

HENNEPIN COUNTY

MINNESOTA

Manual

Homeownership Assistance Fund

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1 Introduction

In 2000, the Hennepin County Housing and Redevelopment Authority (HCHRA) (the “County”) created the Affordable Housing Incentive Fund (AHIF) to encourage the preservation and development of affordable housing opportunities throughout Hennepin County. AHIF funded both affordable rental and affordable homeownership projects for the first 20 years.

In 2022, the County furthered its support by creating a separate fund, the Homeownership Assistance Fund, designed to develop and support homeownership projects and activities. This program manual provides an overview of program requirements and describes relevant policies and priorities. The County reserves the right to waive any and all procedures contained herein where they may interfere with the timely implementation of projects in the County’s interest.

2 Project eligibility

Affordable homeownership projects are eligible for the Homeownership Assistance Fund. Developments anywhere within Hennepin County are eligible to receive funds; there are no geographic limitations. Projects must preserve or create single family homeownership opportunities with long-term affordability.

Eligible activities include homeownership capital and homebuyer purchase assistance.

Homeownership capital: acquisition of property, construction of new housing for permanent ownership, moderate or substantial rehabilitation of homeownership units, site improvements, and other reasonable and necessary expenses related to the development of affordable housing. Properties must be single family housing, which can include detached townhomes, condominiums, and manufactured units with lot. Ownership can include a fee simple title, a 99-year leasehold interest (Community Land Trust), or in a state recognized cooperative or mutual housing unit.

Homebuyer purchase assistance: lending administration services on behalf of the County to provide financing to assist first-generation homebuyers in purchasing a home as their principal place of residence in Hennepin County.

3 Homebuyer eligibility and related requirements

3.1. Homebuyer eligibility

Homeownership Assistance Fund projects may only assist households with annual gross incomes not to exceed eighty percent (80%) of the area median income (AMI) for the Minneapolis/Saint Paul metropolitan statistical area (MSA) as determined by HUD. Current income limits are attached in Exhibit 1.

Eligible homebuyers will need to secure mortgage financing and meet Homeownership Assistance Fund program guidelines attached as Exhibit 2.

For all Homeownership Assistance Fund projects, the homebuyer(s) must be a first-time buyer. The homebuyer(s) must not have an ownership interest in another property in the last three years.

3.2 Homebuyer education and counseling

Homebuyers must complete qualified homebuyer training to purchase a home assisted through the Homeownership Assistance Fund. In the case of a Joint Tenancy purchase, both homebuyers should attend and satisfactorily complete the training. Qualified training includes Home Stretch, Framework, or any of the Minnesota Housing Finance Agency approved courses.

3.3 Fair housing

The Fair Housing Act prohibits discrimination in all housing related transactions based on race, color, religion, national origin, sex, familial status, and disability. Projects shall comply with all federal laws, executive orders, and implementing rules and regulations. Projects shall also comply with Minnesota law and local city ordinances regarding fair housing and human rights, including the Minnesota Human Rights Act. The Fair Housing Act prohibits discrimination in all housing related transactions based on race, color, religion, national origin, sex, familial status and disability.

3.4 County anti-displacement policy

As a large urban county, Hennepin County recognizes that many of our residents do not have the same opportunities to grow and thrive as others in our population. For these residents, quality of life is impacted, and the likelihood of a shorter lifespan is greater. Projects must minimize the involuntary displacement of vulnerable populations such as low-income households, immigrants, the elderly, and people with disabilities.

3.5 Relocation

Though the Homeownership Assistance Fund does not include federal funds, the County requires compliance with the federal [Uniform Relocation Act](#) in any Homeownership Assistance Fund-funded developments that involve acquisition, demolition or rehabilitation of property (not including voluntary homeowner rehabilitation). Acquisition includes the purchase of real estate, including vacant parcels, regardless of the source of acquisition funds. Any activities that could result in temporary or permanent displacement and the relocation of tenants will require the creation of a relocation plan. All activities will trigger the need for one or more disclosure notices for the sellers, buyers and/or occupants. It is recommended that the developer work with a relocation expert/consultant.

4 Design, contracting and construction standards

4.1 Construction/rehabilitation standards

All building improvements must comply with local and Minnesota State Building Codes. At a minimum, properties must meet HUD's current property and energy standards, and maintain compliance with all applicable ordinances, building and use restrictions, code-required building permits, and any requirements with respect to licenses, permits, and agreements necessary for the lawful use and operation.

