rent. The requirement that households not pay more than 30% of their annual income on rent effectively limited the program to properties with rental assistance; however, those properties often do not have income limits at 50% of AMI. This combination made it difficult for properties to qualify for the program.
- **Only Grants:** The legislation did not include provisions for loans, and grants can be incompatible with typical multifamily funding sources, including the federal Low-Income Housing Tax Credit (HTC) program.

The legislation was amended in 2025 (Minnesota Laws 2025, ch.32, art. 3, sec.12) to address the minimum height requirement, affordability requirement and allow for loans. The proposed amendments to the HRSS Program Guide incorporate the legislative changes, including shifting from grants to loans, and updating the document to current Agency templates and formatting. There are no other material changes to the purpose of the program, eligible entities or eligible uses.

Due to the reorganization within the document, a red-line version became cumbersome to read. As such, a red-line version is not included with this memo but is available upon request.

Proposed Program Guide Amendments

Below are highlights of key changes to the High-Rise Sprinkler System Program Guide:

Title Page and Value Statement

- Changed title from “High-Rise Sprinkler System Grant Program” to “High-Rise Sprinkler System Program”
- Added Values Statement

Chapter 1: Introduction

- Removed references to grants (Section 1.02)
- Added standard reference to Legal Addendum section (Section 1.04)

Chapter 2: Eligibility Requirements

- Revised the program's minimum affordability requirement to reflect the legislative change increasing the income limit from 50% to 60% of AMI for at least two-thirds of households and removing the requirement that rent not exceed 30% of household income. (Section 2.01)
- Updated the minimum height requirement to include the legislative change that allows for buildings that are seven stories or more in height. (Section 2.01)
- Clarified that environmental reviews and any necessary remediation to install the Sprinkler System as well as related loan closing costs as eligible uses. (Section 2.04)

Removed Original Chapter 3: Maximum Funding and Match Requirement

- Deleted Maximum Funding per Eligible Building because the updated legislation does not include a maximum for loans. (former Section 3.01)
- Deleted Funding Match Requirement because the updated legislation does not include a match requirement for loans. (former Section 3.02)

Replaced Chapter 3: Program Requirements

- Updated the ongoing affordability requirement to use 60% Multifamily Tax Subsidy Program instead of 50% AMI, which reflects the updated legislation and aligns with the federal HTC program (Section 3.01)
- Added reference to Utility Allowances, which provide guidance for calculating gross rents. (Section 3.02)
- Added typical Design and Construction Requirements to align with the legislation and Agency requirements. (Section 3.05)
- Added reference to recommended usage of the Agency's Tenant Selection Plan Guidelines, which is standard language in other multifamily capital funding programs. (Section 3.06)

Added Chapter 4 General Loan Characteristics

- Added standard language related to loan structuring, including minimum terms, loan types and transfer of ownership procedures.

Chapter 5 Competitive Application Process and Review Criteria

- Updated language to reflect loans instead of grants.

Eliminated Chapter 6 Grant Contracting Requirements

- Removed because no longer applicable as a loan program.

Changed Chapter 7 Disbursements to Chapter 6 Disbursements

- Changed language to reflect loans rather than grants.
- Removed grant related requirements.

Eliminated Chapter 8 Budget Modifications

- Removed because this was a grant related administrative component.

Changed Chapter 9 to Chapter 7, Compliance Monitoring and Reporting

- Updated compliance requirements to use typical loan monitoring requirements instead of grants.

Addendum A: Definitions

- The terms have been updated to reflect the above noted HRSS Program Guide Updates.

Addendum B: Legal Addendum

- An updated Legal Addendum has been added.

It is anticipated that the RFP will be launched in early 2027.

MINNESOTA HOUSING

High-Rise Sprinkler System Program

Program Guide

November 2026



The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, gender identity, or sexual orientation in the provision of services.

An equal opportunity employer.

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

November 2026

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Values Statement

Our vision is that all Minnesotans live and thrive in a stable, safe and accessible home they can afford in a community of their choice.

To achieve this vision, we will reorient how we work and expand who has a voice at the table and who participates in and benefits from our programs and the housing economy.

We acknowledge and understand the intentional harms of the past, how they came to be and persist today, and our responsibility to correct them and remove barriers.

We will:

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

Chapter 1 – Introduction

1.01 Program Purpose and Authorizing Statute

The High-Rise Sprinkler System (HRSS) Grant Program was established in Minnesota Laws 2023, chapter 37, article 2, section 10 as a grant program to install Sprinkler Systems in eligible high-rise residential buildings. Minnesota Laws 2023, ch. 37, art. 1, sec. 2, subdivision 27 provided $10 million in one-time state appropriations, of which up to $4 million must be for a grant to CommonBond Communities for installation of a Sprinkler System at two buildings known as Seward Tower West and Seward Tower East, both located in Minneapolis.

Minnesota Laws 2025, ch. 32, art. 3, sec. 12 amended Minnesota Laws 2023, ch. 37, art. 2, sec. 10 so that the HRSS Program functions as a grant or loan program. Available funds will be distributed through a competitive Request for Proposals process.

1.02 Program Guide

This HRSS Program Guide (Program Guide), including subsequent changes and additions, will be incorporated into the loan documents. Compliance with this Program Guide will be a requirement of receiving HRSS Program funds. If there are any conflicts between the terms of this Program Guide and the Loan Agreement, the Loan Agreement controls.

1.03 Definitions

Appendix A includes definitions of capitalized terms used in this Program Guide.

1.04 Legal Addendum

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

Chapter 2 – Eligibility Requirements

2.01 Eligible Properties

To be eligible for funding, the property must meet each of the following requirements:

- Be an existing residential building
- Provide permanent residential housing that is not time limited
- Be seven stories or more in height or 75 feet or more above the lowest level of fire department vehicle access
- Be owned by an Eligible Recipient
- Have at least two-thirds of its unit rents affordable to households with an annual income at or below 60% area median income (AMI)* as determined by the U.S. Department of Housing and Urban Development (HUD).

*Rents at or below 60% AMI are used for eligibility at application, however, gross rents at or below 60% Multifamily Tax Subsidy Project (MTSP) are used in section 3.01 as a HRSS Program requirement.

2.02 Ineligible Properties

Properties intended to provide temporary housing such as shelters, transitional housing, or residential hotels are not eligible for HRSS Program funding.

2.03 Eligible Recipients

An Eligible Recipient is one of the following:

- A private for-profit developer, which includes but is not limited to a Limited Liability Company (LLC), Limited Partnership (LP), or other similar ownership entity with approval from Minnesota Housing at its sole discretion
- A tax-exempt Nonprofit Organization established under section 501(c)(3) of the Internal Revenue Code
- A federally recognized American Indian Tribe located in Minnesota or its Tribally Designated Housing Entity
- A local unit of government which includes Public Housing Authorities, Housing and Redevelopment Authorities, Community Development Agencies, and similar ownership entities with approval from Minnesota Housing at its sole discretion

In accordance with Minnesota Laws 2023, ch. 37, art. 2, sec. 10, priority shall be given to Nonprofit Organizations.

2.04 Eligible Uses

HRSS Program funds may be used for costs associated with the installation of the Sprinkler System, which includes the costs to:

- Prepare performance specifications by a Fire Protection Contractor to design the Sprinkler System
- Pay for permits to install the Sprinkler System
- Install the Sprinkler System components
- Complete restoration work due to installation of the Sprinkler System
- Inspect the Sprinkler System by a Fire Protection Contractor who prepared performance specifications
- Pay for temporary resident relocation expenses incurred as a result of installing the Sprinkler System
    - Permanent resident relocation is not an eligible expense.
- Pay a project management fee to the Borrower, which is the lesser of 5% of the total project costs or $100,000
    - The project management fee may include costs such as construction management, resident coordination, and other costs that are directly related to the installation of the Sprinkler System, subject to approval by Minnesota Housing.
- Required environmental reviews or remediation in order to install the Sprinkler System
- Complete closing including but not limited to legal, title, and survey costs
- Pay other costs associated with installing the Sprinkler System upon prior written approval from Minnesota Housing

In residential buildings that have some commercial use, the portion of costs to install the Sprinkler System in non-residential spaces are ineligible for reimbursement. Structured or underground parking and common areas may be prorated to the residential areas, subject to approval at Minnesota Housing's sole discretion.

The Borrower may be reimbursed for costs of eligible expenses incurred prior to executing a Loan Agreement with Minnesota Housing's approval at its sole discretion.

Chapter 3 – Program Requirements

3.01 Affordability Requirement

Upon closing of the HRSS Program loan, at least two-thirds of units shall have gross rents that are at or below 60% Multifamily Tax Subsidy Projects (MTSP) Rent Limits.

The Affordability Requirement shall be demonstrated in the form of a recorded declaration that remains in place for the term of the affordability period.

Units with project-based rental assistance, such as Section 8, U.S. Department of Agriculture Rural Units that are occupied by a household that is benefited by project-based or tenant-based rental assistance, such as Section 8 or a similar State or Federal rental assistance program, including housing support under chapter 256I, are deemed to satisfy the rent limit requirements.

3.02 Utility Allowances

Tenant-paid utility allowances are included in gross rent. Generally, acceptable utility allowances are those provided by Public Housing Authorities on a Section 8 utility allowance schedule. Utility allowances must be updated annually.

3.03 Affordability Period

The Affordability Requirement shall be in place the duration of the loan term or while the HRSS Program loan is outstanding.

3.04 Voucher Acceptance

Rental properties that receive funds under the HRSS Program must accept rental subsidies, including but not limited to vouchers under Section 8 of the United States Housing Act of 1937, as amended.

3.05 Design and Construction Requirements

Sprinkler Systems are required to comply with each of the following:

- Be designed, installed, and inspected by persons properly licensed under Minnesota Statute 326B.46
- The most recently adopted edition of the Minnesota State Building Code
- Other local, state, and national codes and standards in effect; the most restrictive codes and regulations will apply
- Minnesota Housing's Limited Scope Project Sustainability Requirements, which can be found on Minnesota Housing's Building Standards webpage

- Minnesota Housing's Limited Scope Project Abbreviated Design Standards, which can be found on Minnesota Housing's Building Standards webpage

3.06 Tenant Selection Plan

Minnesota Housing is committed to creating equitable, affordable, and accessible housing for all Minnesotans. Tenant selection plans and tenant screening criteria that reduce barriers to housing access are critical to these efforts. It is recommended that all recipients selected for HRSS Program funds follow Minnesota Housing's Tenant Selection Plan Guidelines.

Chapter 4 – General Loan Characteristics

4.01 Funding Source

Funds for the HRSS Program are received from the Minnesota Legislature as a one-time appropriation.

4.02 Loan Terms

HRSS Program funding is generally structured as a deferred, forgivable loan with a term of at least five years. Alternative structures may be approved at Minnesota Housing's sole discretion depending on the needs and financial structure of the project. An interest rate is not required but can be included if necessary for the financial structure of the project.

Minnesota Housing may also allow non-recourse debt on secured loans to single asset entities.

4.03 Loan Types

The loan commitment term and closing date are determined by the type of loan the applicant requests:

- Construction Loan: The Construction Loan must close within 20 months from the initial Minnesota Housing board selection date.
- End Loan: The project must enter into a loan commitment for an End Loan within 20 months of Minnesota Housing board selection. The project must be completed, and the loan closed within 18 months from the date the End Loan commitment is executed.

Either loan type may be available with Minnesota Housing approval.

If an applicant does not enter into a loan commitment for an End Loan or close the Construction Loan within the 20-month term, Minnesota Housing reserves the right to recapture funds or require a commitment extension.

4.04 Transfer of Ownership

Sale of the property to another eligible Borrower, assumptions, and subordinations of the loan must be pre-approved in writing by Minnesota Housing. Approval must be requested through the request for action process. Approval is at Minnesota Housing's sole discretion and will only be considered (but not guaranteed to be approved) if each of the following are true:

- The Borrower is not in default of any of its agreement(s) with Minnesota Housing
- The new entity is creditworthy, in Minnesota Housing's sole opinion
- The new entity assumes all contractual obligations with Minnesota Housing
- Payment of an assumption fee is submitted, if required

4.05 Prepayment

The loan may be prepaid at any time with Minnesota Housing prior approval. Minnesota Housing may charge a prepayment fee to cover the approximate administrative costs incurred by Minnesota Housing in processing the prepayment.

The Affordability Requirement will be terminated if the loan is prepaid in full before the end of the loan term.

Chapter 5 – Competitive Application Process and Review Criteria

5.01 Competitive Application Process

Minnesota Housing will develop forms and procedures for soliciting and reviewing applications for loans under the HRSS Program. Minnesota Housing will:

- Publish notifications of this loan opportunity, at a minimum, on Minnesota Housing's website, in the State Register, and through issuance of Minnesota Housing eNews
- Publish the required application materials on Minnesota Housing's website, which will include, but is not limited to:
    - Supporting organizational documentation to verify that applicant is an Eligible Recipient
    - Sources and uses to complete the Sprinkler System
    - Temporary relocation plan, if applicable
    - Documentation that the unit rents in the building meet the Affordability Requirement of the HRSS Program as defined in section 2.01 of this Program Guide
    - Qualification of Sponsor Form with required attachments
    - Other documentation, as determined by Minnesota Housing

Upon review of the application materials, applicants must be willing to provide additional documentation, if requested, to help ensure a viable project. Incomplete or insufficient documentation may result in denial of the application.

5.02 Threshold Criteria

Threshold criteria are the basic requirements that must be met to be eligible for funding. To meet the threshold criteria, each of the following must be true:

- The building is an Eligible Property as described in section 2.01 (Eligible Properties) of this Program Guide.
- The applicant is an Eligible Recipient as described in section 2.03 (Eligible Recipients) of this Program Guide.
- The application is for an eligible use as described in section 2.04 (Eligible Uses) of this Program Guide.
- The installation of the Sprinkler System will not result in permanent displacement of households.

5.03 Selection Criteria

After the review committee has met and the scores have been finalized, Minnesota Housing staff will incorporate the scores into final selection recommendations that will also consider project feasibility and geographic distribution of resources.

Project Feasibility

Applications must demonstrate and provide evidence of the following project feasibility requirements, as applicable:

- The costs of the Sprinkler System are reasonable based on market conditions and/or justifiable as determined by Minnesota Housing at its sole discretion
- The condition or status of current Sprinkler System
- The organizational capacity of the Eligible Recipient as adequately demonstrated to Minnesota Housing at its sole discretion

Applications determined to not meet feasibility requirements will not be processed further in the applicable funding cycle.

Geographic Distribution

Minnesota Housing considers geographic distribution of resources, including Tribal Reservations, when making HRSS Program selection decisions.

5.04 Financial and Organizational Review

Applicants must submit the required qualification forms. The qualification forms, along with additional information and instructions for submittal, can be found on Minnesota Housing Development Team Qualification Forms webpage.

5.05 Selections

Projects selected for further processing are subject to approval by the Minnesota Housing board of directors.

After selection, each Borrower will receive a funding selection letter with anticipated loan amount, terms, and next steps. While the submitted proposal met Minnesota Housing's initial criteria for funding, the funding selection letter is not a commitment by Minnesota Housing to provide financing.

Chapter 6 – Disbursements

The Borrower may only submit a disbursement request using the disbursement request template provided by Minnesota Housing. On the disbursement request template, the Borrower must identify the amount of eligible expenses by eligible expense category.

Disbursement will be made directly to the Borrower or their designated title agent as approved by Minnesota Housing. Disbursements will be on a reimbursement basis only. Minnesota Housing will process no more than one disbursement request per month for each Borrower.

The Borrower shall provide evidence of the eligible expenses incurred with the disbursement request, which may include the following supporting documentation:

- Contractor pay applications/draw requests
- Paid invoices
- Photographs of work in progress and completed work
- Invoices for eligible expenses

Minnesota Housing reserves the right to request additional documentation as needed to verify the expenses, including a cost certification prepared by a third-party auditor or accountant.

Chapter 7 – Compliance Monitoring and Reporting

7.01 Compliance Monitoring Requirement

Minnesota Housing may conduct inspections of the projects financed, at its sole discretion. Borrowers will be notified in advance of any inspection.

7.02 Compliance Reporting Requirement

Borrowers are required to provide annual reporting in the form and manner directed by Minnesota Housing. Owners must submit an annual Certification of Compliance with the Affordability Requirement. Owners must maintain year-end operating (financial) reports and make them available upon request.

7.03 Compliance Term

All projects funded with HRSS Program loans are required to comply with the Affordability Requirement and are subject to monitoring and reporting for the term of the Loan Agreement while the HRSS Program loan is outstanding.

7.04 Documentation Retention

Borrowers must retain files for six years after the expiration or termination of the Loan Agreement.

Appendix A – Terms

Table 1: Terms and Definitions

Term	Definition
Affordability Requirement	The rent restrictions that the recipient agrees to comply with, outlined in section 3.01 (Affordability Requirement) of this Program Guide.
Borrower	An Eligible Recipient that has been selected for HRSS Program loan funding by Minnesota Housing.
Community Development Agency	A local government agency, as described in Minn. Stat. 462C.02, subd. 6, responsible for the management and operation of its local public housing program and/or other types of housing, community, or economic development programs.
Construction Loan	A construction/permanent long-term loan to finance rehabilitation and eligible soft costs. The loan funds are advanced incrementally during rehabilitation.
Eligible Properties	Those buildings as described in section 2.01 (Eligible Properties) of this Program Guide.
Eligible Recipient	An entity as described in section 2.03 (Eligible Recipients) of this Program Guide.
End Loan	A permanent long-term loan that is used to pay off a short-term rehabilitation loan or other form of interim financing.
Fire Protection Contractor	A person who contracts to sell, design, install, modify, alter, or inspect a fire protection system (Sprinkler System) or its parts or related equipment.
High-Rise Sprinkler System (HRSS) Program	The program established in Minnesota Laws 2023, ch. 37, art. 2, sec. 10 and amended by Minnesota Laws 2025, ch. 32, art. 3, sec. 12.
Housing and Redevelopment Authority	A local government agency, as described in Minn. Stat. 462C.02, subd. 6, responsible for the management and operation of its local public housing program and/or other types of housing, community, or economic development programs.
Loan Agreement	All Minnesota Housing documents evidencing a loan pursuant to the HRSS Program.
Minnesota Housing	The Minnesota Housing Finance Agency
Multifamily Tax Subsidy Project (MTSP)	Income limits published annually by HUD that are used to determine qualification levels as well as set maximum rental rates for projects funded with tax credits authorized under section 42 of the Internal Revenue Code and projects financed with tax exempt housing bonds issued to provide qualified residential rental development under section 142 of the Internal Revenue Code. Such limits must follow the hold-harmless policy established in section 3009 of the Housing and Economic Recovery Act of 2008 based on the limits in effect on the date of the funding application or, for projects receiving Low-

Term	Definition
	Income Housing Tax Credits under section 42 of the Internal Revenue Code, the placed in service date.
Nonprofit Organization	A tax-exempt nonprofit organization under section 501(c)(3) of the Internal Revenue Code that was established before January 1, 2026, as demonstrated by registration or filing of organizational documents with the state of origin.
Program Guide	The High-Rise Sprinkler System Program Guide
Public Housing Authority	A state, county, municipality, or other governmental entity or public body, or agency or instrumentality of these entities, that is authorized to engage or assist in the development or operation of low-income housing under the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.).
Request for Proposals	A competitive process of applying for funding from Minnesota Housing.
Sprinkler System	Fire protection system as defined in Minn. Stat. 299M.01.
Tribally Designated Housing Entity	An entity as defined by U.S. Code, title 25, section 4103(22).

Appendix B – Legal Addendum

1.01 Conflict and Control

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

1.02 Fraud

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

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

1.03 Misuse of Funds

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

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

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

1.04 Conflict of Interest

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

- **Actual Conflict of Interest:** An Actual Conflict of Interest occurs when a person's decision or action would compromise a duty to a party without taking immediate appropriate action to eliminate the conflict.
- **Potential Conflict of Interest:** A Potential Conflict of Interest may exist if a person has a relationship, affiliation or other interest that could create an inappropriate influence if the person is called on to make a decision or recommendation that would affect one or more of those relationships, affiliations or interests.
- **Appearance of a Conflict of Interest:** An Appearance of a Conflict of Interest means any situation that would cause a reasonable person, with knowledge of the relevant facts, to question whether another person's personal interest, affiliation or relationship inappropriately influenced that person's action, even though there may be no Actual Conflict of Interest.

A conflict of interest includes any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a Partner, Family Member, Relative, Friend, Business or other Outside Interest with which they are involved. Such terms are defined below.

- **Business:** Any company, corporation, partnership, proprietorship, firm, enterprise, franchise, association, organization, self-employed individual or any other legal entity which engages either in nonprofit or profit-making activities.
- **Family Member:** A person's current and former spouse; children, parents, and siblings; current and former children-in-law, parents-in-law, and siblings-in-law; current and former stepchildren and stepparents; grandchildren and grandparents; and members of the person's household.
- **Friend:** A person with whom the individual has an ongoing personal social relationship. "Friend" does not generally include a person with whom the relationship is primarily professional or primarily based on the person being a current or former colleague. "Friend" does not include mere acquaintances (that is, interactions are coincidental or relatively superficial). Social media friendships, connections, or links, by themselves, do not constitute friendship.
- **Outside Interest:** An Outside Interest may occur when an individual, their Family Member or their Partner has a connection to an organization via employment (current or prospective), has a financial interest or is an active participant.
- **Partner:** A person's romantic and domestic partners and outside Business partners.
- **Relative:** Uncle or aunt; first or second cousin; godparent; godchild; other person related by blood, marriage or legal action with whom the individual has a close personal relationship.

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

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

- Terminating the contracting party's participation

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

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

1.05 Assistance to Employees and Affiliated Parties

Any party entering into a contract with Minnesota Housing for the purpose of receiving an award or benefit in the form of a loan, grant, combination of loan and grant or other funding is restricted in issuing a loan, grant, combination of loan and grant or other funding to a recipient ("Affiliated Assistance") who is also: (1) a director, officer, agent, consultant, employee or Family Member of an employee of the contracting party; (2) an elected or appointed official of the state of Minnesota; or (3) an employee of Minnesota Housing, unless each of the following provisions are met:

- The recipient meets all eligibility criteria for the program;
- The assistance does not result in a violation of the contracting party's internal conflict of interest policy, if applicable;
- The assistance does not result in a conflict of interest as outlined in section 1.04 of this Addendum;
- The assistance is awarded utilizing the same costs, terms and conditions as compared to a similarly situated unaffiliated recipient and the recipient receives no special consideration or access as compared to a similarly situated unaffiliated recipient; and
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and independent of any Family Member of the recipient. Family Member is defined in section 1.04 of this Addendum.

