

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUBJECT: Final Project-Specific Nonavailability Waiver of Build America Buy America Act (BABA) Requirements to the Hilltop Manor Apartments Affordable Housing Project for Mini-Split Heat Pumps (HUD Waiver #W-000059)

Introduction

The U.S. Department of Housing and Urban Development (HUD) is issuing a final BABA waiver to an assistance recipient based on nonavailability of a single product for a single project.

Solicitation of Public Comment

The proposed waiver was posted on HUD's public facing webpage and a notice of the proposed waiver was posted to the Made in America website from January 21, 2026, through February 4, 2026, thus satisfying the requirement to publish any BABA project waiver and provide the public with fifteen (15) days to submit comments. HUD is seeking public and industry comments from all interested parties and encouraging current manufacturers of the subject products to submit comments regarding potential availability. HUD did not receive any public comments on this waiver during the public comment period. Therefore, no changes were made to the proposed waiver, except to replace references to the “proposed waiver” with references to the “final waiver.”

Background

The Buy America Preference set forth in section 70914 of BABA included in the Infrastructure Investment and Jobs Act (IIJA) (Pub. L. No. 117-58), requires that all iron, steel, manufactured products, and construction materials used for infrastructure projects under Federal financial assistance awards be produced in the United States.

Under section 70914(b), HUD may waive the application of the Buy America Preference (BAP), in any case in which it finds that: applying the domestic content procurement preference would be inconsistent with the public interest; types of iron, steel, manufactured products, or construction materials are not produced in the United States in sufficient and reasonably available quantities or of a satisfactory quality; or the inclusion of iron, steel, manufactured products, or construction materials produced in the United States would increase the cost of the overall project by more than twenty-five (25) percent. All waivers must have a written explanation for the proposed determination; provide a period of not less than fifteen (15) days for public comment on the waiver; and be submitted to the Office of Management and Budget’s (OMB) Made in America Office for review to determine if the waiver is consistent with policy.

Summary

Final Waiver: HUD is soliciting comments regarding whether to issue a project waiver of the requirements of section 70914 of BABA included in the IIJA, for mini-split heat pumps in an infrastructure project funded through the Housing Trust Fund (HTF).

Waiver Type: Nonavailability of domestic products in sufficient and reasonably available quantities or of a satisfactory quality.

Waiver Level and Scope: Project-level waiver for a single product for a single project. No other project will utilize the waiver.

Waiver Description: Project-specific nonavailability waiver of BABA requirements to the Hilltop Manor Apartments affordable housing project in Eveleth, Minnesota for mini-split heat pumps.

Project Summary: The project is in Eveleth, Minnesota. The project consists of the rehabilitation of a multifamily affordable housing building. The project is located at 100 McKinley Ave., Eveleth, MN.

Length of the Waiver: From February 23, 2026 until September 30, 2027.

Items Covered in Waiver: The Minnesota Housing Finance Agency is being issued a waiver for mini-split heat pumps, as described in detail below:

- Ductless Mini-split Heat Pump System - Indoor
 - Category: Manufactured Product
 - Cost: \$2,640.00
 - Quantity: 1
 - PSC: 4120 – Air conditioning equipment
 - NAICS: 333415 - Air-Conditioning and Warm Air Heating Equipment Manufacturing
 - Country of Origin: Mexico or Thailand
 - Technical Specifications: SEER2 25.6, EER2 13.35, HSPF2 10, COP at 47F 3.92, Energy Star Certified
- Ductless Mini-split HVAC System-Outdoor
 - Category: Manufactured Product
 - Cost: \$2,975.00
 - Quantity: 1
 - PSC: 4120 - Air Conditioning Equipment
 - NAICS: 333415 - Air-Conditioning and Warm Air Heating Equipment Manufacturing
 - Country of Origin: Mexico or Thailand
 - Technical specifications: SEER2 25.6, EER2 13.35, HSPF2 10, COP at 47F 3.92, Energy Star Certified

Description of Efforts Made to Avoid the Need for a Waiver

Both the grantee and HUD made every effort to obtain domestically produced mini-split heat pumps.

The grantee completed market research between May and June 2025 which consisted of outreach to the NIST MEP Supplier Scouting Service. The Supplier Scouting Service did not identify any BABA-compliant manufacturers after a national search that consulted 43 manufacturers.

HUD conducted an online search of manufacturers and suppliers and did not locate any manufacturers or suppliers that could provide BABA-compliant products. This is consistent with HUD's findings for previous mini-split waiver requests.

Anticipated Impact if No Waiver is Issued

Failure to grant a waiver for this project would mean that the State cannot complete the affordable housing project, impacting the state's ability to deliver this critical housing to low-income families.

HUD additionally believes this waiver is justified because most items used in this project will be compliant with BABA. This waiver is for items whose total value is less than 1 percent of the total infrastructure expenditure for this project. Approval of this waiver will ensure that the remainder of materials costs support BABA-compliant manufacturers, consistent with the intent of BABA.

Assessment of Cost Advantage of a Foreign-Sourced Product Under OMB M-24-02, agencies are expected to assess "whether a significant portion of any cost advantage of a foreign-sourced product is the result of the use of dumped steel, iron, or manufactured products or the use of injuriously subsidized steel, iron, or manufactured products" as appropriate before granting a public interest waiver. HUD has concluded that this assessment is not applicable to this waiver as this waiver is not based on the cost of foreign-sourced products.

Description of Award

Agency: United States Department of Housing and Urban Development (HUD)

Common Governmentwide Accounting Classification (CGAC) Code: 086

Title of Project: Hilltop Manor Apartments

Recipient Name: Minnesota Housing Finance Agency

Unique Entity Identifier (UEI): KGAPBAMK58L3

Federal Award Identification Number (FAIN): F24SG2-70100

Financial Assistance Listing Name: Housing Trust Fund

Assistance Listing Number: 14.275

Federal Financial Assistance Funding Amount: \$6,120,000.00

Total Estimated Infrastructure Expenditures: \$14,930,289.00