In addition, applicants are encouraged to include additional following design features to help reduce energy expenditures, maintain sustainability and enhance the health, well-being and productivity of the building occupants, such as:

- B3 Guidelines: [B3 \(b3mn.org\)](http://b3mn.org) which includes the SB2030 Energy Standard
- [Energy Star](#) products, standards and building certification
- [The 7 Principles - Centre for Excellence in Universal Design](#): "The design of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design."

4.2 Section 504

Section 504 of the Rehabilitation Act of 1973 prohibits discrimination based on disability. Section 504 requires that reasonable accommodations be made in rules, policies, practices, services and reasonable structural modifications upon request of the prospective buyer. The accessibility must meet the Uniform Federal Accessibility Standards (UFAS) in 24 CFR 8.32.

4.3 Construction and demolition reuse and recycling policy

All non-hazardous building material generated during the project should be sorted by material type for recycling or, if collected as mixed waste, sent to a facility that achieves a minimum 60% recycling rate. If sorting by material type, at a minimum, the following materials should be separated for recycling: concrete, metals, untreated wood, and roofing material. Removal of building materials for reuse is encouraged where feasible. New construction, renovation, rehabilitation, and remodeling projects are encouraged to incorporate reused and recycled content building materials in their designs. Special construction waste recycling rates for County-funded projects may be available to projects selected for funding via this RFP.

4.4 Affirmative action

Projects shall comply with all applicable local rules and regulations for affirmative action. Where federal, state, and/or local policies and requirements for affirmative action and equal employment opportunity differ, the most restrictive policies and requirements shall apply. However, applicants shall provide any reports or other

documentation required by each jurisdiction in order to demonstrate compliance with applicable laws, ordinances, and regulations.

4.5 Small businesses, women-owned and small disadvantaged business enterprises

All projects must track and report outreach efforts and contracts awarded to small, disadvantaged businesses, Small Business Enterprises (SBEs), and Women Owned Small Businesses (WOBs), per state and federal law. They can be accessed in the Central Certification CERT Program. Where federal, state, and/or local policies and requirements for small, disadvantaged businesses, Small Business Enterprises (SBEs), and Women Owned Small Businesses (WOSBs) differ, the most restrictive policies and requirements shall apply, as legally permissible.

In addition, the County encourages participation in the County's Workforce Entry Program (WEP). WEP encourages contractors to hire a specific number (based on the project) of graduates of approved job training programs or demonstrate good faith efforts to do so. Contractors hire on the job training program graduates as apprentices, who gain valuable skills and knowledge working on County projects. Apprentices must not have completed an apprenticeship training course that leads to journeyman status or have been employed as a journeyman. The County provides a list of approved job training programs here: <https://www.hennepin.us/-/media/hennepinus/business/work-with-hennepin-county/contracting-with-hennepin/WEP-approved-programs-lists.pdf>.

4.6 Environmental review

A complete Phase I Environmental Site Assessment is required for projects with five or more units. If indicated by the Phase I, a Phase II Environmental Site Assessment and response action plan may also be required.

4.7 Lead-based paint

For homeownership rehabilitated projects, developer must disclose if the unit was built before 1978. For these projects, the County encourages developers to have a lead safety plan.

5 Financing and contracting requirements

5.1 Award letter and period of performance

Projects will receive a funding award letter after approval of a Homeownership Assistance Fund award by the Hennepin County Housing and Redevelopment Authority Board. The award letter will outline important terms of the commitment, including the number of units committed and their affordability levels. Developers should review award letters upon receipt and examine the terms of the award.

Projects awarded Homeownership Assistance Fund must close on all of the project's permanent financing (including Homeownership Assistance Fund) by the deadline indicated on the award letter. A **maximum** of two one-year extensions of the closing deadline may be available under certain limited circumstances; please contact the Homeownership Assistance Fund Program Manager.

5.2 Due diligence requirements

Developers should contact County staff at least six months prior to the anticipated project closing date to begin the due diligence process. County staff will provide developers with a due diligence checklist. Notable items on the due diligence checklist are highlighted below.

Municipal support: Projects must demonstrate community support. To use Homeownership Assistance Fund awards for capital projects, an authorizing council resolution from the municipality will be required following the funding award and prior to disbursement. It is highly recommended the developer discuss the project with city staff prior to submitting an application for Homeownership Assistance Fund. For Homeownership Assistance Fund downpayment assistance, no council resolution is required.

Financial commitments: Applicants shall identify all financial commitments necessary to complete the activity and provide third party documentation supporting all funding pledges, conditions/terms and applicable deadlines. Any in-kind contributions from the municipality, business sector, and/or community must also be documented as part of the due diligence process prior to closing a Homeownership Assistance Fund loan.