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

1.06 Suspension

By entering into any contract with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of

the contract) has not been suspended from doing business with Minnesota Housing. Please refer to Minnesota Housing's website for a list of suspended individuals and organizations (go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing, then select Suspensions from the menu).

1.07 Disclosure and Reporting

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

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

1.08 Electronic Signatures

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

1.09 Fair Housing Policy

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

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

marketing and operating procedures comply with non-discrimination requirements. Housing providers and other entities involved in real estate related transactions must comply with all non-discrimination requirements related to the provision of credit, as well as access to services.

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

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

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

Under certain circumstances, applicants will be required to submit an Affirmative Fair Housing Marketing Plan at the time of application, to update the plan regularly and to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions.

As a condition of funding through Minnesota Housing, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a Housing Choice Voucher or other form of tenant-based rental assistance.

1.10 Minnesota Government Data Practices

Minnesota Housing, and any party entering into a contract with Minnesota Housing, must comply with the Minnesota Government Data Practices Act, Minnesota Statutes, Chapter 13, as it applies to all data provided by Minnesota Housing under the contract, and as it applies to all data created, collected, received, stored, used, maintained or disseminated by the contracting party under the contract. The civil remedies of Minnesota Statutes, section 13.08 apply to the release of the data referred to in this section by either the contracting party or Minnesota Housing. If the contracting party receives a request to release the data referred to in this section, the contracting party must notify Minnesota Housing. Minnesota Housing will give the contracting party instructions concerning the release of the data to the requesting party before the data is released. The contracting party's response to the request shall comply with applicable law.

1.11 Prevailing Wage

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

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

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

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

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

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

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

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Item: Approval, Housing Tax Credit Reallocation — Leech Lake Homes IX, D8773, Cass Lake

Action Item: 7.H
Date: 11/19/2026
Staff Contacts: Tim Sullivan, 651.539.9929, tim.sullivan@state.mn.us
Nicola Viana, 651.539.9849, nicola.viana@state.mn.us
Request Type: Approval, Resolution

Request Summary

At the December 19, 2024, meeting, the Minnesota Housing board approved the proposed development for an allocation of 2025 9% federal Low-Income Housing Tax Credits (Housing Tax Credits) under Resolution No. MHFA 24-081. In accordance with Chapter 2.V of the Amended 2026-2028 Qualified Allocation Plan (QAP), staff requests approval of a resolution to implement a reallocation action.

Fiscal Impact

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

Agency Priorities

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

Attachments

- Background
- Resolution
- Development Summary

Background

Reallocation Request

On December 19, 2024, the Minnesota Housing board approved an allocation of 2025 9% Housing Tax Credits (HTCs) in the amount of $1,700,000 for the Leech Lake Homes IX project under Resolution No. MHFA 24-081. Leech Lake Homes IX is a proposed new construction, workforce housing project in Cass Lake on the Leech Lake Reservation. The project will consist of 30 single family homes on one site. The project met all HTC carryover requirements and received a carryover allocation from Minnesota Housing effective December 18, 2025.

Under Section 42 of the Internal Revenue Code (Section 42), to claim 2025 HTCs, a project must be completed and qualify for the HTCs with a placed in service date no later than December 31, 2027. This deadline cannot be extended by a state's HTC allocating agency.

Due to extenuating circumstances, the project will not meet this placed in service deadline. On September 30, 2026, the project owner, Leech Lake Housing Authority (LLHA), made a formal request seeking a return of the 2025 HTCs and reallocation of the HTCs from the 2027 HTC year.

According to their request letter, LLHA has experienced unforeseen delays that were out of their control. In June 2025, the Leech Lake community experienced a severe storm, which was declared a major disaster and required coordination with the Federal Emergency Management Agency. The natural disaster damaged existing LLHA properties, disrupted operations and limited staff capacity to focus on other projects.

In September 2025, a fire destroyed the LLHA office building, which resulted in a complete loss of all files, including resident files, computers, and the structure itself. Fortunately, no one was injured. This unforeseen incident caused additional operational disruptions and caused additional strain on staff capacity.

The delay caused by these events was exacerbated by environmental concerns discovered onsite through the Phase I Environmental Site Assessment (ESA) and a subsequent notice from the Minnesota Pollution Control Agency (MPCA). The MPCA findings were received the month after the severe storm hit existing LLHA projects. The potential environmental issues, which relate to groundwater quality, have required further time-intensive review, testing, and regulatory protocols. This due diligence would create a tight project timeline in typical circumstances. But the additional delay caused by the emergency needs and operational disruption of the fire and storm have pushed the project beyond the possibility of meeting HTC deadlines.

IRS and Minnesota Housing Procedures

When a project with allocated HTCs cannot meet deadlines to claim its HTCs, Section 42 and the IRS regulations under 26 CFR section 1.42 provide that the HTCs are returned to the allocating agency. The returned HTCs are added to the state credit ceiling, giving the Agency additional HTCs to allocate. In this case, the $1,700,000 in returned 2025 HTCs will increase Minnesota's 2027 state credit ceiling by $1,700,000, as long as Minnesota Housing allocates the returned HTCs in 2027. If the return occurs through the mutual consent of Minnesota Housing and the LLHA, the additional 2027 HTCs can be reallocated to the Leech Lake Homes IX project, allowing time to complete due diligence and construction and place the project in service by the required deadline. This process effectively gives the project an extension.

Under Chapter 2.V of the 2026-2027 QAP, Minnesota Housing may, at its sole discretion, permit a project that has received a carryover allocation and will be unable to meet its placed-in-service deadline under Internal Revenue Code Section 42 to return its original allocation and receive a reallocation of the same amount in a future credit year. The owner must provide timely written notice explaining the cause of the delay and all remedial measures taken to mitigate it. 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. The owner must also demonstrate the project remains economically viable without additional funding and show the project still meets all original selection criteria, conditions of the original allocation, future-year QAP requirements and local affordable housing needs.

Analysis

1. Eligibility for Reallocation

Staff concluded that the project meets the reallocation requirements and conditions in the QAP. The owner provided timely written notice explaining the extenuating circumstances and remedial measures taken to mitigate the delay. The circumstances of the delay were unforeseeable and outside of the owner's control due to the compounding factors of the fire that destroyed the LLHA headquarters office building and the severe storm that damaged existing LLHA properties. These factors have disrupted organizational operations, limited staff capacity and impacted project timelines, including the staff time available for extensive due diligence, review, and testing to address environmental concerns onsite.

Staff have confirmed that the project remains economically viable without additional HTCs or other deferred funding. Any additional costs due to delay or environmental testing will be funded by other sources, such as funds from LLHA, Federal Home Loan Bank and MPCA. The project continues to meet the affordable housing needs of its community. Staff have reviewed relevant project information and confirmed the project still meets all selection criteria and conditions upon which the HTC were

originally allocated. The project also meets the minimum requirements of the current 2026-2028 Amended and Restated QAP. Staff have further determined that the project will meet affordable housing needs of Leech Lake Reservation.

2. Additional Context

LLHA is continuing to follow applicable environmental procedures to ensure the safety of the groundwater at the project site. LLHA commissioned a Phase II ESA to complete additional groundwater testing, aquifer sampling, and pump testing. Drilling began November 3, 2026, and testing and analysis will take approximately two months to complete.

LLHA has expressed concern with the potential for groundwater contamination and is also taking measures to plan for future contingencies depending on the testing results. LLHA has disclosed to Minnesota Housing staff that it may submit a request to move the project to a new site if testing shows that the groundwater is not acceptable. If circumstances require this action, staff will review a project change request in accordance with the QAP and HTC statutory and regulatory requirements and will follow all applicable procedures for approval. At this time, a change in project site is not part of LLHA's request or staff's recommendations.

Recommendation

Staff reviewed the request and recommends the board approve the request for a return and reallocation of 9% HTCs for Leech Lake Homes IX. Specifically, staff recommends that the Agency: (1) accept a return of the 2025 HTCs through a mutual cancellation agreement, causing the HTCs to be added to the 2027 state credit ceiling; and (2) reserve an equal amount of 9% HTCs from the increased 2027 state credit ceiling for reallocation to the project in 2027 provided all QAP requirements are met.

If approved, the project will return its 2025 HTCs to Minnesota Housing. In accordance with the QAP, Section 42 and implementing regulations under 26 CFR section 1.42-14, the returned HTCs will be added to the state housing credit ceiling for the 2027 allocation year and will be available for reallocation to the project in 2027. The return and reallocation will not require the project to submit a new application or be rescored under the QAP. The owner and Minnesota Housing will execute an HTC Cancellation Agreement for the 2025 HTCs and Reservation Agreement for the 2027 HTCs. During calendar year 2027, the reserved 2027 HTCs will be reallocated to the project through carryover or final allocation procedures after the owner submits the appropriate due diligence.

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

RESOLUTION NO. MHFA 26-XXX

RESOLUTION APPROVING REALLOCATION OF FEDERAL LOW INCOME HOUSING TAX CREDITS FOR CALENDAR YEAR 2027

WHEREAS, at the December 19, 2024, meeting, the Minnesota Housing Finance Agency (Agency) approved an allocation of $1,700,000 in 2025 9% federal Low-Income Housing Tax Credits (HTCs) for Leech Lake Homes IX (D8773) through its Resolution No. MHFA 24-081; and

WHEREAS, the project is required to be placed in service no later than December 31, 2027; and

WHEREAS, due to extenuating circumstances, the project will not meet this placed in service deadline; and

WHEREAS, Section 42 of the Internal Revenue Code, and implementing regulations under 26 CFR section 1.42, and the Minnesota Housing's Amended 2026-2028 Qualified Allocation Plan (QAP) Chapter 2.V allows for reallocation of HTCs; and

WHEREAS, Agency staff has determined reallocation is reasonable in these extenuating circumstances and is in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies.

NOW, THEREFORE, BE IT RESOLVED:

THAT, the board hereby authorizes Agency staff to:

1. Accept a return of this project's 2025 9% HTCs through a mutual cancellation agreement; and

2. Add these returned HTCs to the 2027 state credit ceiling; and

3. Reserve and allocate an equal amount of 9% HTCs from the increased 2027 state credit ceiling for reallocation to this project in calendar year 2027, subject to adjustments in accordance with the QAP, and consistent with federal law, federal regulations, and the QAP; and

4. Such reservation and reallocation are subject to the requirements of the HTC program, and the Commissioner is authorized to approve non-material changes to

the project; and

5. Execute all documents related to the reallocation described herein, subject to such terms and conditions as the Agency staff, in its sole discretion, deems necessary.

Adopted this 19th day of November 2026

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CHAIR

MINNESOTA HOUSING

Development Summary

Leech Lake Homes IX

Sponsor	Leech Lake Band of Ojibwe Housing Authority		
Location	Cass Lake	**Project Type(s)**	Workforce Housing
Property #	D8773	**Project #**	M19823

Project Description

Leech Lake Homes IX is a new construction development of 30 single-family homes in Cass Lake sponsored and developed by Leech Lake Band of Ojibwe Housing Authority. The development will provide 14 two-bedroom, 12 three-bedroom, and four four-bedroom units. The development's Declaration of Land Use Restrictive Covenants (LURA) will contain provisions for Eventual Tenant Ownership (ETO) following the initial 15-year tax credit compliance period. The development will assist in reducing homelessness, overcrowding, and rent-burdened Indigenous households within the Leech Lake Reservation.

Population Served

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

- The development will provide 30 units of workforce and permanent supportive housing.
- High Priority Homeless (HPH): four units will serve families that meet the definition of HPH and will benefit from project-based rental assistance provided by Leech Lake Band of Ojibwe Housing Authority through an allocation authorized by the Native American Housing and Self Determination Act (NAHASDA).
- Persons with Disabilities (PWD): four units will serve families with a person with a disability and will benefit from project-based rental assistance provided by Leech Lake Band of Ojibwe Housing Authority through an allocation authorized by the NAHASDA.
- Rental Assistance: eight units will benefit from project-based rental assistance provided by Leech Lake Band of Ojibwe Housing Authority through an allocation authorized by the NAHASDA. All eight units will be limited to households with incomes at or below 30% Multifamily Tax Subsidy Project (MTSP).
- Serves Lowest Income Tenants: 15 units will have rents restricted to 50% MTSP rent. Of the 15 units, three units will be deeply affordable to households at 30% MTSP income.
- Supportive Housing: the development is partially supportive housing (fewer than 50% of units designated for HPH, PWD or other homeless households).

Leech Lake Homes IX

Property Number: D8773
Total Units: 30
Sponsor Name:
Leech Lake Band of Ojibwe Housing Authori
City of Cass Lake, Cass



Recent Employment and Household Trends in the City

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

Job Trends 2018-2023		Household Trends 2012-2022		Population Trends 2012-2022	
Current Jobs:	**1,664**	Current Households:	**252**	Current Population:	**682**
Five Year Change:	**-68**	10 Year Change:	**-50**	10 Year Change:	**-79**
Percent Change:	**-4%**	Percent change:	**-17%**	Percent Change:	**-10%**

Unemployment Rate: **4.2%** (county) (city, if available)

Fair Market Rents (2024)

Bedroom Size	Fair Market Rents (Co)
0 Bedrooms	$737.00
1 Bedroom	$853.00
2 Bedrooms	$944.00
3+ Bedrooms	$1,240.00

Local Area Incomes and Rents

In census tract 27021940002 **(Region: Greater MN Non-MSA)**,

- the median household income is **$55,139.00**.
  (Tract household income is in the **0 - 19th percentile** based on region type)
- the median renter household income is **$38,036.00**.
  (Tract renter income is in the **40 - 59th percentile** based on region type)
- **54%**, of lower income renters are cost burdened.
  (Tract cost burdened renters is in the **80 - 100th percentile** based on region type)
- **76%**, of the population is Black, Indigenous, or person of color.
  (Tract share of population BIPOC is in the **80 - 100th percentile** statewide)
- **33%** % of people are in poverty.
  (Tract share of people in poverty is in the **80 - 100th percentile** statewide)
- the median rent for all units is **$889.00**.
  (Tract median rent is in the **40 - 59th percentile** based on region type)

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

MINNESOTA HOUSING

MINNESOTA HOUSING

Item: Approval, Housing Tax Credit Supplemental 9% Housing Tax Credit Allocation – White Oak Apartments, D8696, Deer River

Action Item:	7.I
Date:	11/19/2026
Staff Contacts:	Tim Sullivan, 651.539.9929, tim.sullivan@state.mn.us
	Nicola Viana, 651.539.9849, nicola.viana@state.mn.us
Request Type:	Approval, Resolution

Request Summary

At the May 28, 2026, meeting, the Minnesota Housing board approved the proposed development for an allocation 2026 9% federal Low-Income Housing Tax Credits (Housing Tax Credits) f under Resolution No. MHFA 26-035. In accordance with Chapters 2.O, 2.T and 2.U of the Amended 2026-2028 Qualified Allocation Plan (QAP), staff requests approval of a resolution to allocate supplemental 9% Housing Tax Credits (HTCs) of $192,079. This would increase the allocation amount from $1,440,570 to $1,632,649.

Fiscal Impact

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

Agency Priorities

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

Attachments

- Background
- Supplemental 9% HTC Allocation Request
- Resolution
- Development Summary

Background

Section 42 of the Internal Revenue Code requires all 9% HTC projects to receive a carryover allocation or be placed in service by the end of the HTC year. The deadline for projects that have received a 2026 9% HTC allocation is December 31, 2026.

Chapter 2.O of the QAP states, “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.”

If additional 9% HTCs are available at the Carryover deadline, staff review the projects that submitted a request for supplemental HTCs and the application materials to see if an application’s supplemental request meets the requirements of the QAP. This includes reviewing the need for waivers of the development limit and the predictive cost model. Staff may adjust or reject supplemental HTC requests if they are deemed unnecessary or excessive.

There is currently $223,222 available in 2026 HTCs. After 2026 HTC Round 2, the Agency received a return of HTCs. The QAP establishes procedures for returned HTCs and how to allocate those HTCs:

- Per Chapter 2.T of the QAP, “In Round 2, eligible applications that were not selected or that were selected to receive a partial Allocation may be maintained on a waiting list until the end of the year in the event Minnesota Housing receives an increase in credits due to an IRS formula adjustment, National Pool or unused and/or returned HTCs.”
- Per Chapter 2.U of the QAP, “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.”

On May 28, 2026, the Minnesota Housing board approved an allocation of 2026 9% HTCs in the amount of $1,440,570 for the White Oak Apartments project under Resolution No. MHFA 26-035. White Oak Apartments is a proposed new construction, workforce housing project in Deer River, partially located on the Leech Lake Reservation. The project consists of 24 single family units, ranging from one to four bedrooms, on one site.

Due to the limited availability of 2026 9% HTCs, the project received only a portion of its requested allocation. In accordance with Chapter 2.T of the QAP, Resolution No. MHFA 26-035 established a waiting list for future reservations and allocations of 2026 HTCs if additional HTCs become available. White Oak Apartments was placed first on that waiting list.

Supplemental 9% HTC Allocation Request

White Oak Apartments has met all HTC carryover requirements and submitted a carryover application to Minnesota Housing on October 1, 2026. That application included a request for supplemental HTCs beyond its initial board-approved allocation.

In its carryover application, White Oak Apartments is requesting an allocation of $192,079 in HTCs, equal to 13% of its original allocation. Table A outlines the figures. Staff reviewed the carryover application and allocation request and believe that the HTC allocation is justified and necessary for the project to remain financially feasible. Staff are therefore seeking board approval of the HTC allocation. No separate HTC board waiver is required.

Table A: White Oak Apartments 2026 9% HTC Allocation and Recommendation

Initial 2026 HTC Round 2 Allocation	Supplemental HTC Allocation Recommended at Carryover	Total HTC Allocation
$1,440,570	$192,079	$1,632,649

For more information on the White Oak Apartments project, please see the May 2026 board report, page 148.

Cost Reasonableness

The predictive cost model is a tool that Minnesota Housing uses to identify, from a statistical perspective, proposed rental developments with unusually high costs. The model predicts the costs of a proposed development based on building characteristics and cost data from developments that the Agency has previously financed or to which it has issued tax credits and is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 51% to 73% of the variation in historical costs, it cannot capture all components of every proposed project.

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

A waiver of the predictive cost model was approved at the May 28, 2026, board meeting. At that time, the TDC of $619,285 exceeded the predictive cost model estimate of $340,123 by 82%. Currently, the TDC per unit is $388,595, exceeding the predictive cost model estimate of $302,971 by 62%. Because the TDC has decreased from the amount previously waived, the Project does not require an additional waiver.

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

RESOLUTION NO. MHFA 26-XXX

RESOLUTION APPROVING SUPPLEMENTAL ALLOCATION OF FEDERAL LOW INCOME HOUSING TAX CREDITS FOR CALENDAR YEAR 2026

WHEREAS, at the May 28, 2026, meeting, the Minnesota Housing Finance Agency board authorized the Minnesota Housing Finance Agency (Agency) to allocate $1,440,570 in 2026 9% federal Low-Income Housing Tax Credits (HTCs) for White Oak Apartments (D8696) through its Resolution No. MHFA 26-035; and

WHEREAS, the project requested a supplemental allocation of HTCs; and

WHEREAS, the project submitted a complete carryover application and has met HTC carryover requirements for allocation; and

WHEREAS, Agency staff has determined the supplemental allocation is reasonable, necessary for the project and is in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies.

NOW, THEREFORE, BE IT RESOLVED:

THAT, the board hereby authorizes Agency staff to:

1. Allocate an additional $192,079 in 2026 9% HTCs for the White Oak Apartments project via a Carryover Agreement; and

2. Such allocation is subject to the requirements of the HTC program, and the Commissioner is authorized to approve non-material changes to the project.

Adopted this 19th day of November 2026

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CHAIR

MINNESOTA HOUSING

Development Summary

White Oak Apartments

Sponsor	KOOTASCA Community Action, Inc.		
Location	Deer River	**Project Type(s)**	Workforce Housing
Property #	D8696	**Project #**	M21172

Project Description

White Oak Apartments is the new construction of 24 units in Deer River ranging from one to four bedrooms. The project is sponsored and developed by KOOTASCA Community Action, Inc., a nonprofit organization working to combat poverty and housing disparity in Koochiching and Itasca counties for the past 50 years. The project is located on the Leech Lake Reservation and will benefit Tribal members of the Leech Lake Band of Ojibwe as well as the greater Deer River community. White Oak Apartments features six one-bedroom, nine two-bedroom, six three-bedroom and three four-bedroom units. The property is near public transportation stops, medical providers, education facilities and a grocery store. Leech Lake Band of Ojibwe will also provide transportation connecting the property with Tribal amenities that are further away from the property.

Additional population notes

- The development will provide 24 units of workforce housing.
- The development is partially supportive housing, with four units dedicated to High Priority Homeless (HPH) households and five units dedicated to People with Disabilities households.
- Eight units will benefit from Housing Support rental subsidy through Itasca County. One HPH unit will benefit from a Section 8 project-based voucher through Itasca County.
- The development is not age restricted.

White Oak Apartments

Property Number: D8696

Total Units: 24

Address: 2nd ST. NW

City of Deer River, Itasca

Developer:
KOOTASCA Community Action

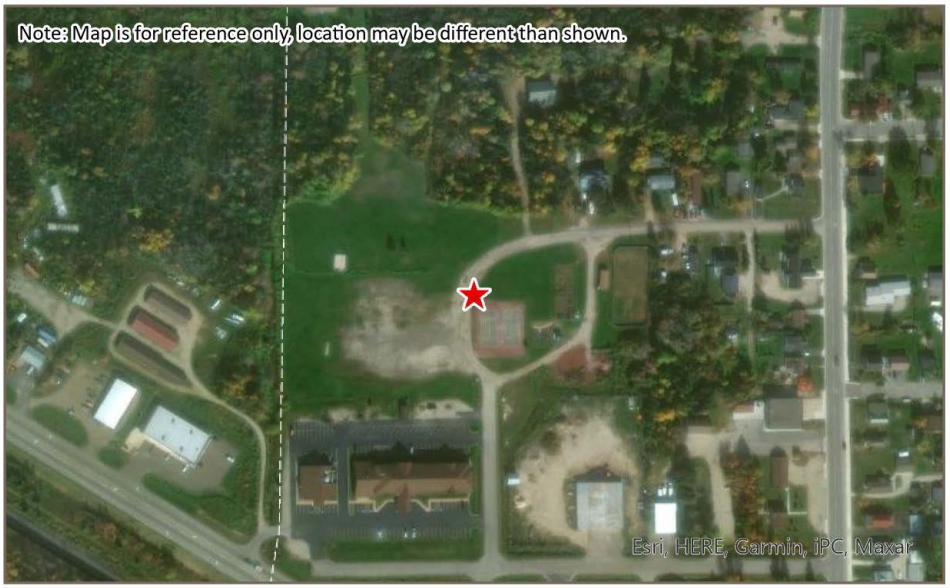
Sponsor Name:
KOOTASCA Community Action

Management Company:
CEPCO Management

Service Provider:
KOOTASCA Community Action

Project Type(s):
Workforce Housing;

Scattered Site Project: No



Recent Employment and Household Trends in the City

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

Job Trends 2019-2024	Household Trends 2014-2024	Population Trends 2014-2024
Current Jobs:**612**	Current Households:**395**	Current Population:**924**
Five Year Change:**-132**	10 Year Change:**-11**	10 Year Change:**-25**
Percent Change:**-18%**	Percent change:**-3%**	Percent Change:**-3%**

Unemployment Rate: **5.8%** (county) (city, if available)

Fair Market Rents (2026)

Bedroom Size	Fair Market Rents (Co)
0 Bedrooms	$754
1 Bedroom	$860
2 Bedrooms	$1,074
3+ Bedrooms	$1,401

Local Area Incomes and Rents

In census tract 27061480302 **(Region: Greater MN Non-MSA)**,

- the median household income is **$56,771**.
  (Tract household income is in the **0-19th percentile** based on region type)
- the median renter household income is **$33,750**.
  (Tract renter income is in the **20-39th percentile** based on region type)
- **61%**, of lower income renters are cost burdened.
  (Tract cost burdened renters is in the **60-79th percentile** based on region type)
- **11%**, of the population is Black, Indigenous, or person of color.
  (Tract share of population BIPOC is in the **40-59th percentile** statewide)
- **20%** % of people are in poverty.
  (Tract share of people in poverty is in the **80-99th percentile** statewide)
- the median rent for all units is **$683**.
  (Tract median rent is in the **0-19th percentile** based on region type)

Sources: Census Tract data based on data from the American Community Survey 2019-2023 sample. City data on job growth is from the MN Department of Employment and Economic Development Quarterly Census of Employment and Wages. Population and Household growth figures are from the MN State Demographer's estimates, which use the Decennial Census. Fair Market Rents are from HUD and for the County for 2026.

MINNESOTA HOUSING

Item: Approval, Bring It Home Rental Assistance Unserved Areas Funding Recommendations

Action Item: 7.J
Date: 11/19/2026
Staff Contacts: Dani Salus, 651.5393.9665, danielle.salus@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests approval to amend the funding amounts and extend the grant contract agreements for four Bring It Home Program Administrators to provide voucher administration to additional geographic service areas. Staff also requests the selection and commitment of $682,144 in Bring It Home funding to the Fond du Lac Band of Lake Superior Chippewa.

Fiscal Impact

The Bring It Home Rental Assistance Program is funded by state appropriations and a portion of the new metro sales tax, with individual awards structured as grants.

Agency Priorities

☒ Improve the Housing System

☒ Preserve and Create Housing Opportunities

☐ Make Homeownership More Accessible

☒ Support People Needing Services

☒ Strengthen Communities

Attachments

- Background and Recommendations
- Map of Bring It Home Program Administrators
- Resolution(s)

Background

The Bring It Home Rental Assistance Program was authorized in the 2023 legislative session under Minnesota Statute 462A.2095. The program was created to provide rental assistance for low-income families across Minnesota. The program is funded by state appropriations and a portion of the new metro sales tax and provides tenant-based and project-based rental assistance for cost-burdened households earning up to 50% area median income (AMI). Priority for rental assistance must be given to households with children 18 years of age and under and annual incomes up to 30% of the AMI.

Grant funds must be used for rental assistance, administrative fees (including landlord incentives) and/or start-up costs. Eligible start-up costs include any necessary costs to establish and quickly disburse funds under the program during the first 12 months of implementation.

The authorizing statute required that Minnesota Housing, to the extent possible, make grants to Program Administrators statewide in proportion to eligible households. Staff created a formula in 2024 to develop Minimum Grant Amounts which provided an allocation for Housing Assistance Payments (HAP) and administrative fees for each HRA Program Administrator's Service Area as well as an amount to be set aside for Tribal Nations.

Minnesota Housing issued a competitive RFP for approximately $63 million for rental assistance and administrative fees (per year) on February 18, 2025. This included a $3.14 million set aside for Tribal Nations. An additional $6 million was set aside for start-up costs. The Agency selected 50 applications for funding, which were approved by the Board in July 2025. One applicant decided not to accept funding, so after Board approval 49 Program Administrators entered into grant contract agreements with the agency to administer Bring It Home across the state. Approximately $123 million in funding was approved by the Board for 2-year grants to Program Administrators.

Unserved Areas Solicitation

The 49 Program Administrators that were awarded funding in 2025 cover most of the state of Minnesota, however there are some areas that remained unserved after the initial RFP:

- Koochiching, Wilkin, Big Stone, Meeker, Stevens, Traverse, Fillmore and Houston counties
- Mower County outside of the city of Austin
- City of Winona

A legislative change in 2025 allows the agency to allocate future funding without a competitive RFP process. The updated Program Guide describes the process of finding voucher administrators for the unserved geographic areas.

Per the program guide, if a Program Administrator does not apply for the Minimum Grant Award covering the Service Area, partner with another Program Administrator, or is no longer able to administer the program, then the first preference for that Service Area would be an eligible HCV Administrator or Tribal entity that has a current grant contract agreement for Bring It Home and is geographically adjacent to the Service Area. The second preference is an eligible HCV Administrator or Tribal Administrator that submits a complete application and indicates they would serve that Service Area.

In order to provide voucher administration to the unserved areas and to increase participation from Tribal Nations, staff issued a solicitation in August 2026 limited to current Program Administrators and Tribal Nations that had not previously been awarded funding. The solicitation offered up to $2 million for the unserved geographic areas and $1.4 million to Tribal Entities (the remaining amount of the Tribal set aside). Responses were due on September 16. Four responses were received from current Program Administrators, and one Tribal Nation who is not currently a Program Administrator. No entities applied for the same geographic area. Proposals were reviewed for program requirements, capacity and experience in the geographic area.

Funding Recommendations

Staff is recommending $1,076,157 in funding for start-up costs, rental assistance and administrative fees for the Program Administrators listed in the chart below. Fond du Lac is a new Program Administrator that requires Board selection and commitment.

Program Administrator	Current Service Area	Additional Service Area(s)	Current 2-year grant amount	2-Year Unserved Area Funding Recommendation	Total Amended (or New) Grant Amount
Albert Lea HRA	Freeborn County	Mower County	$314,464	**$72,383**	$386,847
Bemidji HRA	Beltrami, Clearwater and Mahnomen Counties	Koochiching County	$801,644	**$85,342**	$886,986
Fond du Lac Band	N/A	Fond du Lac Reservation	N/A	**$682,144**	$682,144
Otter Tail County HRA	Otter Tail County, except City of Fergus Falls	Wilkin County	$193,654	**$58,488**	$252,142

Swift County HRA	Swift County	Stevens, Traverse and Big Stone Counties	$165,720	**$177,800**	$343,520
		TOTAL	$1,475,482	**$1,076,157**	$2,551,639

Staff propose to amend each of the current Program Administrators' workplans and grant contract agreements to incorporate the funding for the additional Service Area(s) and to extend these grant contract agreements for 12 months beyond their current end date. This will allow time for setting up systems (outreach, waitlist, software) for the vouchers in these areas to be issued and absorbed.

There were no applications received in response to the solicitation for Meeker, Fillmore and Houston Counties or the City of Winona. Staff will revisit providing voucher administration to these areas once the current Program Administrators are further along in program implementation. There is approximately $1,000,000 that would be available to fund these areas.

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

RESOLUTION NO. MHFA 26-0XX

RESOLUTION APPROVING SELECTION FOR BRING IT HOME RENTAL ASSISTANCE PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to administer Bring It Home Rental Assistance under Minnesota Statutes section 462A.2095; and

WHEREAS, Agency staff has reviewed the application and determined that the application is in compliance with the Agency's rules, regulations and policies and that the recommended applicant will assist in fulfilling the purpose of this program.

NOW THEREFORE, BE IT RESOLVED:

1. The board hereby authorizes Agency staff to enter into a two-year grant contract agreement with the recommended applicant and up to the amount set forth below, subject to the terms and conditions contained herein and in the grant contract agreement:

Applicant Name	**Award**
Fond du Lac Band of Lake Superior Chippewa	$682,144

2. The Grant Contract Agreement shall occur no later than nine months from the adoption date of this Resolution, and

3. The grantee and such other parties shall provide such information and execute all such documents relating to said Grant Contract Agreement as Agency staff, in its sole discretion, deems necessary.

Adopted on this 19th day of November 2026

_____

CHAIR

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

RESOLUTION NO. MHFA 26-0XX

RESOLUTION APPROVING MODIFICATIONS TO BRING IT HOME RENTAL ASSISTANCE PROGRAM GRANT CONTRACT AGREEMENTS

WHEREAS, at their meeting on July 24, 2025, the Board approved the execution of Grant Contract Agreements with 50 grantees to administer Bring It Home Rental Assistance by its Resolution No. MHFA 25-049; and

WHEREAS, Minnesota Statutes section 462A.2095 requires the Agency, to the extent practicable, to make grants statewide in proportion to the number of households eligible for assistance in each county; and

WHEREAS, after the 2025 grantee selections, there remained areas of the state not covered by Bring It Home program administrators; and

WHEREAS, after solicitation of current grantees and Tribal Nations, four current program administrators applied to extend their service area to include a portion of these unserved areas; and

WHEREAS, Agency staff has reviewed the applications and determined that they are in compliance under the Agency's rules, regulations and policies; and that this action will continue to fulfill the purpose of the program; and

WHEREAS, to administer the Bring It Home Program and fully serve the new geographic areas, the grantees will need additional time to roll out the program.

NOW THEREFORE, BE IT RESOLVED:

1. The board hereby authorizes Agency staff to amend the existing Grant Contract Agreements executed under Resolution 25-049, using state resources as set forth below, subject to the terms and conditions contained herein and in the respective grant contract agreements:

Grantee	Funding Modification Recommended	Amended Grant Amount
Housing and Redevelopment Authority in and for the City of Albert Lea, Minnesota	$72,383	$386,847

Housing and Redevelopment Authority of Bemidji, Minnesota	$85,342	$886,986
Housing and Redevelopment Authority of Otter Tail County Minnesota	$58,488	$252,142
Swift County Housing and Redevelopment Authority	$177,800	$343,520

2. The board additionally authorizes Agency staff to amend the existing Grant Contract Agreements executed under Resolution 25-049, to provide an additional 12-month extension to the Grant Period;

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

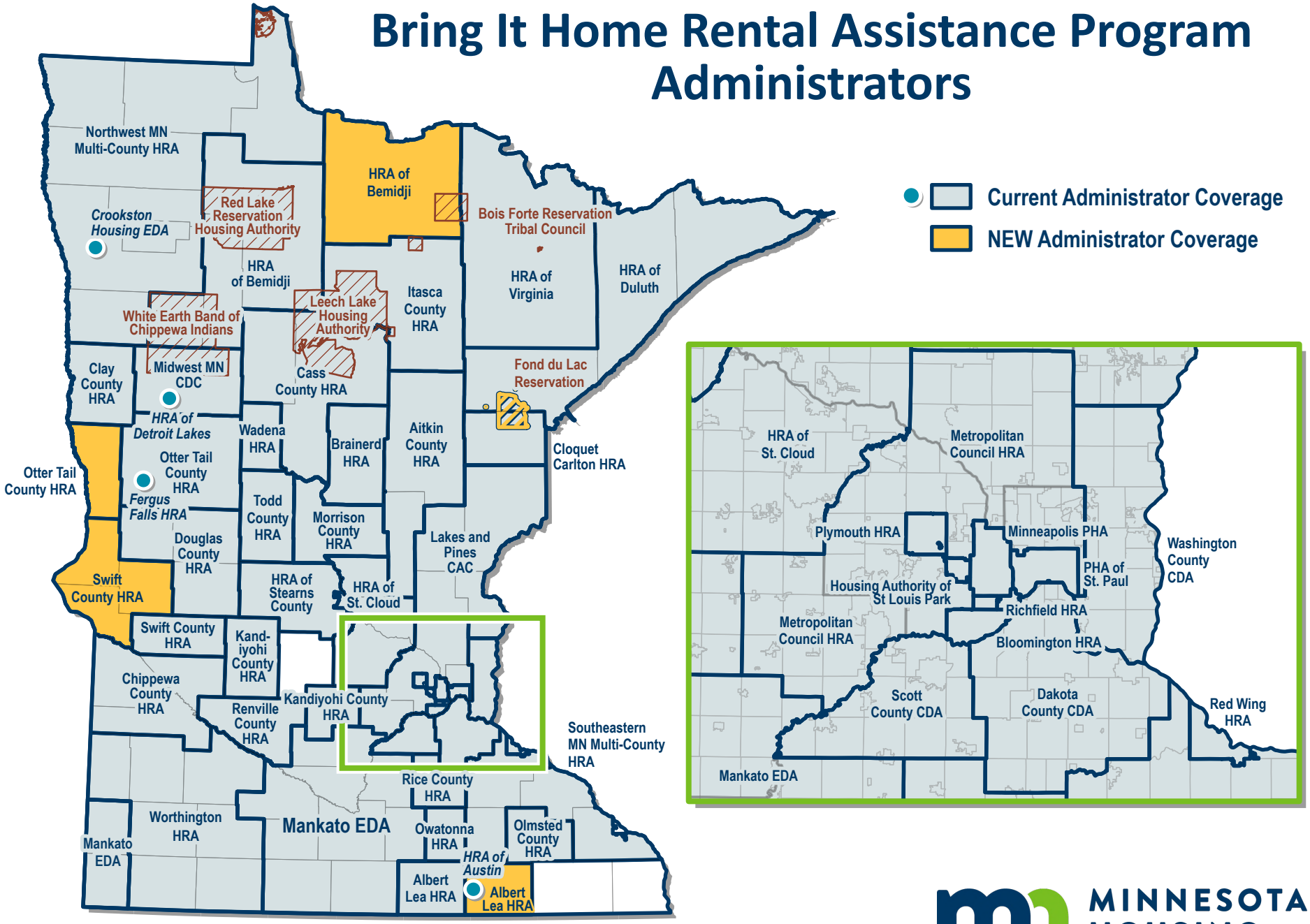
4. The grantees and such other parties shall provide such information and execute all such documents relating to said Grant Contract Agreement as Agency staff, in its sole discretion deems necessary.

Adopted on this 19th day of November 2026

_____

CHAIR

Bring It Home Rental Assistance Program Administrators



MINNESOTA HOUSING

Item: Fourth Quarter 2026 Progress Report: 2024-2027 Strategic Plan and 2026-2027 Affordable Housing Plan

Information Item: 9.A
Date: 11/19/2026
Staff Contacts: John Patterson, 651.539.9747, john.patterson@state.mn.us
Request Type: No Action, Information

Request Summary

Staff are providing for the board's review the Fourth Quarter 2026 Progress Report: 2024-2027 Strategic Plan and 2026-2027 Affordable Housing Plan. This is the final report for program year 2026.

Fiscal Impact

None.

Agency Priorities

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

Attachments

- Fourth Quarter 2026 Progress Report: 2024-2027 Strategic Plan and 2026-2027 Affordable Housing Plan

Fourth Quarter 2026 Progress Report: 2024-2027 Strategic Plan and 2026-2027 Affordable Housing Plan

(Program Year October 1, 2025 through September 30, 2026)

This progress report has two sections:

1. **Strategic Goals.** To track our progress in carrying out our 2024-2027 Strategic Plan, we have identified two priority areas for which we set strategic goals:
   a. Share of first-time homebuyer mortgages going to Indigenous, Black and households of color
   b. Share of new rental units that will be deeply affordable

2. **Forecast of Households and Housing Units to be Assisted.** To track our progress in implementing the 2026-2027 Affordable Housing Plan, we forecasted and now track the number of households and housing units that we expect to assist with funds awarded in program year 2026. This is a leading indicator of our program activity. For housing development programs, it can take two years from selecting projects for funding to disbursing those funds when construction is carried out.

In 2026, across the Agency, our program largely performed as expected. For some programs, we substantially exceeded expectations, but for others we fell short.

Key outcomes included:

- Overall, 40.9% of our first-time homebuyer mortgages went to Indigenous, Black and households of color, meeting our goal of 40%.

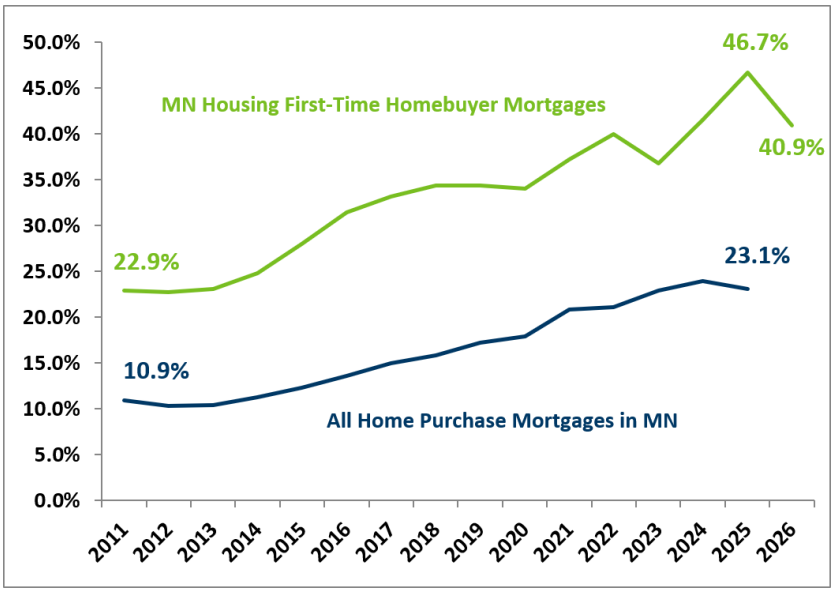
- Lending under our homebuyer and home-improvement programs has been lower than expected. Relatively high interest rates, a limited supply of affordable homes for sale, and economic uncertainty have limited lending. In addition, in the spring of 2025, we made program changes to our downpayment assistance and home improvement programs to slow lending a bit and more closely manage the limited resources we have available for new lending. With lending declining more than expected, the board approved this past June program changes to increase lending some. Even with support of the program changes, the homebuying and lending environment remains challenging.

- For rental new construction, we reached 144% of our year-end forecast. The amount of assistance provided per unit was less than anticipated, leading to higher production with the resources available.

- Across all programs, we reached 105% of our combined year-end forecast of households and housing units to serve. For some programs, we greatly exceeded our forecasts (such as, Other Housing Programs reaching 217%), and for others, we fell well short (such as, Rental Rehabilitation only reaching 32%). In most years, individual program areas typically fall within 75% to 125% of the forecast. This year had wider variability for a couple of reasons. In the area of Rental Rehabilitation, we had a few RFPs that we originally expected to complete in 2026, but they will not be done until 2027. In the area of Other Housing Programs, the amount of assistance awarded to support each housing unit through the Multifamily Distressed Properties/Community Stabilization program was far less than expected ($25,000 versus $80,000), allowing us to support far more units with the available funds.

Strategic Goals

1. Share of Mortgages Going to Indigenous, Black and Households of Color



Goal	**40.0%**
Q4-2026 Actual	**40.9%**

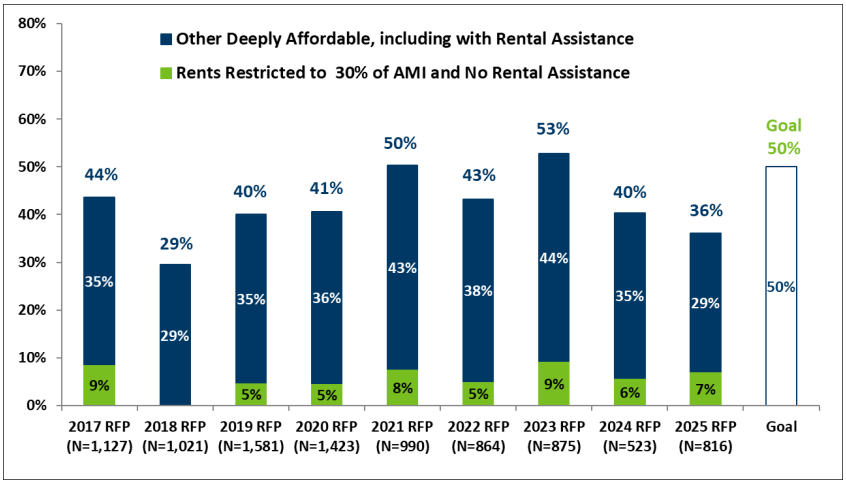
Our 2024-2027 Strategic Plan recognizes that some communities of shared identities, experience or geographies disproportionately face housing instability and experience disparities in access and outcomes. These include Indigenous, Black and people of color, people with disabilities, single parents, large families and older adults. These communities are our priority because the current market is not working for them, and they experience barriers in accessing and navigating affordable housing.

Among the 50 states, Minnesota has the sixth largest disparity in the homeownership rates between white households (77.1%) and Indigenous, Black and households of color (48.5%). To help address the disparity, we have set a goal of 40% of the Agency's first-time homebuyer

mortgages going to Indigenous, Black and households of color. We estimate that about 40% of renters in Minnesota who are potentially income-ready to buy a home and between the ages of 25 and 44 (prime first-time homebuyer ages) are Indigenous, Black and households of color.

After a few years of having 34% of our first-time homebuyer mortgages going to Indigenous, Black and households of color, we were able to break through and reach our 40% goal in 2022. This is significantly higher than the overall mortgage industry in Minnesota (23.1%). Because high interest rates and a very limited supply of affordable homes for sale created additional homebuying challenges, particularly for those already facing barriers, our rate of lending to Indigenous, Black and households of color dropped in 2023. However, with the May 2024 launch of our First-Generation Homebuyer Loan program funded with one-time state appropriation, our monthly lending rate to buyers of color reached 50% when the program was running. Unfortunately, the program exhausted the available appropriations and closed partway through program year 2025, and the monthly share of home mortgages going to Indigenous, Black and homebuyers of color dropped. For all of program year 2025, 46.9% of our first-time homebuyer mortgages went to homebuyers of color. As the First-Generation Homebuyer program was ending, the board approved program changes that made first-generation homebuying an eligibility criterion for downpayment assistance under our Deferred Payment Loan Plus program (which provides the highest level of assistance among ongoing programs but less than the temporary program dedicated specifically to first-generation homebuyers). With this change, we are currently keeping the overall share at or above 40%.