Documentation of non-debarment: County policies require that the applicant organization, and other members of the project team, must not be suspended or debarred from doing business with the government. The County will verify non debarment of the development entity by checking the federal [exclusions database](#) and the state [debarred vendor report](#) at time of application. Developers are required to submit documentation of non-debarment for key project team members – including developer, development consultant (if any), architect, general contractor, property manager, and service provider – prior to the project's financial closing.

In addition to the items specifically highlighted above, documentation requirements include but are not limited to: Lender's Title Policy; commitment for an American Land Title Association (ALTA) survey; a Legal Opinion Letter; organizational documents; agreement to defend, indemnify and hold the County harmless from any and all claims or lawsuits that may arise from the funded activities; agreement to provide evidence of insurance general liability, builder's risk, worker's compensation in form and content satisfactory to the County.

5.3 Financing terms and contractual requirements

As a goal, Hennepin County is looking for project and applicant partners to create long-term affordable housing opportunities. Therefore, assistance provided is structured in a way to achieve that goal. Homeownership project developers must commit to being part of the project long term via a loan agreement with a term of thirty (30) years. Homeownership Assistance Fund loan documents include a Loan Agreement, Declaration of Covenants and Restrictions, a Mortgage and a Promissory Note.

Successful homeownership projects, depending upon the structure of the project, will be required to ensure either:

- that units will be resold to subsequent eligible buyers at an affordable price and give the seller a fair return on their investment, or
- that funds will be recaptured if there are no sale restrictions and the housing unit is sold prior to the end of the required affordability period.

Homeownership projects required to recapture funds will typically be structured in the form of deferred, interest-bearing loan that must be repaid at the point of maturity, sale, or if the homeowner does not meet the terms and conditions of the contractual agreement.

6 Compliance, reporting, and monitoring

Developers will need to provide the following to demonstrate compliance for each project:

- A recorded covenant and/or ground lease document ensuring ongoing affordability for future resale.
- Documentation acceptable to the County demonstrating household income eligibility
- Confirmation that financing is approved and secured for homeownership activities
- Property appraisal
- Purchase contract
- Title commitment

All Homeownership Assistance Fund projects will be required to comply with the requirements for the entire term of the Homeownership Assistance Fund loan. This may include, but is not limited to verifications of household income, household data, property resales, operating budget and financial audits. The HCHRA has the right to review any and all procedures; materials, notices, documents, etc., prepared for the implementation of the project. Fees may apply for compliance management.

Compliance and program monitoring will be managed by County staff. All records pertinent to funding shall be made available for inspection and copying upon request.

Exhibit 1: Homeownership Assistance Fund limits

Income limits

(Effective June 1, 2025)

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
30%	27,800	31,800	35,750	39,700	42,900	46,100	49,250	52,450
50%	46,350	53,000	59,600	66,200	71,500	76,800	82,100	87,400
60%	55,620	63,600	71,520	79,440	85,800	92,160	98,520	104,880
80%	72,950	83,400	93,800	104,200	112,550	120,900	129,250	137,550

MSA: Mpls/St. Paul Median Household Income: \$124,200

Maximum per unit subsidy limit

(Effective February 13, 2024)

SRO	Efficiency	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
136,116	181,488	208,048	252,993	327,929	359,263

Maximum value for homeownership activities

(Effective September 1, 2024)

	1-unit and Condominium Units	2-unit	3-unit	4-unit
NEW construction	\$400,000	\$513,000	\$621,000	\$769,000
Existing	\$342,000	\$438,000	\$530,000	\$657,000

Exhibit 2: Homeownership Assistance Fund underwriting requirements

Eligible Primary/First Mortgage Loan Products	Prime, Fixed Rate (HUD, VA, Conventional)
Maximum Borrower Income	80% of HUD Area Median Income (AMI)
Maximum Housing Ratios	35% Front End, 50% Back End; Ratios over will need approval by HCHRA staff
Eligible Property	Single family, townhome, condo, manufactured unit with lot, cooperative or mutual housing
Borrower Occupancy Requirement	Borrowers must owner occupy the assisted property as their principal place of residence
Borrower Homebuyer Education Requirement	Borrowers must attend a Home Stretch, Framework, or other Homebuyer Education course as approved by MN Housing
First Time Homebuyer Requirement	Yes
Homeownership Financial Documentation	<ul style="list-style-type: none"> -Documentation acceptable to the County demonstrating household income eligibility -Confirmation home financing is approved and secured for homeownership activities -Property appraisal -Purchase contract -Title commitment -Proof of individual's home insurance