2. Share of New Rental Units from the Consolidated RFP that will be Deeply Affordable*



Goal	**50%**
2026 (2025 RFP) Actual	**36%**

* Includes new construction and adaptive-reuse units: (1) with contract rents that are affordable for households with incomes at or below 30% of the area median income (AMI), (2) with rental assistance, including Housing Support, and/or (3) that are permanent supportive housing.

With the funding selections approved in December 2025, 36% of the new construction and adaptive-reuse units are expected to be deeply affordable. While we did not reach the 50% goal

in the most recent RFP, we achieved it in two of the past five years. Achieving the target depends on: (1) the availability of capital funding for deferred lending — particularly Housing Infrastructure Resources, (2) the availability of rental assistance, including the Department of Human Services' Housing Support, and (3) the type of projects that submit funding proposals through the Consolidated RFPs. In the 2023 RFP, we reached 53% deeply affordable new units with the support of $206 million in deferred lending, including $102 million from Housing Infrastructure Resources. In contrast, the last two years have been lower. With the 2024 RFP, we reached 40% deeply affordable with $121 million in deferred lending, which included $61 million from Housing Infrastructure resources. With the 2025 RFP, we reached 36% deeply affordable with $108 million in deferred lending, which included $54 million from Housing Infrastructure resources. Deferred funding awarded in 2025 RFP was about half of what it was with the 2023 RFP. While funding levels and project proposals vary from year to year, we remain committed to maximizing deeply affordable housing through strategic investments and partnerships.

Forecast of Households and Housing Units to Be Assisted

The following table tracks our progress in reaching our 2026 activity forecasts by program area. For context and comparison, it also provides the level we reached in 2025 after the fourth quarter.

Progress in Reaching Our Forecast of Households and Housing Units to be Assisted in 2026

		2026 Year-End Forecast	2026 Actual After Fourth Quarter	Share of 2026 Forecast Reached After Fourth Quarter	2025 Actual After Fourth Quarter	Historical Share After Fourth Quarter
1	Homebuying	4,599	3,332	72%	3,604	100%
2	Homebuyer Education and Counseling	4,754	9,433	198%	8,902	100%
3	Home Improvement Lending	1,485	935	63%	1,119	100%
4	Single Family Housing Development and Supports	289	279	97%	862	100%
5	Manufactured Housing and Communities	0	0	N/A	1,275	100%
6	Rental New Construction	670	965	144%	716	100%
7	Rental Rehabilitation	1,133	358	32%	3,563	100%
8	Rental Refinance Only	11	0	0%	48	100%
9	State Rental Assistance and Operating Subsidies	7,842	3,393	43%	2,776	100%
10	Section 8 Contract Administration	34,259	34,125	100%	34,148	100%
11	Homelessness Prevention and Other Supports	4,535	6,916	152%	14,030	100%

12	Other Housing Programs	2,262	4,912	217%	1,818	100%
13	Total	61,839	64,648	105%	72,861	100%

Note: These numbers reflect households or housing units to be assisted based on housing developments that have been selected for funding, the commitment of home mortgage and home improvement loans (net of cancellations), contracts signed with named grantees, and the disbursement of funds for rental assistance, operating subsidies, homebuyer education/coaching and homelessness prevention.

Without historical data, our forecast of activity for new programs is quite uncertain in terms of the timing and number of households assisted. We anticipated that we would be well over the forecast in some areas and well under in other areas. The results for 2026 reflect this uncertainty.

NOTES

Lines 1: At the end of the program year, we reached 72% of our year-end forecast for our homebuyer lending programs. Relatively high interest rates, a limited supply of affordable homes for sale, and economic uncertainty continue to limit lending. In addition, in the spring of 2025, we made program changes to manage the more limited funding that the Agency had available for downpayment and closing-cost assistance, which was expected to slow overall lending. With program activity lagging behind the more limited lending we had planned, the board approved a range of program changes this past June to increase lending. Even with support of the program changes, the homebuying and lending environment remains challenging.

Lines 2: Homebuyer/owner education and counseling ended up well ahead of expectations, reaching 198% of the year-end forecast. We even ended up ahead of last year's level of activity when last year had additional funds available with the Go Big funding for the 2024-2025 biennium. Funding per assisted household was much lower than expected in 2026. Our home mortgage lending is down but demand for homebuyer education is not, which likely reflects the challenges of finding an affordable home and mortgage in today's market.

Line 3: With respect to home improvement activity, we reached 63% of the year-end forecast. Less lending under the Fix Up Loan program is primary reason the forecast was not met. Just like downpayment assistance and home mortgage lending, the board approved program changes in the spring of 2025 to more closely manage the use of the limited funds we have on hand for new lending; however, production fell below the lower level of lending that we had expected. Just like home mortgage lending, the board approved program changes this past June to increase Fix Up lending.

Line 4: With respect to single-family development and support, we were right on track with expectations. We reached 97% of the forecast. Activity in program year 2026 is less than 2025 because less funding was available.

Line 5: We did not run an RFP for Manufactured Home Community Redevelopment last summer and fall, which would have had selections this past December. Thus, we have no activity for program year 2026. We have launched the next RFP and are now processing applications for funding, which will come to the board for selections next month. That activity will be reported as activity in program year 2027 (October 1, 2026 to September 30, 2027).

Line 6: With respect to the construction of new rental units, we reached 144% of the year-end forecast. The amount of assistance provided per unit was less than anticipated, leading to higher production with the resources available.

Line 7: On the rental rehabilitation side, we reached 32% of the year-end forecast. The shortfall occurred because we had originally anticipated running RFPs and making some selections in 2026 for three programs – Publicly Owned Housing Program (POHP), Rental Rehabilitation Deferred Loan (RRDL) program and High-Rise Sprinkler Systems. These funds will support a significant number of units, but the exact timing of the RFP selections occurring in 2026 and/or 2027 was uncertain when we developed the projections a year ago.

For the Multifamily Consolidated RFP that we completed in program year 2026, we selected more units for rehabilitation funding than expected.

Thus, the shortfall in production was a timing issue reflecting uncertainty about when an RFP would be completed. It is not an issue of effectively deploying the resources.

Line 8: We did not refinance any rental properties in program year 2026. These funds are available year-round, and activity is demand driven, which can lead to uneven activity over the course of a year and from year-to-year. Given high interest rates, we have expected little activity. While our forecast is for 11 units, it is unlikely that we would refinance an 11-unit property, but rather, we were expecting a 25% chance of refinancing a 44-unit property.

Line 9: After the third quarter, we reached 43% of our year-end forecast for rental assistance and operating subsidies. Our existing and established programs were largely on track, reaching a combined 92% of the year-end forecasts.

Being behind expectations on overall activity was driven by the fact that we are in the process of standing up our new Bring It Home Rental Assistance program. We awarded the funds to administrators the previous year, and they are now launching their individual programs. It will take some time for this program to ramp up and issue and use all the vouchers. Through September 30, 2026, program administrators had placed about 515 vouchers. Once Bring It Home is fully operational, roughly 4,400 vouchers will be in use, and the number of households assisted with rental assistance across our programs will be close to the forecast.

Line 10: The number of units receiving project-based rental assistance changes very little over the course of the year, and it is always very close to the forecast.

Line 11: Activity under homelessness prevention and other supports is higher than expected because the 2026 legislature made available an additional $40 million, which was not part of the original forecast and is in the process of being deployed.

Line 12: This program area tracks several miscellaneous programs, most of which are new and have one-time funding. We greatly exceeded the 2026 year-end forecast for this program area, almost entirely because of the Multifamily Community Stabilization (Distressed Properties and Naturally Occurring Affordable Housing) program. We awarded all the funds in 2026, rather than splitting them between 2026 and 2027. In addition, the amount of assistance needed to support each housing unit was far less than expected ($25,000 versus $80,000), allowing us to support more units with the available funds than forecasted.

Line 13: Overall, we reached 105% of our combined year-end forecast with the areas exceeding their forecasts more than offsetting the areas falling short.

Item: 2026 Cost Containment Report

Information Item: 9.B
Date: 11/19/2026
Staff Contacts: John Patterson, 651.539.9747, john.patterson@state.mn.us
Request Type: No Action, Information

Request Summary

Staff is providing the 2026 Cost Containment Report for the board's review. Each year, we provide this report the month before the board makes funding selections for the Multifamily Consolidated RFP and the Single Family RFP for the Community Homeownership Impact Fund. The information in the report provides context for assessing the costs for the projects that the board will consider for funding next month.

Fiscal Impact

None

Agency Priorities

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

Attachments

- 2026 Cost Containment Report



2026 Cost Containment Report

11/12/2026

Minnesota Housing
Planning, Research and Evaluation
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St. Paul, MN 55102
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www.mnhousing.gov

Upon request, this material will be made available in an alternative format such as large print, Braille, or audio recording. Printed on recycled paper.

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Overview and Context

Containing the cost of housing development is a critical issue in Minnesota. In 2024, about 643,000 Minnesota households were cost burdened by spending more than 30% of their income on housing.[1] To address the shortage of housing that is affordable, we need to build and preserve more affordable homes across the state, especially for households with lower incomes, which is challenging.

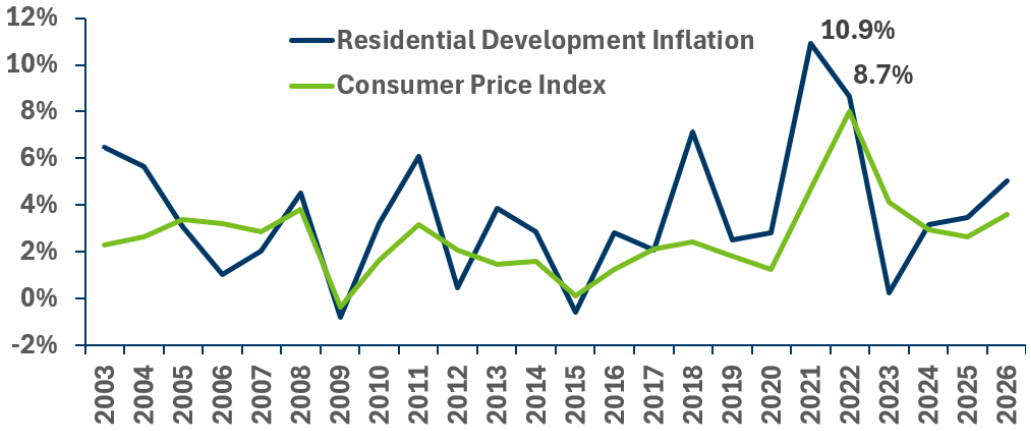
- Current development resources for affordable housing are not scaled to meet the need. In recent years, about 13% of new rental construction was underwritten to be affordable to households with incomes at or below 50% of the area median income, falling substantially short of the 45% needed to match the incomes of renters.[2]
- Housing development costs rose very rapidly in 2021 and 2022, 10.9% and 8.7% respectively.[3] See Figure 1. While the rate of residential development inflation is now closer to a more normal level, it is still increasing. In addition, higher interest rates and lower pricing for Low-Income Housing Tax Credits are increasing the financing gaps that need to be filled to make housing affordable. Overall, developing affordable housing is more challenging than a decade ago and getting more challenging.

[1] Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2024, 1-year sample).

[2] Minnesota Housing analysis based on data from the Metropolitan Council (2021-2025 construction) and of HUD's 2018-2022 CHAS (Comprehensive Housing Affordability Strategy) data.

[3] Minnesota Housing analysis based on data from the Bureau of Labor Statistics' Producer Price Index for residential construction goods, the Minnesota Department of Employment and Economic Development's weekly wage data for the multifamily housing construction sector, and CoStar data about acquisition costs in Minnesota.

Figure 1: Rates of Inflation from 2003 through 2026



In addition, effective cost containment is nuanced and involves policy tradeoffs. For example:

- Using lower-quality materials and less efficient building systems (e.g., heating and cooling) will reduce upfront costs but can also increase ongoing maintenance, repair and utility costs, which may not be cost-effective in the long run.
- Using lower-quality materials and more basic designs for a building's exterior will also reduce costs but will make it more challenging to fit affordable housing in the surrounding neighborhood, particularly higher-income communities. Housing that does not fit in a community can lead to community opposition and increase costs related to delays, redesign and projects not moving forward.
- Building housing in less expensive locations can save money, but it can also reduce residents' access to jobs, services, amenities, safe neighborhoods, public transportation, well-resourced schools and other benefits.

We based our 2024-2027 Strategic Plan on the principle that housing is foundational to a full life and a thriving state, providing individuals, families and communities the opportunity to flourish. To achieve this outcome for as many lower-income households as possible, our goal is to finance high-quality, durable, green, accessible, location-efficient housing that provides access to jobs, transit and other amenities and is built at reasonable costs. We are balancing the goal of cost containment with other policy objectives.

Overall, total development costs (TDC) for projects financed by the Agency have been relatively consistent over time after controlling for residential development inflation. This has occurred even when we have added policy objectives that can increase development costs, including supportive housing for people experiencing homelessness and people with disabilities, energy-efficient and climate-resilient homes, and locations that provide access to jobs, transit and other amenities. As cost

pressures continue, we will continue to identify and pursue additional strategies to contain and reduce costs, including encouraging different types of construction methods.

This report is broken into two sections; the first addresses multifamily costs and the second addresses single-family costs.

Multifamily Costs

In a typical year, we distribute over $250 million for multifamily development and rehabilitation.[4] We work to allocate these funds efficiently and effectively to address the significant shortage of rental housing that is affordable, particularly for those with the lowest incomes. The first part of this multifamily section provides an overview of our results, and the second part outlines our strategies for achieving those results and pursuing additional cost containment.

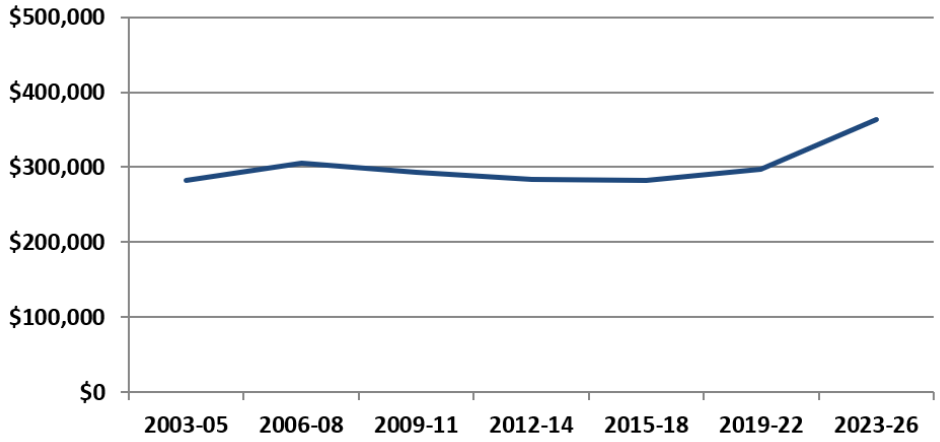
Overview of Multifamily Costs

Overall, the average TDC per unit for the housing we have financed has been around $300,000 (in 2026 dollars) for the last two decades, after adjusting for inflation in residential development. The data in Figure 2 applies to all types of developments, including new construction, rehabilitation, metro area, Greater Minnesota, Low-Income Housing Tax Credit (LIHTC), non-LIHTC, workforce housing and supportive housing. The trend line is influenced by both the underlying cost trends and the mix of projects each year.[5] For example, a larger share of resources going to new construction with tax credits in the metro area will increase average costs, while a larger share going to rehabilitation without tax credits in Greater Minnesota will decrease average costs.

[4] This includes all the Agency's multifamily development and rehabilitation programs and the syndication proceeds from 9% Low-Income Housing Tax Credits.

[5] To increase the comparability of the data, we excluded developments with a TDC per unit that was less than $60,000, which took out rehabilitation projects with a more limited scope of work and added consistency to the level of rehabilitation being assessed. We also excluded developments with an overall acquisition cost of less than $10,000, which excludes projects with no acquisition or heavily subsidized acquisition.

Figure 2: Average TDC per Unit 2003 to 2026 – All Types of Developments (Adjusted for Residential Development Inflation, 2026 Dollars)



To control for the mix of projects in the trend line, Figure 3 shows the average TDC per unit just for new construction projects with tax credits in the metro area. Average costs have been relatively constant with a slight downward trend until about 2021 or 2022, after which costs went up. The increase coincides with the construction of the first developments financed by Minnesota Housing that were required to meet the state's prevailing wage requirements. We were expecting prevailing wage requirements to increase total development costs by 10% to 20%. The recent increase in development costs in the metro area has been about 10%.

Figure 3: TDC per Unit 2003 to 2026 – New Construction with Tax Credits in the Metro Area (Adjusted for Residential Development Inflation, 2026 Dollars)

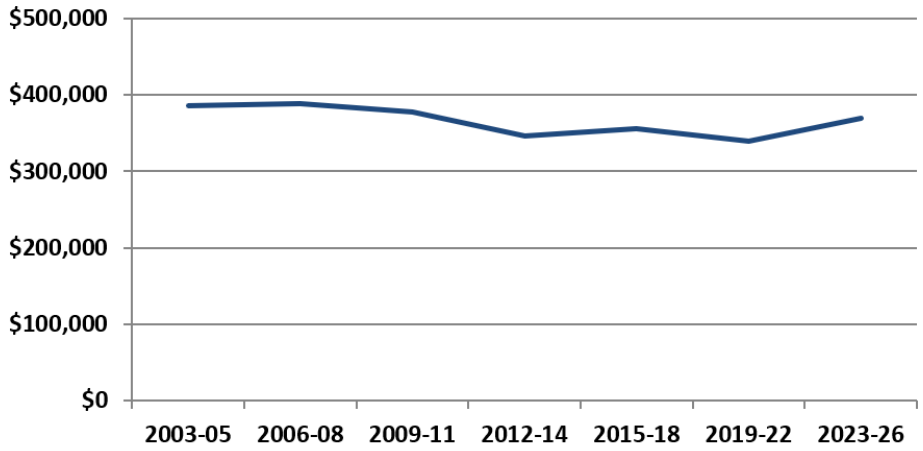
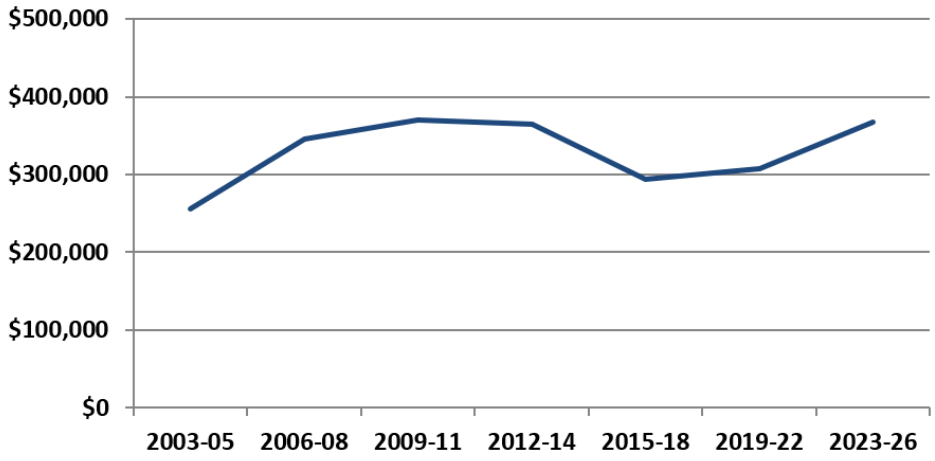


Figure 4 shows the equivalent graph for Greater Minnesota, with slightly lower but more variable costs. The recent increase in Greater Minnesota costs was about 20% since 2022.

Figure 4: TDC per Unit 2003 to 2026 – New Construction with Tax Credits in Greater MN (Adjusted for Residential Development Inflation, 2026 Dollars)



Other than the recent cost increase, we have contained costs while new policy objectives and changes have put upward pressure on costs.

- In 2003, we added a selection and funding priority for supportive housing for people experiencing homelessness, which is generally a more costly type of development.
- In 2007, we added our Green Communities Overlay, which requires that developments have energy-efficient and healthy-home features, and most recently, we have been incentivizing even more sustainable housing, such as Passive House.
- In the last several years, we strengthened our location efficiency priority by making it more geographically precise and increasing the points it receives in the selection process. Housing that is in a walkable neighborhood and near transit, jobs and other amenities can be more expensive.

While these policy changes have occurred, we also added cost containment provisions.

- In 2006, we first developed and started using our predictive cost model, which compares a development's proposed costs with the costs that we would expect for that development based on the Agency's experience with similar projects and industry-wide standards. This process flags high-cost developments and helps maintain costs at a reasonable level.
- In 2014, we also launched the Minnesota Challenge to Lower the Cost of Affordable Housing, which was initiated as an idea competition to identify and address system-level factors (such as

land use policies or design standards) that increase costs for all developments. Since this initial competition, we have carried out several activities to address these systemic-cost drivers.

- In 2019, we participated in and co-sponsored the Construction Revolution, which is an initiative to increase innovation in residential construction techniques with a focus on modular and offsite construction. This effort continues today.
- For the 2025 and 2026 RFPs, the Agency made the use of innovative construction techniques a pointing category, not just a selection preference. This should give developers an even stronger incentive to pursue innovative techniques. As a pointing category, the use of an innovative construction technique will directly impact a housing project's ranking in the selection process.

More information on these initiatives is provided in the report's next section.

To contain costs, it is important to understand the factors that drive costs. Table 1 provides a breakout of costs by project type, location and cost component.

- New construction with Low-Income Housing Tax Credits in the Twin Cities metro area is the most expensive type of project, while rehabilitation without tax credits in Greater Minnesota is the least expensive. There is some subtlety to the geographic differences. Holding all else constant, building in Minneapolis and St. Paul is most expensive. Building in the Twin Cities suburbs and Greater Minnesota large cities (Duluth, Rochester, St. Cloud, Mankato and Moorhead) have similar overall costs. Working in Greater Minnesota regional centers (outside the large cities) is the least expensive. Working in rural Minnesota has similar overall costs to the suburbs and Great Minnesota large cities.
- Not surprisingly, construction is the primary cost for new construction projects, while construction and acquisition costs are both key cost drivers for rehabilitation projects. Addressing these costs will have the largest impact on reducing or containing TDCs.
- While soft costs (non-construction/non-acquisition costs) account for a smaller share of TDC (15% to 24%), they should be a focus of cost containment strategies. Reducing construction costs can affect the quality, durability, accessibility and energy efficiency of the housing, and reducing acquisition costs can affect location efficiency. While soft costs are a necessary component of housing development, eliminating inefficiencies in these costs will not affect the quality of the housing. The complexity of financing affordable housing adds to the soft costs.
- Low-Income Housing Tax Credits (LIHTC) appear to add about seven percentage points to the share of TDC attributable to soft costs, likely due to the added complexity and cost of putting together and financing a tax credit deal. For developments without tax credits, soft costs account for 15% to 17% of TDC. That percentage jumps to 21% to 24% for developments with tax credits.

Table 1: Share of TDC by Project and Credit Type and Location for Developments Completed between 2003 and 2026 (Adjusted for Residential Development Inflation, 2026 Dollars)

Activity Type	Tax Credit Financing	Region	Average TDC per Unit	Share of TDC: Construct-ion Costs	Share of TDC: Acquisition Costs	Share of TDC: Soft Costs	N
New Const.	LIHTC	Metro	$365,243	70%	6%	24%	147
New Const.	No-LIHTC	Metro	$309,684	74%	9%	17%	23
New Const.	LIHTC	Greater MN	$318,297	74%	4%	21%	83
New Const.	No-LIHTC	Greater MN	$303,054	78%	7%	15%	18
Rehab	LIHTC	Metro	$287,272	34%	43%	23%	48
Rehab	No-LIHTC	Metro	$229,034	38%	47%	15%	28
Rehab	LIHTC	Greater MN	$197,884	40%	37%	22%	51
Rehab	No-LIHTC	Greater MN	$153,273	42%	42%	16%	23

Strategies for Containing and Reducing Multifamily Costs

We have taken a two-pronged approach to containing costs up to this point.

1. Assess Cost Reasonableness
2. Address Systemic Cost Drivers

Strategy 1: Assess Cost Reasonableness

Minnesota Housing assesses each development for cost reasonableness. An important tool for identifying high-cost developments is our predictive cost model. The model predicts a development's TDC per unit based on its characteristics. To develop the parameters for the model, we run a multivariate regression analysis on the inflation-adjusted costs and characteristics of the developments that the Agency financed between 2003 and 2026. The analysis uses historical data to assess the effect that each of the following factors simultaneously has on TDC per unit:

- Activity Type:
  - New Construction
  - Extensive Rehabilitation[6]
  - More Limited Rehabilitation

[6] This involves more extensive work on the interior, exterior, electrical and mechanical systems of a property. "Extensive" versus "more limited" is determined by staff using internal definitions.

    - Combination of New Construction and Rehabilitation
    - Conversion/Adaptive-Reuse
- Building Type:
    - Walkup
    - Elevator
    - Townhome
    - Single Family Home/Duplex
- Number of Stories
- Unit Size – based on average number of bedrooms per unit in the development
- Gross Square Footage
- Location:
    - Minneapolis or Saint Paul
    - Suburbs in Twin Cities Seven-County Metro Area
    - Greater Minnesota – Large City[7]
    - Greater Minnesota – Regional Job Center[8]
    - Greater Minnesota – Rural
- Year Built
- Underground Garage
- Acquisition:
    - Land
    - Structure
    - None
- Financing:
    - Low-Income Housing Tax Credits
    - Number of Funding Sources

[7] The large cities are Duluth, Rochester, St. Cloud, Moorhead and Mankato, and include a five-mile commute area around the cities.

[8] There are 51 regional job centers, which are the top 15% of cities and townships in number of jobs. They include: Albert Lea, Albertville, Alexandria, Austin, Baxter, Bemidji, Brainerd, Buffalo, Cambridge, Cloquet, Cold Spring, Crookston, Detroit Lakes, Elk River, Fairmont, Faribault, Fergus Falls, Goodview, Grand Rapids, Hibbing, Hutchinson, International Falls, La Prairie, Little Falls, Marshall, Montevideo, Monticello, Morris, North Mankato, Northfield, Onamia, Owatonna, Park Rapids, Perham, Pipestone, Red Wing, Roseau, Saint Michael, Saint Peter, Sartell, Sauk Rapids, Thief Rivers Falls, Virginia, Waite Park, Waseca, Willmar, Windom, Worthington and Wyoming. These areas also include a five-mile commute area around the cities.

- Special Costs:
    - Historic Preservation
    - Environmental Abatement
    - Supportive Housing
    - Prevailing Wages

We apply the model's cost parameters for these factors to a proposed development to predict its costs. The model is also benchmarked against industry-wide cost data to ensure that our costs are in line with the industry. With different development characteristics, the predicted total development costs for new housing units can vary from $345,000 to $665,000 per unit (in 2028 dollars, when 2026 selections will most likely draw funds).

Overall, the model explains a sizable portion (48% to 72%) of the variation in the costs for developments that we financed between 2003 and 2026, which is a robust result.[9] For comparison, Abt Associates (a national consulting firm) released in August 2018 a cost analysis of housing tax credit developments from across the county, and their regression models explained 52% to 54% of the variation in the national data.[10] Similarly, the U.S. Government Accountability Office (GAO) released in September 2018 another cost analysis of tax credit developments, and their regression models explained 63% to 65% of the variation in their national data.[11] Besides the statistical rigor, the model has proven very effective for two decades in objectively and systematically flagging developments with high costs. Each year, we revise and enhance the model based on the previous year's results and staff feedback.

Over time, we have tested models that predict costs on a per-unit and a per-square-foot basis. Based on our testing, the per-unit models have explained a larger share of the variation. We believe this has occurred for two reasons. First, some costs are clearly tied to the unit and do not increase with the size of the units. For example, apartments regardless of unit size have one kitchen (unless single-room-occupancy). Second, and most importantly, the per-unit model that we use includes a cost factor that

[9] The model explains about 73% of the variation in construction costs and about 51% of the variation in soft costs.

[10] Abt Associates, *Variation in Development Costs for LIHTC Projects* (prepared for the National Council of State Housing Agencies, August 30, 2018). The adjusted R-Squared values shown in the appendix varied from 0.5222 to 0.5433.

[11] U.S. Government Accountability Office (GAO), *Low-Income Housing Tax Credit: Improved Data and Oversight Would Strengthen Cost Assessments and Fraud Risk* (September 2018, GAO-18-637). The adjusted R-Squared values shown in Appendix II varied from 0.626 to 0.648.

accounts for unit size. Developments with larger units and more bedrooms have higher predicted costs.

Under current practice, when staff recommend to the board developments for funding, they identify the developments with a proposed cost that is more than 25% higher than the model's predicted cost for new construction and 35% higher for rehabilitation, and the board can decide to grant a waiver allowing the higher cost. For the higher-cost projects that staff recommend for funding, staff need to explain why the proposed costs are reasonable even though they are above the 25% and 35% thresholds. There are a wide range of valid reasons why the costs could be reasonable. For example, a housing development and site may be critical to meet a local housing need, but the site requires an unusually large amount of environmental remediation.

While the predictive cost model is a useful tool to identify high-cost developments, it is not the only way that Agency staff review cost reasonableness. The professional judgment and expertise of our underwriting and architectural staff also play a critical role in the assessment of cost reasonableness. Even if a project has costs that are within the 25% and 35% predictive cost model thresholds, staff can still question costs if they seem high given the context of the development. Our staff has extensive experience reviewing funding applications and development costs. Each year, they typically evaluate 75 or more applications for funding.

Strategy 2: Address Systemic Cost Drivers

The previous section addressed costs that are specific to individual developments. Systemic cost drivers outside the control of developers are critical issues that we need to address. These cost drivers range from local policies and regulations that increase the cost of housing (such as maximum densities), to the cash reserves that funders and investors may require for affordable housing developments, to the complexity of assembling the multiple sources of funding that make an affordable housing deal work.

Minnesota Housing has been carrying out specific cost containment strategies for over a decade. In January 2014, Enterprise Community Partners and the Urban Land Institute's (ULI's) Terwilliger Center for Housing released a report on best practices from across the country to address these systemic cost drivers.[12] Overall, the report found that containing and reducing costs in a prudent and effective way

[12] Enterprise Community Partners and Urban Land Institute's Terwilliger Center for Housing, *Bending the Cost Curve on Affordable Rental Development: Understanding the Drivers of Costs* (January 2014).

does not involve a single magic bullet. Rather, housing costs are driven by dozens of small inefficiencies. As one of the lead authors described it, "death by a thousand cuts."[13]

To take on these cost drivers, we partnered with the McKnight Foundation, Enterprise and ULI/Regional Conference of Mayors to create an initiative for Minnesota to implement these types of practices, which became the MN Challenge to Lower the Cost of Affordable Housing. It began in the winter of 2014 as an idea competition. We asked the development community to create cross-discipline teams (developers, funders, attorneys, local officials, housing advocates, etc.) and develop and submit ideas to address these systemic cost drivers. From the 12 submissions, we selected one to receive $70,000 for implementation.[14]

The winning idea was submitted by the Center for Urban and Region Affairs at the University of Minnesota, the Housing Justice Center and Becker Consulting. Their proposal addressed the issue of local practices and policies that add to the cost of affordable housing, including fees, land-use and zoning policies, approval processes and others. These cost drivers have been identified and known for years. The value of this idea was identifying and implementing best practices to address them, which included providing technical assistance to communities to pursue the practices and encouraging regional organizations to incorporate the implementation strategies into their policies and guidelines, including the Metropolitan Council's Planning Handbook and Housing Performance Scores and ULI's Toolbox for local communities.

As part of our overall cost containment strategy, we have carried out several initiatives that address systemic cost drivers.

- 2014 – Minnesota Housing's Multifamily Remodel Project. We carried out a project for our Multifamily Division to redesign and streamline its application and funding processes – everything from proposal inception through application, selection, underwriting, closing, construction management and lease up. The purpose of the remodel was to reduce the time it takes a development to move from concept to occupancy. A key finding from the Enterprise/ULI report identified complexity, uncertainty and delays in the funding process as cost drivers. The project has achieved positive outcomes. For example, we created a customized online portal to receive funding applications for the multifamily consolidated RFP, eliminating paper applications.

[13] Michael Spotts, Enterprise Community Partner, presentation to the Affordable Housing Investors Council (AHIC), Portland Oregon, October 9, 2014.

[14] The initiative was jointly funded by the McKnight Foundation and Minnesota Housing.

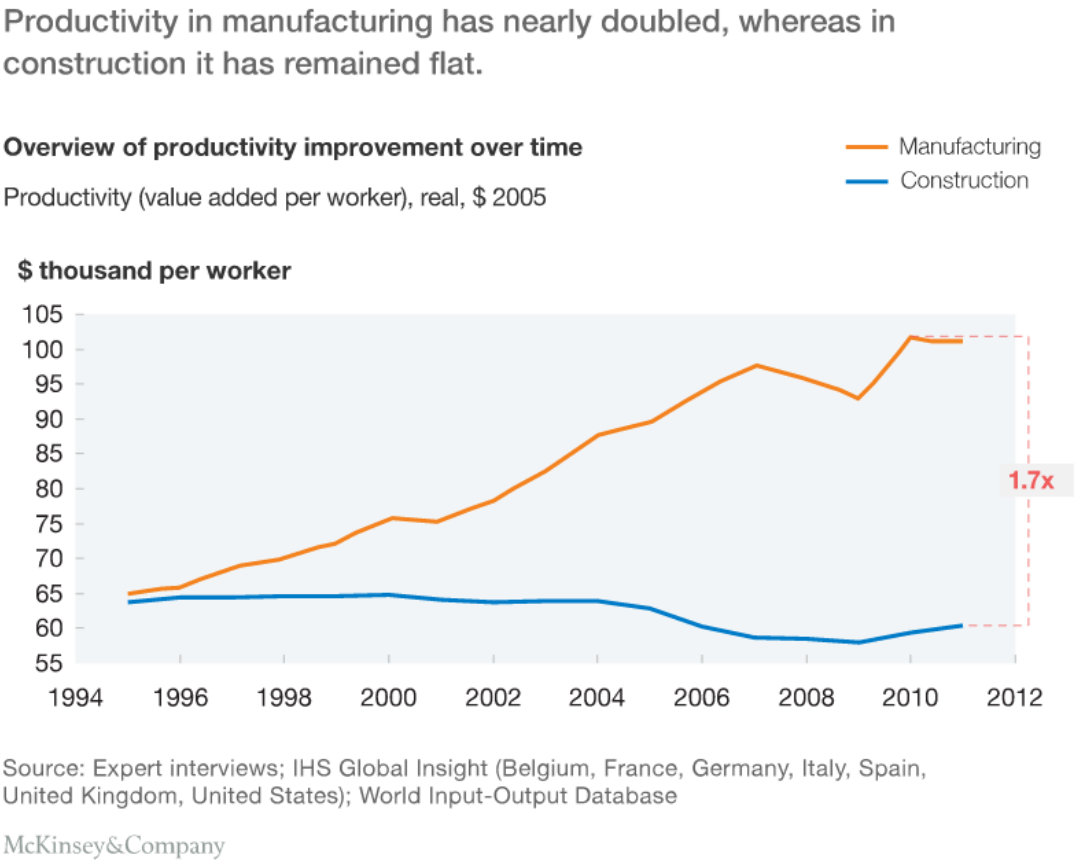
- **2015 – MinnDocs – Consolidated Legal Documents**. Most affordable housing projects have multiple deferred loan funding sources, each with their own set of legal documents and attorneys, which add unnecessary costs. The Enterprise/ULI report highlighted Massachusetts' practice that consolidates legal documents for all subordinate debt into a single set. The development community in Minnesota was intrigued, and we took initial steps to pursue the concept. The complexity of making this work turned out to be not worth the limited cost savings that would result.
- **2016 – Minnesota Housing's Design and Construction Standards.** As part of our annual preparation for the consolidated RFP, we review these standards. During 2016, we specifically reviewed the standards with an emphasis on cost containment. We focused on reducing life-cycle costs (which includes ongoing maintenance, repair and utility costs), not just upfront development costs. Specifically, we surveyed architects, general contractors and developers who work on the developments that we finance about our standards and their costs. We received 66 responses. Based on the feedback, we made several design changes that should reduce costs. For example, we clarified that a separate dining room is not required in units with two or more bedrooms but that a dining area (or eat-in kitchen) is sufficient. Each of the changes alone will unlikely result in significant savings, but they are examples of small savings that, when combined, can lead to larger savings over time.
- **2017 – Developer Fees.** These fees compensate developers for the time, compliance requirements and risks associated with developing affordable housing and can account for a substantial portion of a development's soft costs. Minnesota Housing allows a maximum developer fee of 15% of TDC for the first 50 units and 8% for additional units. In 2017, we assessed our fees and found that they are consistent with other states and that the average fee taken by our developers is 7% of TDC, well below our maximum. Given our overall cost containment incentives, it appears that developers are typically taking the minimum fee that still allows the deal to work for them. If developers take a higher fee, their applications will be less competitive in a highly competitive process. Based on this analysis, we decided not to adjust our developer fee structure at that time, but it is an area that we will continue to assess given the size of these costs.
- **2018 – Housing Task Force.** Minnesota Housing was a lead sponsor of Governor Dayton's Task Force, providing much of the staff support. The cost of developing housing was a primary issue addressed by the Task Force, which made several cost-related recommendations, including:
    - Position Minnesota as a national leader in the advancement of housing innovation and technology, which should increase the efficiency and productivity of developing housing and reduce the costs.
    - Grow the pool of talent in Minnesota's building trades to enable the sector to meet current and future demand, which should address the current shortage of skilled labor.

- Create a statewide review panel to evaluate regulations related to building standards, land use and environmental stewardship for their impact on housing affordability.

While these actions are largely outside the scope of our work, they would directly impact the cost of the housing that we finance.

- **2019 to present – Off-site Construction and Other Innovative Techniques.** In 2019, we helped organize and co-sponsor the Construction Revolution Summit, which pursued the innovation and technology recommendation from the Housing Task Force. The Summit brought together construction industry leaders to discuss barriers and opportunities to advancing off-site construction (including modular and panelized).

  Housing construction is ripe for a major systemic change but has struggled to take off in the United States. Unlike other industries, construction has not experienced meaningful productivity increases over the last few decades. We are largely building homes the same way we did 50 years ago.



Without productivity gains, reducing the cost of housing construction will remain elusive. Some estimates suggest that off-site construction could potentially reduce costs by as much as 20%.

The action plan that came out of the Construction Revolution Summit called for, among other things: (1) establishing learning opportunities on how to develop housing using modular construction, and (2) having public funders finance some developments using off-site construction as a pilot.

- In the winter of 2021, the Construction Revolution team provided a course on using modular construction, bringing together developers, architects, general contractors and others from the industry. One of Minnesota Housing's architects participated.
- In our scoring for the 2021 to 2024 consolidated RFPs, we added a selection preference for developments that use innovative construction techniques (including off-site construction) and have the potential to reduce construction costs by at least 10% and construction time by at least 20%.
- For the 2025 and 2026 RFPs, the Agency made the use of innovative construction techniques a pointing category, not just a selection preference. This should give developers an even stronger incentive to pursue innovative techniques. As a pointing category, the use of an innovative construction technique will directly impact a housing project's ranking in the selection process.

In 2025, the Construction Revolution partnered with MOD X to identify and implement strategies to advance off-site construction in Minnesota. MOD X is a global strategy advisor and knowledge exchange network integrating academic, industry, government and related non-profit sectors to advance offsite construction. The Construction Revolution also has been engaged at the national level, including work related to: (1) a Housing System Certification Program Standard, which would reduce permitting and inspection time, and (2) a provision in the 21st Century ROAD to Housing Act about making FHA multifamily financing available for construction financing during the time a project is in the factory, which has been a barrier to off-site construction.

Single-Family Costs

We typically distribute around $15 million to $30 million for single-family development through our Community Homeownership Impact Fund. Although the level of cost data that we collect is currently less than what we collect and analyze for multifamily developments, evaluating costs and cost containment is a part of our selection process.

Overview of Single-Family Costs

The total development costs for the single-family projects that we have financed are reasonable and consistent with industry benchmarks for moderately sized, average-class homes. Table 2 shows the median cost per home by location and activity for developments that we have financed over the last thirteen and a half years, adjusted for residential development inflation.

Table 2: Impact Fund – Median TDC by Location and Project Type, Loans Closed from October 1, 2012 through March 16, 2026 (2028 dollars, when we expect 2026 selections to start construction)

Location	New Construction	Acquisition/Rehab/Resale
Greater Minnesota	$329,000	$285,000
Metro	$508,000	$399,000

Excludes projects by Habitat for Humanity and Community Land Trusts

In the last few years, some of the projects that we finance are now statutorily required to pay prevailing wages to construction workers. We generally assume that prevailing wages add 5% to 20% to the development costs. Consequently, we have recently seen some costs higher than these figures.

The median new construction costs in Table 2 are generally consistent with industry standards. Table 3 shows the predicted industry-wide costs for building new, average-class homes of varying sizes in the Twin Cities metro area (derived from RSMeans data).[15] These costs do not include prevailing wages. The median cost of the homes that we finance for new construction in the metro area ($508,000 as shown in Table 2) is in line with industry cost benchmarks for a 1,600 to 2,100 square-foot home ($478,000 to $561,000 as shown in Table 3). When prevailing wages apply, we are likely to see costs higher than these.

[15] RSMeans is a national firm that provides a wide range of data on construction costs.

Table 3: Estimated Total Development Costs in Twin Cities Metro, Two Story Home, Unfinished Basement, Average Class, Wood Siding, 2-Bathrooms, Garage and No Prevailing Wages (2028 dollars, when we expect 2026 selections to start construction)

Home Size	1,100 s.f.	1,600 s.f.	2,100 s.f.	2,600 s.f.
Total Development Costs	$395,000	$478,000	$561,000	$643,000

Source: Minnesota Housing analysis based on construction cost data from RSMeans, *Residential Cost Data, 2025*. Besides the RSMeans data on construction costs, we added cost factors for land and soft costs.

The historical median cost for new construction in Table 2 for our work in Greater Minnesota ($329,000) is quite a bit less than the predicted costs based on the RSMeans data. Table 4 is the same as Table 3 but applies to projects in Greater Minnesota outside of the counties that make up the metropolitan statistical areas of the Twin Cities, Duluth, Moorhead, St. Cloud, Rochester and Mankato. Regardless of the size of the home, these predicted costs from the RSMeans data for rural Minnesota are substantially higher than the median development cost ($342,000) of the homes we have financed in the past.

Table 4: Estimated Total Development Costs in Rural Minnesota, Two Story Home, Unfinished Basement, Average Class, Wood Siding, 2-Bathrooms, Garage and No Prevailing Wages (2028 dollars, when we expect 2026 selections to start construction)

Home Size	1,100 s.f.	1,600 s.f.	2,100 s.f.	2,600 s.f.
Total Development Costs	$375,000	$453,00	$531,000	$609,000

Source: Minnesota Housing analysis based on construction cost data from RSMeans, *Residential Cost Data, 2025*. Besides the RSMeans data on construction costs, we added cost factors for land and soft costs.

The reason for the lower than predicted costs in Table 2 for Greater Minnesota is not entirely clear. The costs in Table 2 exclude projects sponsored by Habitat for Humanity, which often has lower costs with donated labor and materials.

Strategies for Containing and Reducing Single-Family Costs

Since 2015, we have focused on becoming more systematic and objective in our assessment of single-family development costs. We initially compared a project's proposed costs with the median and the 80th percentile cost home that we have financed in the past. While this approach was valuable as an initial assessment, it has deficiencies. It does not account for cost differences resulting from home sizes, garages, number of bathrooms, varying land costs and other factors. Starting with the 2022 RFP selections, we developed a predictive model for new construction projects, which is largely based on

the RSMeans data and allows for a more nuanced assessment of the proposed costs. As shown in Tables 2 through 4, the costs are inflated to expected 2028 dollars so that they can serve as cost benchmarks for the 2026 funding selections, which will likely start construction in 2028.

In addition, starting with the 2026 RFP, we are now awarding points in the selection process to developments with lower TDCs and subsidy requests per unit. A proposal maximizes its cost-related selection points by having TDCs per unit more than 25% below the RSMeans cost benchmarks and subsidy requests per unit more than 25% below the historical average requests for similar projects.

Conclusion

For nearly two decades, we have worked to contain upfront development costs while adding new priorities that have the potential to increase costs. Given the shortage of affordable housing, limited resources, and the need to do more, cost containment will remain a critical issue. While many of the cost drivers are outside the direct control of the Agency or driven by the market, we will continue to pursue multiple strategies to contain costs.

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Item: Post Sale Report, State Appropriated Housing Infrastructure Bonds (HIB), Series 2026 AB

Information Item: 9.C
Date: 11/19/2026
Staff Contacts: Matt Dieveney, 651.539.9827, matthew.dieveney@state.mn.us
Andy Pratt, 651.539.9618, andy.pratt@state.mn.us
Request Type: No Action, Information

Request Summary

The Agency priced $50,000,000 of State Appropriated Series 2026 AB bonds on September 23, 2026. Both bond series closed October 15, 2026. In accordance with the board's Policy No. 1 (Debt and Balance Sheet Management Policy), the attached detailed post-sale report is provided by the Agency's financial advisor, CSG Advisors.

Fiscal Impact

None.

Agency Priorities

☒ Improve the Housing System

☒ Preserve and Create Housing Opportunities

☐ Make Homeownership More Accessible

☒ Support People Needing Services

☐ Strengthen Communities

Attachments

- Post-Sale Report

CSG | advisors

Via Email Delivery

M E M O R A N D U M

Date: **November 9, 2026**

To: **Minnesota Housing Finance Agency**

From: **Eric Olson, David Jones**

Re: **Post-Sale Report**
50,000,000 State Appropriation Bonds (Housing Infrastructure)
2026 Series A and B

KEY RESULTS FOR MINNESOTA HOUSING

Purpose. Minnesota Housing issued the $50,000,000 2026 Series A and B State Appropriation Bonds to fund loans to seven multifamily housing developments with a total of 363 units, and to cover related bond costs of issuance. Bond proceeds may also be used to fund loans for the cost of infrastructure redevelopment in manufactured home parks, and for loans related to other single family housing development including that by Community Land Trusts.

The Housing Infrastructure Loans are expected to be 0% interest, non-amortizing, nonrecourse deferred loans. Certain loans may also be forgivable if the conditions for use are met. The loans do not provide the security for or help repay the bonds. The bonds are paid solely from the State's general fund appropriation.

Under the relevant authorizing legislation, Minnesota Housing may use bond proceeds to make loans to help finance:

- the costs of the construction, acquisition and rehabilitation of supportive housing for individuals and families who are without a permanent residence,
- the costs of the acquisition and rehabilitation of abandoned or foreclosed property to be used for affordable rental housing and the construction of rental housing on that property where the existing structures will be demolished or removed,
- that portion of the costs of the acquisition of abandoned or foreclosed property that is attributable to the land to be leased by community land trusts to low and moderate income homebuyers,
- the costs of acquisition, improvement and infrastructure of manufactured home parks;
- the costs of acquisition, rehabilitation, adaptive reuse, or new construction of senior housing;
- the costs of the acquisition and rehabilitation or refinancing of federally assisted rental housing, including refunding outstanding bonds issued by the Agency or another governmental unit,
- acquisition, rehabilitation, adaptive reuse, or new construction of single-family housing,
- the costs of construction, acquisition, and rehabilitation of permanent housing that is affordable to households with incomes at or below 50 percent of area median income, and

- the costs of the construction, acquisition, and rehabilitation of supportive housing for girls and women to provide them protection from and the means to escape exploitation and trafficking.

History of Housing Infrastructure Financings. The 2026 Series A and B issue is the fifteenth financing under this indenture. All of the financings are summarized in the following table.

$15,460,000	2013 Series A/B
$14,540,000	2014 Series A/B
$37,570,000	2015 Series A/B
$31,095,000	2015 Series C
$18,625,000	2016 Series A/B/C
$12,690,000	2017 Series A
$25,295,000	2018 Series A/B/C/D
$26,775,000	2019 Series A/B/C/D
$108,280,000	2020 Series A/B/C/D
$76,970,000	2021 Series A/B/C/D
$104,195,000	2022 Series A/B/C
$26,635,000	2023 Series A/B
$12,960,000	2024 Series A
$50,000,000	2025 Series A/B
$561,090,000	Total prior series
$50,000,000	2026 Series A/B
$611,090,000	Total to date

While all of the Housing Infrastructure financings are secured on a parity basis, particular series are issued under different appropriations limits covering both par amount and annual debt service.

KEY FEATURES OF THE BONDS

Limited Obligations of Minnesota Housing. The bonds are not secured or guaranteed by Minnesota Housing and are payable solely from the State Appropriations. The bonds are listed as liabilities on Minnesota Housing's financial statements.

Appropriations Risk. The Housing Infrastructure State Appropriations are a standing annual appropriation that does not require any further action by the Legislature for payments to be made in future years. As provided by Minnesota law, a standing appropriation may be reduced or repealed entirely by the Legislature; this would have significant credit consequences for the State. Due to this possible non-appropriation risk, the bonds are therefore rated slightly below the state General Obligation bonds (which are rated Aaa by Moody's, AAA by Standard & Poor's, and AAA by Fitch).

Ratings. The bonds are rated Aa1 by Moody's and AA+ by Standard & Poor's.

Multiple Series. The issue was divided into two series – A and B – to facilitate distinctions between governmental purpose bonds and private activity exempt facility bonds. The breakdown between series is summarized below.

- 2026A ($10,385,000): Governmental Purpose
- 2026B ($39,615,000): Private Activity Exempt Facility

Facilitating Access to Low Income Housing Tax Credits. The Series B bonds are private activity bonds using volume cap. As such, bond proceeds can help the developments qualify for 4% low income housing tax credits that can help further leverage the state appropriation.

Bond Structure. Series A and B were structured together to provide level annual debt service, with bond maturities from 8/1/2027 to 8/1/2048. Interest is capitalized through 2/1/2027 given the timing of the first available appropriations. All maturities were structured as serial bonds.

Couponing and Original Issue Discounts/Premiums: The bonds were structured with a mix of coupons ranging from 5% to 5.25% to appeal to a range of different investors, helping maximize investor demand. All maturities were sold at premiums. The aggregate net reoffering premium was $1,932,694.10.

UNDERWRITING

RBC Capital Markets served as senior managing underwriter, with Morgan Stanley, Northland Securities, Piper Sandler & Co., and Wells Fargo Securities as co-managers.

On Monday, September 21, RBC shared pricing views from themselves and their co-managers, along with their consensus proposed scale and draft pre-marketing wire. CSG also independently provided Minnesota Housing with pre-pricing comparable transactions (see post-pricing version attached).

On a conference call, representatives of Minnesota Housing, CSG, and RBC discussed the proposed structure and pricing levels, market conditions, and the pricing schedule and steps. RBC indicated that a combination of three factors were putting pressure on U.S. Treasury and municipal yields: the Federal Reserve rate hike the prior week, the elevated U.S. federal budget deficit, and the $1.6 trillion of corporate investment grade debt issued this year related to AI and data centers.

On Tuesday, September 22, RBC pre-marketed the bonds after adjusting the 2027 to 2033 yields to match the .03% to .05% increases in the MMD index set Monday afternoon. RBC also adjusted the maturity schedule slightly to incorporate the latest rate and project assumptions.

Early on the morning of the pricing, Wednesday September 23, the financing team had a conference call to discuss the pre-marketing feedback from the prior day and to determine the offering levels for the order period. RBC indicated that investor feedback had been lukewarm and that fixed income markets remained under pressure, with the MMD index increased on Tuesday afternoon by 0.10% and Treasury yields up by .02% to .03%. RBC recommended increasing the offering yields to match the prior day's MMD index increases, thus holding the offering spreads at the premarketing levels. Consistent with past issues, first priority was given to Minnesota individual retail orders up to $250,000 each.

During the order period, $42.56 million of orders were received, representing an overall subscription factor of 0.9x, but just $27.7 million of the orders were usable (i.e. within the available par amount of a particular maturity). Subscription levels for individual maturities ranged from 0x to 2.3x. $355,000 of individual retail orders were received. MHFA, Management and Budget, and CSG had access to the Ipreo order system to monitor the pricing status in real time.

On a wrap-up call at 12:30 PM Central time, representatives of Minnesota Housing, CSG, and RBC discussed the results of the order period. RBC indicated that both U.S. Treasuries and municipal bonds had been weakening significantly over the course of the day, with current MMD index mid-day reads indicating likely increase of 6-8 basis points across the interest rate curve. RBC proposed

to underwrite the issue with the following changes from the beginning of the order period. At the conclusion of the call, Minnesota Housing gave RBC the verbal award.

- 5 basis point yield increases on the 2027 to 2033 maturities (where the subscription levels ranged from 0x to 2.0x, and where the latest MMD index mid-day reads were for increases of 8 basis points through 2030 and 6-8 basis point from 2031 to 2033)
- 7-8 basis point yield increases on the 2034-2036 and 2042-2048 maturities (where subscription levels ranged from 0x to 2.3x, and where the latest MMD index mid-day reads were for increases of 6-8 basis points)
- 10 basis point yield increases on the 2037 to 2041 maturities (where subscription levels ranged from 0x to 1.1x, and where the latest MMD index mid-day reads were for increases of 6-8 basis points)
- On the 2038 to 2044 maturities, increasing the coupon from 5% to 5.25%

MARKET CONDITIONS

Treasuries. In the days leading up to the sale of the bonds, U.S. Treasury yields were fluctuating within a narrow range. The 10-year yield was 5.01% on Friday the 18th and rose to 5.11% on Wednesday the 23rd. The 30-year yield rose by 0.06% from 5.34% on Friday to 5.40% on Wednesday.

Municipals. Municipal rates were increasing before the bond sale. On Friday the 18th the 10-year was 3.75% while the 30-year was 4.87%. On Wednesday the 23rd, the 10-year yield had risen by 0.11% to 3.86% and the 30-year yield had risen by 0.06% to 4.93%.

COMPARABLE PRICINGS

Attached are listings comparing the 2026AB transaction to other bond pricings. The first two pages show recent bond issues by other entities both in Minnesota and nationwide, and the last three pages show all the Minnesota Housing State Appropriation Bond issues from 2014 to present.

The listing of recent transactions from other issuers shows a wide variety of spreads to the interpolated MMD curve for any particular maturity year. Overall, the general obligation bond issues (including the State's large financing on September 9) garner significantly lower yield spreads, given investor preferences for general obligation credits over ones with appropriations risk. Other factors that can limit comparability between issues include state-specific demand and the nature of housing credits generally, where some investors perceive higher risks including compliance with affordability requirements.

PRICING COMPARABLES: Recent Bond Issues

Pricing Date		9/23/26			9/17/26			9/15/26			9/9/26			9/9/26			8/26/26		
Amount		$50,000,000			$45,335,000			$21,695,000			$646,495,000			$256,285,000			$268,995,000		
Issuer		Minnesota HFA			Virginia Beach Dev Auth (VA)			Fairfax EDA (VA)			State of Minnesota			State of Minnesota			Minneapolis (MN)		
Series		2026 S. A,B (Housing Infra)			Revenue Bonds S. 2026A			Revenue Bonds S. 2026			G.O. Various Purp., 2026A			G.O. Trunk Highway, 2026B			S. 2026 GO Bonds		
Program		Appropriations / Negotiated			Appropriations / Competitive			Appropriations / Competitive			GO / Competitive			GO / Competitive			GO / Competitive		
Rating(s)		Aa1 / AA+ / -			Aa1 / AA+ / AA+			Aa1 / AA+ / -			Aaa / AAA / AAA			Aaa / AAA / AAA			Aaa / AAA / AAA		
	Maturity	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread
Year ('26 pricings)		Aug1	(if diff.)	to iMMD	Oct15	(if diff.)	to iMMD	Jan15	(if diff.)	to iMMD	Aug1	(if diff.)	to iMMD	Aug1	(if diff.)	to iMMD	Dec1	(if diff.)	to iMMD
1	2027	5.00	3.36	*+18*	5.00	2.85	-2				5.00	2.60	+1	5.00	2.61	+2	5.00	2.49	+6
2	2028	5.00	3.40	*+19*	5.00	2.98	+4	5.00	2.89	+5	5.00	2.71	+4	5.00	2.72	+5	5.00	2.56	+5
3	2029	5.00	3.48	*+20*	5.00	3.09	+6	5.00	3.00	+6	5.00	2.84	+5	5.00	2.85	+6	5.00	2.67	+7
4	2030	5.00	3.53	*+20*	5.00	3.21	+10	5.00	3.11	+7	5.00	2.95	+5	5.00	2.96	+6	5.00	2.78	+7
5	2031	5.00	3.66	*+23*	5.00	3.31	+11	5.00	3.23	+8	5.00	3.08	+7	5.00	3.08	+7	5.00	2.87	+7
6	2032	5.00	3.76	*+25*	5.00	3.40	+11	5.00	3.30	+9	5.00	3.22	+11	5.00	3.23	+12	5.00	2.98	+8
7	2033	5.00	3.85	*+26*	5.00	3.50	+13	5.00	3.47	+10	5.00	3.33	+11	5.00	3.34	+12	5.00	3.08	+9
8	2034	5.00	3.94	*+29*	5.00	3.65	+14	5.00	3.57	+11	5.00	3.47	+12	5.00	3.48	+13	5.00	3.22	+9
9	2035	5.00	4.04	*+30*	5.00	3.73	+12	5.00	3.68	+12	5.00	3.59	+14	5.00	3.58	+13	5.00	3.34	+11
10	2036	5.00	4.17	*+32*	5.00	3.85	+12	5.00	3.79	+12	5.00	3.67	+11	5.00	3.66	+10	5.00	3.45	+11
11	2037	5.00	4.30	*+36*	5.00	4.00	+15	5.00	3.97	+14	5.00	3.78	+8	5.00	3.78	+8	5.00	3.57	+11
12	2038	5.25	4.45	*+39*	5.00	4.10	+14	5.00	4.10	+15	5.00	3.89	+7	5.00	3.91	+9	5.00	3.68	+12
13	2039	5.25	4.56	*+39*	5.00	4.26	+19	5.00	4.20	+17	5.00	4.02	+7	5.00	4.04	+9	5.00	3.83	+14
14	2040	5.25	4.67	*+39*	5.00	4.35	+18	5.00	4.37	+17	5.00	4.14	+8	5.00	4.14	+8	5.00	3.91	+14
15	2041	5.25	4.74	*+39*	4.00	4.55	+30	5.00	4.45	+17	5.00	4.22	+8	5.00	4.24	+10	5.00	3.97	+13
16	2042	5.25	4.79	*+37*	4.00	4.60	+28	5.00	4.51	+16	5.00	4.29	+9	5.00	4.32	+12	5.00	4.02	+12
17	2043	5.25	4.84	*+37*				5.00	4.57	+16	5.00	4.35	+9	5.00	4.38	+12	5.00	4.07	+12
18	2044	5.25	4.88	*+36*	4.00	4.75	+31	5.00	4.62	+15	5.00	4.41	+9	4.625	4.69	+37	4.00	4.40	+39
19	2045	5.25	4.89	*+32*				5.00	4.66	+14	5.00	4.45	+7	4.625	4.69	+31	4.125	4.45	+37
20	2046	5.25	4.95	*+32*	4.00	4.85	+30	5.00	4.72	+14	5.00	4.51	+7	4.625	4.69	+25			
21	2047	5.25	5.00	*+31*				5.00	4.78	+14									
22	2048	5.25	5.05	+31				5.00	4.83	+14									
23	2049																		
24	2050																		
25	2051																		
26	2052							5.00	4.94	+14									
27	2053																		
28	2054																		
29	2055																		
30	2056																		
Notes		Yields on premium bonds are to first optional call			Yields on premium bonds are to first optional call			Yields on premium bonds are to first optional call			Yields on premium bonds are to first optional call			Yields on premium bonds are to first optional call			Yields on premium bonds are to first optional call		
Par Call		8/1/35			10/15/36			1/15/36			8/1/36			8/1/36			12/1/35		
Sr Manager		RBC Capital Markets			Jefferies			TD			Wells, J.P. Morgan			J.P. Morgan			Jefferies		

PRICING COMPARABLES: Recent Bond Issues

Pricing Date		10/7/25			8/20/26			8/20/26			8/19/26			8/10/26			8/10/26		
Amount		$13,535,000			$343,430,000			$115,665,000			$62,125,000			$21,285,000			$100,000,000		
Issuer		Minnetonka ISD #276 (MN)			Hennepin Co. (MN)			Hennepin Co. (MN)			Rochester (MN)			Fulda ISD #505 (MN)			Wayzata ISD #284 (MN)		
Series		G.O. Bonds, S. 2025D			G.O. Bonds, S. 2026A			G.O. Ref. Bonds, S. 2026B			G.O. Bonds, S. 2026A			G.O. Bonds, S. 2025A			G.O. Bonds, S. 2025D		
Program		GO / Negotiated			GO / Competitive			GO / Competitive			GO / Competitive			GO / Competitive			GO / Competitive		
Rating(s)		Aa1 / - / -			- / AAA / AAA			- / AAA / AAA			Aaa / AAA / -			Aa1 / - / -			Aa1 / - / -		
Year ('26 pricings)	Maturity	Coupon Feb1	Yield (if diff.)	Spread to iMMD	Coupon Dec1	Yield (if diff.)	Spread to iMMD	Coupon Dec1	Yield (if diff.)	Spread to iMMD	Coupon Feb1	Yield (if diff.)	Spread to iMMD	Coupon Feb1	Yield (if diff.)	Spread to iMMD	Coupon Feb1	Yield (if diff.)	Spread to iMMD
1	2027				5.00	2.49	+6	5.00	2.49	+6	5.00	2.52	+9						
2	2028	5.00	2.66	+18	5.00	2.59	+6	5.00	2.59	+6	5.00	2.58	+8				5.00	2.54	+2
3	2029	5.00	2.77	+21	5.00	2.68	+6	5.00	2.68	+6	5.00	2.667	+8.7	6.00	2.84	+25	5.00	2.62	+3
4	2030	5.00	2.88	+22	5.00	2.79	+6	5.00	2.79	+6	5.00	2.77	+9	6.00	2.92	+26	5.00	2.70	+4
5	2031	5.00	2.98	+22	5.00	2.90	+8	5.00	2.90	+8	5.00	2.87	+9	6.00	3.00	+26	5.00	2.78	+4
6	2032	5.00	3.05	+22	5.00	3.04	+13	5.00	3.04	+13	5.00	2.93	+9	6.00	3.06	+27	5.00	2.83	+4
7	2033	5.00	3.21	+24	5.00	3.13	+14	5.00	3.13	+14	5.00	3.06	+9	6.00	3.19	+28	5.00	2.95	+4
8	2034	5.00	3.32	+25	5.00	3.27	+14	5.00	3.27	+14	5.00	3.16	+9	6.00	3.29	+29	5.00	3.06	+6
9	2035	5.00	3.43	+26	5.00	3.36	+13	5.00	3.36	+13	5.00	3.26	+9	6.00	3.39	+29	5.00	3.16	+6
10	2036	5.00	3.54	+27	5.00	3.44	+10	5.00	3.44	+10	5.00	3.36	+9	6.00	3.50	+30	5.00	3.29	+9
11	2037	5.00	3.67	+27	5.00	3.55	+9	5.00	3.54	+8	5.00	3.50	+12	6.00	3.60	+30	5.00	3.40	+10
12	2038				5.00	3.65	+10	5.00	3.63	+8	5.00	3.59	+11	4.25	3.80	+40	5.00	3.50	+10
13	2039				5.00	3.76	+9	5.00	3.75	+8	5.00	3.69	+11	4.25	3.90	+41	5.00	3.60	+11
14	2040				5.00	3.84	+10				4.00	-	+28	4.25	4.00	+37	4.00	4.05	+42
15	2041				5.00	3.94	+14	4.125	4.15	+35				4.25	4.05	+36			
16	2042				5.00	4.01	+16							4.25	4.10	+37			
17	2043				5.00	4.05	+15				4.125	4.16	+28	4.25	4.15	+36	4.125	4.18	+39
18	2044				5.00	4.09	+12							4.25	4.20	+33			
19	2045				5.00	4.17	+13							4.25	-	+30			
20	2046				5.00	4.27	+13				4.375	4.39	+25	4.25	4.30	+25	4.25	4.35	+30
21	2047													4.25	4.35	+20			
22	2048													4.375	4.40	+17			
23	2049																4.50	-	+23
24	2050																		
25	2051																		
26	2052																		
27	2053																		
28	2054																		
29	2055																		
30	2056																		
Notes		Yields on premium bonds are to first optional call			Yields on premium bonds are to first optional call			Yields on premium bonds are to first optional call			Yields on premium bonds are to first optional call			Yields on premium bonds are to first optional call			Yields on premium bonds are to first optional call		
Par Call		2/1/34			12/1/36			12/1/36			2/1/36			2/1/34			2/1/34		
Sr Manager		Baird			J.P. Morgan			BofA			Morgan Stanley			Baird			J.P. Morgan		

PRICING COMPARABLES: MHFA HIB Only

Pricing Date	9/23/26			10/9/25			8/28/24			8/30/23			8/31/22			9/21/21		
Amount	$50,000,000			$50,000,000			$12,960,000			$26,635,000			$104,195,000			$76,970,000		
Issuer	Minnesota HFA			Minnesota HFA			Minnesota HFA			Minnesota HFA			Minnesota HFA			Minnesota HFA		
Series	2026 S. A,B (Housing Infra)			2025 S. A,B (Housing Infra)			2024 Series A (Housing Infra)			2023 Series AB (Housing Infra)			2022 Series ABC (Housing Infra)			2021 Series ABCD (Housing Infra)		
Program	Appropriations / Negotiated			Appropriations / Negotiated			Appropriations / Negotiated			Appropriations / Negotiated			Appropriations / Negotiated			Appropriations / Negotiated		
Rating(s)	Aa1 / AA+ / -			Aa1 / AA+ / -			Aa1 / AA+ / -			Aa1 / AA+ / -			Aa1 / AA+ / -			Aa2 / AA+ / -		
Year	Coupon Aug1	Yield (if diff.)	Spread to iMMD	Coupon Aug1	Yield (if diff.)	Spread to iMMD	Coupon Aug1	Yield (if diff.)	Spread to iMMD	Coupon Aug1	Yield (if diff.)	Spread to iMMD	Coupon Aug1	Yield (if diff.)	Spread to iMMD	Coupon Aug1	Yield (if diff.)	Spread to iMMD
0																		
1	5.00	3.36	*+18*	5.00	2.66	+25	5.00	2.75	+24	5.00	3.50	+25	A,B:5.00	2.35	+14	A,B,D:4.00	0.12	+5
2	5.00	3.40	*+19*	5.00	2.57	+22	5.00	2.74	+29	5.00	3.42	+28	A,B:5.00	2.46	+18	A,B,D:4.00	0.18	+7
3	5.00	3.48	*+20*	5.00	2.53	+22	5.00	2.75	+31	5.00	3.35	+33	A,B:5.00	2.53	+24	A,B,D:4.00	0.25	+9
4	5.00	3.53	*+20*	5.00	2.54	+22	5.00	2.76	+32	5.00	3.24	+33	A,B:5.00	2.58	+27	A,B,D:5.00	0.38	+11
5	5.00	3.66	*+23*	5.00	2.59	+25	5.00	2.75	+33	5.00	3.21	+33	A,B:5.00	2.63	+31	A,B,D:5.00	0.53	+13
6	5.00	3.76	*+25*	5.00	2.67	+26	5.00	2.82	+35	5.00	3.22	+34	A,B:5.00	2.69	+33	A,B,D:5.00	0.68	+15
7	5.00	3.85	*+26*	5.00	2.83	+29	5.00	2.92	+37	5.00	3.22	+34	A,B:5.00	2.75	+35	A,B,D:5.00	0.83	+17
8	5.00	3.94	*+29*	5.00	2.93	+31	5.00	3.02	+39	5.00	3.23	+34	A,B:5.00	2.85	+39	A,B,D:5.00	0.96	+19
9	5.00	4.04	*+30*	5.00	3.04	+32	5.00	3.04	+39	5.00	3.28	+37	A,B:5.00	2.96	+42	A,B,D:5.00	1.07	+21
10	5.00	4.17	*+32*	5.00	3.17	+31	5.00	3.09	+40	5.00	3.30	+37	A,B:5.00	3.04	+45	A,B,C,D:5.00	1.17	+23
11	5.00	4.30	*+36*	5.00	3.32	+32	5.00	3.15*	+40	5.00	3.40*	+40	A,B,C:5.00	3.16*	+48	A,B,C:5.00	1.25*	+25
12	5.25	4.45	*+39*	5.00	3.46	+34	5.00	3.20*	+40	5.00	3.50*	+42	A,C:5.00	3.30*	+50	A,B,C:5.00	1.30*	+25
13	5.25	4.56	*+39*	5.00	3.61	+37	5.00	3.25*	+41	5.00	3.62*	+42	A,C:5.00	3.39*	+53	A,B,C:5.00	1.34*	+25
14	5.25	4.67	*+39*	5.00	3.69	+34	5.00	3.30*	+42	5.00	3.75*	+43	A,C:5.00	3.46*	+56	A,B:3.00/C:4.00	1.73*/1.52*	+60/+39
15	5.25	4.74	*+39*	5.00	3.84	+36	5.00	3.40*	+44	5.00	3.87*	+45	A,C:5.00	3.52*	+59	A,B:3.00/C:4.00	1.80*/1.57*	+64/+41
16	5.25	4.79	*+37*	5.00	3.96	+36	5.00	3.48*	+44	4.00	4.20	+74	A,C:5.00	3.60*	+63	A,B:3.00/C:4.00	1.85*/1.60*	+66/+41
17	5.25	4.84	*+37*	5.00	4.08	+36				4.00	4.25	+75	A,C:5.00	3.66*	+65	A,B:3.00/C:4.00	1.90*/1.64*	+67/+41
18	5.25	4.88	*+36*	5.00	4.18	+37	4.00	4.05	+86	5.00	4.05*	+50	A,C:5.00	3.70*	+65	B:3.00/C:4.00	1.95*/1.68*	+68/+41
19	5.25	4.89	*+32*	4.125	4.35	+46	4.00	4.09	+84	5.00	4.16*	+55	A,C:5.00	3.75*	+65	B:3.00/C:4.00	1.99*/1.72*	+68/+41
20	5.25	4.95	*+32*	4.25	4.41	+46	4.00	4.11	+81	5.00	4.20*	+55	A:4.00/C:5.00	4.09/3.79*	+95/+65	A:3.00	2.04*	+70
21	5.25	5.00	*+31*							5.00	4.23*	+55	A,C:4.00	4.13	+95			
22	5.25	5.05	+31	4.25	4.52	+47							C:4.00	4.15	+95	B:3.00/C:4.00	2.11*/1.83*	+71/+43
23																		
24																		
Notes	Yields on premium bonds are to first optional call			Yields on premium bonds are to first optional call			* Yield to first optional call			* Yields to first optional call; Par A: $23,100,000 2028-43; B: $3,535,000 2024-28			* Yields to first optional call; Par A: $43,790,000; B: $20,355,000; C: $40,050,000			* Yields to first optional call; Par A: $4,515,000; B: $16,245,000; C: $38,350,000; D: $17,860,000		
Par Call	8/1/35			8/1/34			8/1/34			8/1/33			8/1/32			8/1/31		
Sr Manager	RBC Capital Markets			RBC Capital Markets			RBC Capital Markets			RBC Capital Markets			RBC Capital Markets			RBC Capital Markets		

PRICING COMPARABLES: MHFA HIB Only

Pricing Date	8/19/20			8/22/19			9/11/18			10/12/17			8/16/16		
Amount	$108,280,000			$26,775,000			$25,295,000			$12,690,000			$16,905,000		
Issuer	Minnesota HFA			Minnesota HFA			Minnesota HFA			Minnesota HFA			Minnesota HFA		
Series	2020 Series ABCD (Housing Infra)			2019 Series ABCD (Housing Infra)			2018 Series ABCD (Housing Infra)			2017 Series A (Housing Infra)			2016 Series ABC (Housing Infr)		
Program	Appropriations / Negotiated			Appropriations / Negotiated			Appropriations / Negotiated			Appropriations / Negotiated			Appropriations / Negotiated		
Rating(s)	Aa2 / AA+ / -			Aa2 / AA+ / -			Aa2 / AA+ / -			Aa2 / AA / -			Aa2 / AA / -		
Year	Coupon Aug1	Yield (if diff.)	Spread to iMMD	Coupon Aug1	Yield (if diff.)	Spread to iMMD	Coupon Aug1	Yield (if diff.)	Spread to iMMD	Coupon Aug1	Yield (if diff.)	Spread to iMMD	Coupon Aug1	Yield (if diff.)	Spread to iMMD
0															
1	C:2.00	0.21	+8	B:2.00/D:3.00	1.07	+7	C:5.00	1.89	+19	2.000	1.03	+10	B:3.00/C:2.00	0.61	+15
2	D:2.00/C:3.00	0.24	+10	B:2.00/D:3.00	1.10	+12	C:5.00	2.01	+21	3.000	1.14	+15	B:3.00/C:2.00	0.72	+20
3	D:3.00/C:4.00	0.28	+13	A,B:2.00/D:3.00	1.12	+13	C:5.00	2.13	+23	4.000	1.25	+17	A:3.00/B,C:2.00	0.85	+25
4	C:3.00/A,D:4.00	0.35	+17	A:1.75/D:3.00	1.15	+16	C:5.00	2.25	+26	4.000	1.37	+19	A:3.00/C:2.00	1.02	+30
5	A,D:4.00	0.42	+19	A,D:3.00	1.20	+19	A,B,C:2.375		+29	4.000	1.55	+22	A:3.00/C:2.00	1.20	+35
6	A,D:4.00	0.55	+22	A,D:3.00	1.26	+23	C:5.00	2.50	+30	5.000	1.72	+26	A:3.00/C:2.00	1.42	+40
7	A,D:4.00	0.69	+26	A:2.50/D:3.00	1.31	+24	C:5.00	2.62	+33	5.000	1.88	+29	A:3.00/C:2.00	1.58	+44
8	A,D:4.00	0.80	+27	A,D:3.00	1.39	+26	C:5.00	2.76	+38	5.000	2.05	+32	A:3.00/C:2.00	1.70 / 1.72	+47 / +49
9	A,D:4.00	0.91	+29	A:2.00/D:3.00	1.51	+32	C:5.00	2.88	+42	5.000	2.22	+35	A:3.00/C:2.00	1.81 / 1.86	+49 / +54
10	A,D:4.00	1.01	+31	A:5.00/D:3.00	1.64	+38	A,B,C:3.00	3.00	+48	5.000	2.34	+37	A:3.00/C:2.00	1.95* / 2.00	+54 / +59
11	A,B,D:4.00	1.11*	+33	A,C,D:4.00	1.80*	+48	C:5.00	3.04*	+46	4.000	2.53*	+47	A:4.00/C:2.00	2.05* / 2.15	+54 / +64
12	B,D:4.00	1.20*	+34	A,C:4.00	1.90*	+53	C,D:5.00	3.10*	+46	4.000	2.68*	+54	A:4.00/C:2.25	2.20* / 2.33	+61 / +74
13	B,D:4.00	1.30*	+36	A,C:4.00	2.00*	+58	D:5.00	3.15*	+46	4.000	2.85*	+64	A:4.00/C:2.375	2.32* / 2.45	+66 / +79
14	B,D:4.00	1.37*	+38	A,C:4.00	2.10*	+63	D:5.00	3.19*	+46	3.000	3.05	+77	A:4.00/C:2.50	2.40* / 2.56	+68 / +84
15	B,D:4.00	1.43*	+39	A,C:4.00	2.19*	+67	B:3.50/D:5.00	3.54/3.25*	+76/+47	3.000	3.09	+74	A:4.00/C:2.625	2.49* / 2.67	+71 / +89
16	B,D:4.00	1.49*	+41	A,C:4.00	2.24*	+68	D:4.00	3.58*	+75	4.000	3.05*	+64	A:4.00/C:2.75	2.54* / 2.77	+71 / +94
17	B,D:4.00	1.55*	+43	A,C:4.00	2.29*	+69	D:4.00	3.63*	+75	4.000	3.11*	+65	A:4.00/C:2.75	2.59* / 2.875	+71 / +100
18	B,D:4.00	1.59*	+43	A,C:4.00	2.33*	+69	D:4.00	3.68*	+75	4.000	3.15*	+64	A,C:4.00	2.64*	+71
19	B,D:4.00	1.63*	+43	A:4.00	2.35*	+67	A:3.75/D:4.00	3.83/3.74*	+85/+76	3.250	3.32	+77	A,C:4.00	2.69*	+71
20	B,D:4.00	1.67*	+43	A,C:4.00	2.39*	+67	B:3.875/D:4.00	3.875/3.78*	+87/+77	3.250	3.34	+75	A,C:3.00	3.01	+99
21	B,D:4.00	1.70*	+43	A:4.00	2.43*	+67	D:4.00	3.80*	+77				A,C:3.00	3.03	+99
22	D:4.00	1.73*	+43	A,C:4.00	2.46*	+67	D:4.00	3.82*	+77				C:3.00	3.04	+98
23	D:4.00	1.76*	+43												
24															
Notes	* Yields to first optional call; Par A: $18,570,000; B: $38,900,000; C: $7,055,000; D: $43,755,000			* Yields to first optional call; Par A: $14,535,000; B: $1,280,000; C: $6,915,000; D: $4,045,000			* Yields to first optional call; Par A: $1,130,000; B: $4,980,000; C: $8,810,000; D: $10,375,000			* Yields to first optional call			* Yields to first optional call		
Par Call	8/1/30			8/1/29			8/1/28			8/1/27			8/1/25		
Sr Manager	RBC Capital Markets			RBC Capital Markets			RBC Capital Markets			RBC Capital Markets			RBC Capital Markets		

PRICING COMPARABLES: MHFA HIB Only

Pricing Date	9/1/15			2/18/15			2/6/14		
Amount	$31,095,000			$37,570,000			$14,540,000		
Issuer	Minnesota HFA			Minnesota HFA			Minnesota HFA		
Series	2015 Series C (Housing Infr)			2015 Series A,B (Housing Infr)			2014 Series A,B (Housing Infr)		
Program	Appropriations / Negotiated			Appropriations / Negotiated			Appropriations / Negotiated		
Rating(s)	Aa2 / AA / -			Aa2 / AA / -			Aa2 / AA / -		
Year	Coupon Aug1	Yield (if diff.)	Spread to iMMD	Coupon Aug1	Yield (if diff.)	Spread to iMMD	Coupon Aug1	Yield (if diff.)	Spread to iMMD
0				2.00	0.13				
1	2.000	0.34	+12	3.00	0.34	+5	3.000	0.33	+10
2	3.000	0.72	+13	4.00	0.67	+11	3.000	0.51	+14
3	4.000	1.04	+18	4.00	1.01	+17	4.000	0.82	+21
4	4.000	1.34	+21	4.00	1.26	+22	4.000	1.22	+25
5	5.000	1.58	+25	4.00	1.53	+27	4.000	1.56	+30
6	5.000	1.88	+27	5.00	1.74	+29	2.000	2.02	+35
7	5.000	2.12	+32	5.00	2.00	+31	2.375	2.39	+41
8	5.000	2.28	+33	2.15	2.18	+33	4.000	2.74	+47
9	5.000	2.42	+35	2.30	2.34	+34	2.900	2.95	+50
10	5.000	2.54*	+36	5.00	2.50*	+38	3.125	3.13	+54
11	4.000	2.93*	+63	5.00	2.64*	+41	3.250	3.25	+53
12	4.000	3.07*	+68	5.00	2.75*	+42	5.000	3.45*	+61
13	4.000	3.16*	+67	3.00	3.15	+72	3.500	3.65	+69
14	4.000	3.25*	+68	5.00	2.88*	+41	3.625	3.75	+70
15	3.250	3.48	+83	5.00	2.93*	+41	3.750	3.84	+70
16	3.375	3.56	+83	5.00	2.97*	+40	3.750	3.93	+70
17	5.000	3.19*	+41	5.00	3.02*	+41	4.000	4.00	+68
18	5.000	3.24*	+41	5.00	3.06*	+41	4.000	4.05	+65
19	5.000	3.28*	+41	5.00	3.09*	+40	4.000	4.10	+62
20	5.000	3.31*	+41	5.00	3.13*	+40	4.750	4.08*	+55
21	5.000	3.35*	+41				5.000	4.08*	+50
22	5.000	3.38*	+41						
23									
24									
Notes	* Yields to first optional call			* Yields to first optional call			* Yields to first optional call		
Par Call	8/1/24			8/1/24			8/1/23		
Sr Manager	RBC Capital Markets			RBC Capital Markets			RBC Capital Markets		

MINNESOTA HOUSING

Item: Post Sale Report, Residential Housing Finance Bonds, Series 2026 OPQ

Information Item: 9.D
Date: 9/24/2026
Staff Contacts: Matt Dieveney, 651.539.9827, matthew.dieveney@state.mn.us
Andy Pratt, 651.539.9618, andy.pratt@state.mn.us
Request Type: No Action, Information

Request Summary

The Agency priced $175,000,000 of its Series 2026 OPQ Residential Housing Finance Bonds on October 7, 2026. Series O is tax-exempt, fixed-rate bonds. Series P is taxable, fixed-rate bonds. Series Q is taxable, variable-rate bonds. All series closed October 28, 2026. In accordance with the board's Policy No. 1 (Debt and Balance Sheet Management Policy) the attached detailed post-sale report is provided by the Agency's financial advisor, CSG Advisors.

Fiscal Impact

None.

Agency Priorities

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

Attachments

- Post-Sale Report

CSG ADVISORS

$175,000,000
Minnesota Housing Finance Agency
Residential Housing Finance Bonds
$87,565,000 2026 Series O (Non-AMT)
$57,435,000 2026 Series P (Taxable)
$30,000,000 2026 Series Q (Taxable)
(Social Bonds)

POST-SALE ANALYSIS

KEY RESULTS FOR MINNESOTA HOUSING

Purpose. 2026 Series OPQ accomplished the following major objectives:

1. Enabled Minnesota Housing to profitably finance Start Up first mortgages on its balance sheet and earn net income over future years.

2. Issued roughly 50% of the debt as taxable and 50% as tax-exempt, using recycled cap from replacement refundings and 2023 and 2024 carryforward volume cap for the tax-exempt portion.

3. Achieved a direct spread on the bond issue of 1.32%. There was no hedge loss or gain associated with the issue.

Key Measurable Objectives and Accomplishments. This issue achieved a direct spread of 1.32% despite a volatile market environment.

Objective	*Result*
Finance new production on balance sheet	$175 million of new Start Up first-mortgage loans in MBS securities.
Leverage private activity bond volume cap by efficiently incorporating taxable debt	Issued ~50% of the debt as taxable. For the ~50% tax-exempt portion ($90.50 million including premium), used $18.39 million of recycled volume cap and $72.12 million of carryforward volume cap from 2023 and 2024.
Maximize spread on the overall transaction	Achieved a direct spread of 1.32% on the bond issue. There was no hedge gain or loss associated with the issue.
Minimize use of and/or create zero participations (interest subsidies under IRS rules), and preserve them for future issues	No zeros were created or used in this issue. There are no zeros in the Agency's indenture currently.
Achieve cost-effective bond yield	Overall bond yield is projected to be approximately 5.84%.
Create future income streams that will support Pool 3	Increased indenture's expected net present value by approximately $6.8 million at 150% PSA prepayment speed, after accounting for net service release premiums.
Maintain high bond ratings	RHFB bonds are rated Aa1/AA+

TIMING AND STRUCTURE

Timing. The bonds were priced on October 7, 2026.

Sizing. The issue was sized to fund pipeline lending.

Major Design Decisions

1. **Efficiently leverage volume cap.** To help preserve volume cap at a time when loan prepayments, and thus the ability to recycle past volume cap, have decreased significantly, the Agency structured approximately 50% of the issue, or $87.44 million, as taxable debt. For the $90.50 million tax-exempt portion (the $87.565 million par amount of the Series O bonds plus $2.94 million of original issue premium), the Agency utilized $18.39 million in recycled volume cap from replacement refundings and $72.12 million of carryforward volume cap ($29.84 million from 2023 and $42.28 million from 2024).

2. **Issue variable-rate debt.** In order to finance these loans at or above full spread, the Agency issued Series Q (approximately 17% of the entire issue) as variable-rate demand bonds. For RHFB as a whole, the total amount of variable-rate debt remains about 21.9%, staying below the 30% of total indenture bonds outstanding often used as a benchmark for comparisons among HFAs and presentations to rating agencies.

3. **Appropriately hedge the variable-rate debt.** For the $30 million of variable-rate Series Q bonds, the Agency entered into an interest rate swap with Bank of New York Mellon (Aa2/AA-) at a rate of 5.912%. Minnesota Housing can terminate the swap, in whole or in part, at no cost to the Agency starting on January 1, 2034.

4. **Time and size the issue to address volatile interest rates.** To deal with fluctuations in the bond and mortgage markets, Minnesota Housing has been: (a) actively adjusting interest rates for new loan reservations to help keep pace with the market and (b) issuing bonds frequently and on pace with the amount of loans reserved, to help reduce interest rate risk.

Bond Structure

1. **Series O.** The $87.565 million of non-AMT fixed-rate bonds included serial maturities due between 2028 and 2038 ($16.295 million), term bonds due in 2041, 2046, and 2050 (totaling $34.355 million), and $36.915 million of planned amortization class (PAC) bonds due in 2057.

2. **Series P.** The $57.435 million of taxable fixed-rate bonds included serial maturities due between 2028 and 2038 ($16.225 million), and term bonds due in 2041, 2046, and 2052 (totaling $41.21 million).

3. **Series Q.** The $30 million of taxable variable-rate demand bonds are covered by an initial 5-year standby bond purchase agreement from Federal Home Loan Bank of Des Moines (effective October 28, 2026), assuring investors they can tender their bonds with reasonable notice if desired. The cost of the liquidity facility to the Agency is 28 basis points (bps) per year.

SOCIAL BONDS

The Series OPQ bonds are designated as Social Bonds. Minnesota Housing continued its practice since 2021 of designating its RHFB bonds as meeting an important social purpose. This confirms to investors that the bonds meet specific environmental, social, and governance standards. Single-family housing bonds generally meet the social purpose standards because of the level of affordability in serving low- and

moderate-income households. Like many housing finance agencies, Minnesota Housing contracts with an independent party to evaluate and confirm that the bonds specifically meet the criteria for social bonds. Kestrel, widely recognized across the industry, provided this certification based on detailed information from Minnesota Housing on the income mix of borrowers.

BOND SALE RESULTS

1. **Market Environment.** Treasury yields remained elevated following a sell-off the prior week (the 10-year rose 11 basis points in the week ended October 2) but traded in a relatively narrow range during the week of pricing, closing at 5.31% on October 5 as investors assessed economic data ahead of the September FOMC minutes. The minutes, released on pricing day, reinforced expectations for another rate increase this year. Yields were little changed on pricing day, closing at 5.28% on October 7 as solid demand at that day's 10-year auction offset inflation concerns; that close was 65 basis points higher than when the 2026 KLMN bonds priced on July 21. Yields moved lower Thursday following strong demand at the 30-year auction. By week's end the 10-year Treasury yield closed at approximately 5.24%, down 7 basis points from Monday's close, with markets focused on Federal Reserve policy expectations, elevated oil prices, and geopolitical uncertainty.

   In the municipal bond market, supply and housing issuance remained heavy and investor reception challenging. Municipal issuance totaled approximately $25 billion over the two weeks ended October 9, including $3.3 billion on pricing day, and housing issuance reached approximately $2.8 billion across 11 single-family pricings. Single-family issuance was $24.4 billion year-to-date through October 9, approximately 9% above 2025. Municipals underperformed Treasuries on pricing day, with MMD cut as much as 10 bps in the 2033 through 2047 maturities, leaving the 10-year MMD at 4.10% and the 30-year at 5.24%. Over the two weeks, many housing transactions required upward yield adjustments and finished their order periods with unsold balances, although several were able to lower yields after their order periods, and tax-exempt PAC spreads widened to approximately +110 bps from below +100 bps the prior week. Weekly municipal fund flows returned positive at approximately $1.06 billion after $608 million of outflows the prior week, although largely on ETF inflows that offset continued open-end fund redemptions. Against this backdrop, the issuance drew softer demand than MHF's recent offerings, which had been well received in uncertain and volatile markets: the non-AMT Series O and taxable Series P were 0.95x and 0.79x subscribed, respectively, with upward adjustments on Series O's longer maturities and unsold balances of $7.46 million for Series O and $18.86 million for Series P.

2. **Institutional Interest.** Investor interest in the $87.565 million non-AMT Series O was soft, as reflected by a 0.95x overall subscription (receiving approximately $83.6 million in orders) and an unsold balance of $7.46 million. The 2028 through 2031 serial maturities were 1.0x to 2.4x subscribed, with no yield adjustments. The 2032 through 2038 serial maturities were largely undersubscribed (0.0x to 1.1x) and were adjusted upward by 5 bps. The 2041, 2046, and 2050 term bonds were 0.4x to 0.6x subscribed at the close of the order period and were adjusted upward by 10 bps, to final yields of 5.45%, 5.70%, and 5.80%, respectively, after which they were fully subscribed (1.0x to 1.03x). These increases came on top of a 5-bp upward adjustment to the term bonds made before the order period opened—from the 5.30%, 5.55%, and 5.65% levels agreed on October 5 to 5.35%, 5.60%, and 5.70% at launch—in response to MMD cuts the day before pricing, for a total increase of 15 bps from the October 5 pricing views.

   The serial bonds and the PAC spread were held at their October 5 levels at launch. The $36.915 million, 5-year average life 2057 PAC bond was 0.4x subscribed at the close of the order period (a single $15 million order); following a 5-bp yield increase and a change to a 6.50% coupon, it was fully subscribed (approximately $36.9 million in orders) at a final yield of 4.67%, or +102 bps to MMD. The PAC launched at +105 bps to MMD, consistent with the October 5 pricing views, and the 5-bp increase brought it to approximately +110 bps to MMD at the time of launch, in line with the +110 bps achieved on the Delaware SHA and Colorado HFA PACs the following day, as tax-exempt PAC spreads widened during the week from below +100 bps the prior week. However,

measured against same-day closing MMD—which was cut approximately 8 bps at the 5-year point on pricing day—the final spread was +102 bps. Given the market tone, limiting the PAC increase to 5 bps while the term bonds were raised 10 bps was a favorable outcome for the Agency.

Investor interest in the $57.435 million taxable Series P was also soft, as reflected by a 0.79x overall subscription (receiving approximately $45.2 million in orders) and an unsold balance of $18.86 million, of which approximately $13.2 million was in the 2041 and 2046 term bonds. The unsold balance was underwritten at the offering yields, with Northland Securities taking $17.88 million (including the unsold portions of the 2041 and 2046 term bonds and the 2035 through 2038 serials) and RBC taking $0.98 million of the 2032 and 2033 serials. The earliest serial maturities (2028 through 2031) were 1.0x to 4.0x subscribed, resulting in spread reductions of 2 to 4 bps on four maturities (January 2028, January 2029, July 2029, and January 2030). The July 2033 and July 2034 serial maturities were 1.7x and 1.6x subscribed with no adjustment, while the 2035 through 2038 serials were largely undersubscribed (0.0x to 1.0x), also with no adjustment. The 2041 and 2046 bonds were 0.4x subscribed with no adjustment, and the 2052 term bond was fully subscribed (1.0x) at a final spread of +87 to the 30-year Treasury.

3. **Comparable Transactions.** Comparable non-AMT transactions for 2026 Series O included single-family issuances from Illinois HDA (Aaa) on 10/5, New Hampshire HFA (Aa1) and Missouri HDC (AA+) on 10/1, Michigan SHDA (Aa2/AA+) on 9/30, and North Carolina HFA (Aa1/AA+) on 9/29. Despite the weaker market tone on pricing day, Series O spreads to MMD were generally in line with the comparable group. The serial bonds were in line with Michigan and tighter than Missouri, but wider than North Carolina, which priced at the tightest levels of the group. The term bonds priced within a few basis points of most comparable term maturities. Most notably, the PAC bond priced at +102 to same-day MMD, 4 to 9 bps tighter than four of the five comparable PACs.

   Comparable taxable transactions for 2026 Series P included issuances from Illinois HDA (Aaa) on 10/5, New Hampshire HFA (Aa1) and Missouri HDC (AA+) on 10/1, and Virginia HDA (Aaa/AAA) on 9/28. Series P spreads to Treasuries matched or were within a few basis points of the higher-rated Illinois and Virginia transactions across the curve and were consistently tighter than Missouri. The term bonds priced at or inside the comparable term maturities, except for the 2052 term bond, which was 2 bps wider than Virginia's 2051 maturity. The table below summarizes Series O and Series P spreads by maturity segment; the attached pricing comparables provide maturity-by-maturity detail.

SUMMARY OF SPREADS VS. COMPARABLE TRANSACTIONS

Maturity Segment	MHFA Spread	Comparables Range	MHFA vs. Comparables
Series O (Non-AMT) - Spread to MMD (bps)			
Serials 2028-2031	+39 to +52	+32 to +67	Up to 9 bps wider than North Carolina and Michigan in 2028-2029; in line by 2030-2031
Serials 2032-2034	+60 to +77	+45 to +85	In line with Michigan; about 10 bps wider than North Carolina
Serials 2035-2038	+76 to +86	+72 to +93	In line with or tighter than Michigan; 2-10 bps wider than North Carolina; 2-16 bps tighter than Missouri
Terms 2041 / 2046 / 2050	+83 / +75 / +70	+65.5 to +87	Within 1-4 bps of Michigan, New Hampshire, Missouri, and Illinois; 12-18 bps wider than North Carolina
PAC 2057 (5.0-yr avg. life)	+102	+95 to +111	4-9 bps tighter than Illinois, Michigan, Missouri, and New Hampshire; 7 bps wider than North Carolina
Series P (Taxable) - Spread to UST (bps)			
Serials 2028-2034	+12 to +50	+10 to +55	In line with Illinois, New Hampshire, and Virginia (within 0-5 bps); 1-9 bps tighter than Missouri
Serials 2035-2038	+55 to +95	+55 to +96	Matched Illinois; 0-5 bps tighter than Virginia; 0-3 bps wider than New Hampshire; 1-11 bps tighter than Missouri
Terms 2041 / 2046 / 2052	+100 / +80 / +87	+80 to +101	Matched Illinois and Virginia (2041) and Virginia (2046); 1-6 bps tighter than Missouri; 2052 is 2 bps wider than Virginia's 2051

Comparables - Series O: North Carolina HFA (9/29), Michigan SHDA (9/30), New Hampshire HFA and Missouri HDC (10/1), Illinois HDA (10/5). Series P: Virginia HDA (9/28), New Hampshire HFA and Missouri HDC (10/1), Illinois HDA (10/5). Ranges reflect January/July

serial spreads. See attached pricing comparables for maturity-by-maturity detail.

UNDERWRITING

Underwriters. RBC Capital Markets was senior manager. Morgan Stanley, Northland Securities, Piper Sandler, and Wells Fargo served as regular co-managers. The selling group members were AmeriVet Securities, Blaylock, D.A. Davidson, Huntington Securities, J.P. Morgan, Mesirow Financial, Raymond James, and TD Financial Products.

Sales by Underwriter. As is customary for senior managers, RBC brought in the most institutional orders. For the Series O bonds, excluding stock orders, RBC brought in approximately $72.05 million of total orders, Morgan Stanley brought in $5.22 million of total orders, Piper Sandler brought in $2.37 million, Wells Fargo brought in $1.56 million, Raymond James brought in $1.55 million, J.P. Morgan brought in $670,000, and Northland brought in $200,000. For the Series P bonds, RBC brought in approximately $41.05 million of total orders, Northland brought in $3.85 million, Wells Fargo brought in $250,000, and Piper Sandler brought in $50,000.

Underwriter Fees. Management fees were appropriate, consistent with industry standards, and in the same range as fees reported for other housing issues of similar size and structure.

ISSUE DETAILS

Economic Calendar. At the time of pricing on October 7, 2026, the Federal Reserve's target range for the federal funds rate was 3.75% to 4.00%, following a 25-bp increase at its September 16 meeting. That was the first rate increase since July 2023 and followed a period in which rates had been unchanged since the December 2025 cut. The FOMC statement described inflation as "elevated" and economic activity as expanding at a "solid pace," with job gains matching workforce growth and little change in the unemployment rate. The minutes, released on the day of pricing, showed that most participants saw another quarter-point increase as likely appropriate by year-end, though they set no timing and noted decisions would depend on incoming information.

The Fed's stance has shifted from the cautious, wait-and-see posture of earlier in 2026 toward tightening, reflecting persistent inflation pressure. Consumer prices rose 3.4% year-over-year in August, and the unemployment rate was 4.2% in September. Markets entered the week of pricing focused on the minutes, the 10-year and 30-year Treasury auctions, and the September CPI release scheduled for October 14, with elevated oil prices and geopolitical uncertainty adding to inflation concerns.

Treasuries. At market close on October 7, the 10-year Treasury yield was 5.28%, 65 basis points higher than when the 2026 KLMN bonds priced on July 21, and down 3 basis points from Monday's close. Treasury yields remained elevated during the week of pricing as the September FOMC minutes reinforced expectations for another rate increase this year, though strong demand at the 10-year auction on pricing day limited the move. The 30-year Treasury closed at 5.67% on the pricing date, 54 basis points above its 5.13% level at the KLMN sale. The yield curve steepened relative to the KLMN pricing, with the 2-year Treasury at 4.77% on October 7, 51 basis points below the 10-year compared with 37 basis points at KLMN, as the 10-year rose 65 basis points against 51 basis points for the 2-year and 54 basis points for the 30-year.

Municipals. In the week leading into the October 7 pricing, municipal market technicals were mixed. Front-end yields had rallied from September's sell-off, and early-week transactions were generally well received with support from October reinvestment cash, but a heavy new-issue calendar and tax-loss selling weighed on longer maturities, and municipals underperformed Treasuries on pricing day. Over the two weeks ended October 9, municipal issuance totaled approximately $25 billion, including approximately $2.8 billion of housing bond issuance across 11 single-family pricings from Virginia HDA, Missouri HDC, Michigan SHDA, New Hampshire HFA, Indiana HCDA, Montgomery County HOC, North Carolina HFA, Colorado HFA, Delaware SHA, Illinois HDA and Minnesota HFA. Tax-exempt benchmark yields rose 4 to 6 basis

points for 2027-2030, 8 to 9 basis points for 2031-2032, and 10 basis points for 2033-2047, tapering to 7 basis points at the longest maturities, over the day of pricing alone. Over the trailing week, yields fell 14 basis points for 3-year maturities and were unchanged at 10 years, while the 30-year rose 11 basis points. Weekly municipal fund flows returned positive at approximately $1.06 billion after $608 million of outflows the prior week, although continued open-end fund redemptions were offset by ETF inflows, and daily fund data showed outflows on October 5 and 6.

On the pricing date, the 10-year MMD was 4.10%, up 92 basis points from the KLMN sale, while the 10-year MMD/Treasury ratio was 77.65%, up roughly 8.97 percentage points from 68.68% at the KLMN pricing, a marked cheapening of tax-exempt paper relative to Treasuries at that point on the curve. At the long end, the 30-year MMD rose to 5.24%, up 88 basis points from the KLMN sale, while the MMD/Treasury ratio increased to 92.42% from 84.99%, as municipal yields rose faster than Treasury yields further out the curve, leaving long municipals comparatively cheap.

TABLE 1: COMPARISON OF RATES IN RECENT MHFA SINGLE-FAMILY TRANSACTIONS

Issue	Date	10-Year Treasury	10-Year MMD	MMD/ Treasury	30-Year Treasury	30-Year MMD	MMD/ Treasury
2025 RHFB AB	2/4/2025	4.43%	2.89%	65.2%	4.64%	3.90%	84.1%
2025 RHFB CDE	2/20/2025	4.50%	3.00%	66.7%	4.74%	4.01%	84.6%
2025 RHFB FGH	5/1/2025	4.25%	3.29%	77.4%	4.74%	4.36%	92.0%
2025 RHFB IJ	6/17/2025	4.39%	3.32%	75.6%	4.88%	4.54%	93.0%
2025 RHFB KLMN	9/16/2025	4.04%	2.86%	70.8%	4.65%	4.21%	90.5%
2026 RHFB ABC	2/4/2026	4.29%	2.60%	60.6%	4.91%	4.29%	87.4%
2026 RHFB DE	2/10/2026	4.16%	2.60%	62.5%	4.78%	4.31%	90.2%
2026 RHFB FGH	5/7/2026	4.36%	2.96%	67.9%	4.95%	4.31%	87.1%
2026 RHFB IJ	6/25/2026	4.40%	2.97%	67.5%	4.86%	4.23%	87.0%
2026 RHFB KLMN	7/21/2026	4.63%	3.18%	68.7%	5.13%	4.36%	85.0%
2026 RHFB OPQ	10/7/2026	5.28%	4.10%	77.7%	5.67%	5.24%	92.4%
Change from *RHFB 2026 KLMN*		**+65 bps**	**+92 bps**	**+9.0%**	**+54 bps**	**+88 bps**	**+7.4%**

NON-AMT SINGLE FAMILY HOUSING BOND PRICING COMPARABLES

Pricing Date		10/7/26			10/5/26			10/1/26			10/1/26			9/30/26			9/29/26		
Amount		$87,565,000			$100,000,000			$325,000,000			$60,000,000			$235,000,000			$350,000,000		
Issuer		Minnesota HFA			Illinois HDA			Missouri HDC			New Hampshire HFA			Michigan SHDA			North Carolina HFA		
Series		2026 Series O			2026 Series J			2026 Series D			2026 Series G			2026 Series C			Series 62		
Program		Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated		
Rating(s)		Aa1 / AA+ / -			Aaa / - / -			- / AA+ / -			Aa1 / - / -			Aa2 / AA+ / -			Aa1 / AA+ / -		
Tax Status		Non-AMT			Non-AMT			Non-AMT			Non-AMT			Non-AMT			Non-AMT		
	Maturity	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread
Yr	('26 pricings)	Jan1 / Jul1	(if diff.)	to iMMD	Oct1	(if diff.)	to iMMD	May1 / Nov1	(if diff.)	to iMMD	Jul1	(if diff.)	to iMMD	Jun1 / Dec1	(if diff.)	to iMMD	Jan1 / Jul1	(if diff.)	to iMMD
0	2026																		
1	2027							3.80	-	+42				3.70 / 3.80	-	+22 / +32			
2	2028	3.80 / 3.85	-	+39 / +44				6.00 / 3.95	3.81 / 3.95	+38 / +50				3.85 / 3.95	-	+32 / +40	3.95 / 4.00	-	+32 / +37
3	2029	3.90 / 3.95	-	+46 / +49				6.00 / 4.05	3.88 / 4.05	+40 / +55				4.00 / 4.05	-	+40 / +43	4.05 / 4.10	-	+37 / +40
4	2030	4.00 / 4.05	-	+49 / +52				6.00 / 4.20	3.94 / 4.20	+42 / +64				4.15 / 4.20	-	+51 / +52	4.20 / 4.25	-	+47 / +50
5	2031	4.10 / 4.15	-	+48 / +51				6.00 / 4.30	4.06 / 4.30	+45 / +67				4.25 / 4.30	-	+52 / +55	4.30 / 4.30	-	+49 / +47
6	2032	4.30 / 4.40	-	+60 / +67				6.00 / 4.45	4.14 / 4.45	+47 / +75				4.35 / 4.45	-	+58 / +65	4.35 / 4.45	-	+50 / +55
7	2033	4.50 / 4.55	-	+68 / +72				6.00 / 4.60	4.22 / 4.60	+45 / +82				4.55 / 4.60,5.5(5 / 4.60,4+70 / +74,+6			4.55 / 4.60	-	+58 / +62
8	2034	4.60 / 4.65	-	+75 / +77				6.00 / 4.70	4.31 / 4.70	+50 / +85				5,5.50 / 4.70,51.60 / 4.70,+71/+77,+			4.65 / 4.70	-	+65 / +67
9	2035	4.75 / 4.80	-	+82 / +83				4.80 / 4.85	-	+91 / +91				4.80 / 4.85	-	+82 / +83	4.80 / 4.90	-	+72 / +78
10	2036	4.85 / 4.90	-	+82 / +83				4.90 / 4.95	-	+91 / +90				4.90 / 4.95	-	+83 / +83	4.95 / 5.00	-	+78 / +79
11	2037	4.95 / 5.00	-	+83 / +86				5.00 / 5.00	-	+93 / +88				5.00 / 5.05	-	+86 / +86	5.05 / 5.10	-	+79 / +82
12	2038	5.05 / 5.05	-	+79 / +76				5.10 / 5.15	-	+90 / +92				5.10 / 5.15	-	+83 / +85	5.125 / 5.15	-	+74.5 / +74
13	2039																5.20	-	+69
14	2040																		
15	2041	5.45	-	+83				5.40	-	+87	5.35	-	+82	5.45	-	+86	5.375	-	+65.5
16	2042																		
17	2043																		
18	2044										5.45	-	+73						
19	2045																		
20	2046	5.70	-	+75	5.55	-	+74	5.60	-	+78				5.60	-	+74	5.60	-	+63
21	2047																		
22	2048																		
23	2049																		
24	2050	5.80	-	+70	5.65	-	+67												
25	2051							5.70	-	+69				5.70	-	+69	5.70	-	+62
26	2052																		
27	2053																		
28	2054													5.75	-	+67			
29	2055																		
30	2056							5.75	-	+62							5.75	-	+55
31	2057																		
32	2058																		
PAC		6.50	4.67	+102	7.00	4.69	+106	6.75	4.74	+108	7.00	4.80	+111	7.00	4.82	+108	7.00	4.86	+95
PAC AvgLf, Price		5yrs, 75-600% PSA, $107.957			.9yrs, 100-500% PSA, $111.33			5.5yrs, 75-500% PSA, $109.341			5.9yrs, 100-700% PSA, $110.82			5yrs, 75-500% PSA, $109.395			6yrs, 75-700% PSA, $110.783		

TAXABLE HOUSING BOND PRICING COMPARABLES

Pricing Date		10/7/26			10/5/26			10/1/26			10/1/26			9/28/26			9/22/26		
Amount		$57,435,000			$100,000,000			$25,000,000			$30,000,000			$159,510,000			$82,365,000		
Issuer		Minnesota HFA			Illinois HDA			Missouri HDC			New Hampshire HFA			Virginia HDA			NYCDHA		
Series		2026 Series P			2026 Series K			2026 Series E			Series 2026 H			2026 Series L			2026 Series B		
Program		Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Multifamily / Negotiated		
Rating(s)		Aa1 / AA+ / -			Aaa / - / -			- / AA+ / -			Aa1 / - / -			Aaa / AAA / -			Aa2 / - / -		
Tax Status		Taxable			Taxable			Taxable			Taxable			Taxable			Taxable		
	Maturity	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread
Yr	('26 pricings)	Jan1 / Jul1	(if diff.)	to UST	Apr1 / Oct1	(if diff.)	to UST	Nov1	(if diff.)	to UST	Jan1 / Jul1	(if diff.)	to UST	Jan1 / Jul1	(if diff.)	to UST	Feb1 / Aug1	(if diff.)	to UST
0	2026																		
1	2027				4.892	-	+8 to 2yr				4.862	-	+10 to 2yr	5.024	-	+10 to 2yr			
2	2028	4.90 / 4.92	-	+13 / +15 to 2yr	4.932 / 4.932	-	+12 / +12 to 2yr	4.95	-	+17 to 2yr	4.912 / 4.912	-	+15 / +15 to 2yr	5.024 / 5.074	-	+10 / +15 to 2yr			
3	2029	5.026 / 5.066	-	+12 / +16 to 3yr	5.065 / 5.115	-	+12 / +17 to 3yr	5.12	-	+21 to 3yr	5.01 / 5.08	-	+13 / +20 to 3yr	5.156 / 5.206	-	+15 / +20 to 3yr			
4	2030	5.197 / 5.277	-	+17 / +25 to 5yr	5.259 / 5.309	-	+20 / +25 to 5yr	5.27	-	+26 to 5yr	5.18 / 5.23	-	+20 / +25 to 5yr	5.264 / 5.314	-	+20 / +25 to 5yr			
5	2031	5.327 / 5.377	-	+30 / +35 to 5yr	5.359 / 5.409	-	+30 / +35 to 5yr	5.37	-	+36 to 5yr	5.28 / 5.33	-	+30 / +35 to 5yr	5.364 / 5.414	-	+30 / +35 to 5yr			
6	2032	5.503 / 5.553	-	+35 / +40 to 7yr	5.534 / 5.584	-	+35 / +40 to 7yr	5.54	-	+42 to 7yr	5.448 / 5.498	-	+35 / +40 to 7yr	5.495 / 5.545	-	+35 / +40 to 7yr	5.236 / 5.286	-	+35 / +40 to 5yr
7	2033	5.603 / 5.653	-	+45 / +50 to 7yr	5.634 / 5.684	-	+45 / +50 to 7yr	5.64	-	+52 to 7yr	5.548 / 5.598	-	+45 / +50 to 7yr	5.595 / 5.645	-	+45 / +50 to 7yr	5.336 / 5.386	-	+45 / +50 to 5yr
8	2034	5.734 / 5.784	-	+45 / +50 to 10yr	5.759 / 5.809	-	+45 / +50 to 10yr	5.75	-	+51 to 10yr	5.663 / 5.713	-	+45 / +50 to 10yr	5.732 / 5.782	-	+50 / +55 to 10yr	5.455 / 5.505	-	+50 / +55 to 10yr
9	2035	5.834 / 5.884	-	+55 / +60 to 10yr	5.859 / 5.909	-	+55 / +60 to 10yr	5.85	-	+61 to 10yr	5.763 / 5.813	-	+55 / +60 to 10yr	5.832 / 5.882	-	+60 / +65 to 10yr	5.555 / 5.605	-	+60 / +65 to 10yr
10	2036	5.934 / 6.034	-	+65 / +75 to 10yr	5.959 / 6.059	-	+65 / +75 to 10yr	6.00	-	+76 to 10yr	5.863 / 5.943	-	+65 / +73 to 10yr	5.932 / 5.982	-	+70 / +75 to 10yr	5.655 / 5.705	-	+70 / +75 to 10yr
11	2037	6.084 / 6.134	-	+80 / +85 to 10yr	6.109 / 6.159	-	+80 / +85 to 10yr	6.10	-	+86 to 10yr	5.993 / 6.033	-	+78 / +82 to 10yr	6.032 / 6.082	-	+80 / +85 to 10yr	5.755 / 5.805	-	+80 / +85 to 10yr
12	2038	6.184 / 6.234	-	+90 / +95 to 10yr	6.209 / 6.259	-	+90 / +95 to 10yr	6.20	-	+96 to 10yr	6.093 / 6.133	-	+88 / +92 to 10yr	6.132 / 6.182	-	+90 / +95 to 10yr	5.855 / 5.905	-	+90 / +95 to 10yr
13	2039																		
14	2040										6.213	-	+100 to 10yr						
15	2041	6.284	-	+100 to 10yr	6.309	-	+100 to 10yr	6.25	-	+101 to 10yr				6.232	-	+100 to 10yr	5.955	-	+100 to 10yr
16	2042																		
17	2043																		
18	2044																		
19	2045				6.464	-	+80 to 30yr												
20	2046	6.469	-	+80 to 30yr				6.47	-	+86 to 30yr				6.353	-	+80 to 30yr	6.074	-	+78 to 30yr
21	2047																		
22	2048																		
23	2049																		
24	2050																		
25	2051							6.52	-	+91 to 30yr				6.403	-	+85 to 30yr	6.114	-	+82 to 30yr
26	2052	6.539	-	+87 to 30yr															
27	2053																		
28	2054																		
29	2055																		
30	2056							6.57	-	+96 to 30yr				6.453	-	+90 to 30yr	6.154	-	+86 to 30yr
31	2057																		
32	2058																		
33	2059																		
34	2060																		
35	2061																		
36	2062																		
37	2063																		
38	2064																		
39	2065																		
40	2066																		
41	2067																		
42	2068																		
43	2069																		
44	2070																		
PAC					6.50	5.839	+78 to 5yr												
PAC AvgLf, Price					5.5yrs, 100-500% PSA, $102.980														

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