MINNESOTA HOUSING

MEETINGS SCHEDULED FOR JULY

Minnesota Housing
400 Wabasha Street N. Suite 400
St. Paul, MN 55102

THURSDAY, JULY 21, 2022
Regular Board Meeting
1:00 p.m.

Hybrid Option Available:

In Person:
Lake Superior Conference Room- Fourth Floor

OR

Conference Call:
Toll-free dial-in number (U.S. and Canada)**:**
1-877-309-2074
Access code:
853-479-428

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, July 21, 2022.

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 Minn. Stat. §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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Mission

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.

Vision

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

AGENDA
Minnesota Housing Board Meeting
Thursday July 21, 2022
1:00 p.m.

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
   A. (page 5) Regular Meeting of June 23, 2022

5. **Reports**
   A. Chair
   B. Commissioner
   C. Committee

6. **Consent Agenda**
   A. (page 9) Approval, Revisions to the Rehabilitation and Emergency and Accessibility Loan Program Procedural Manuals
   B. (page 85) Approval, HousingLink Grant

7. **Action Items**
   A. (page 89) Modification, Housing Infrastructure Bond (HIB) Loan and Approval, Updated Waiver of Predictive Cost Model 25% Threshold
   - Garitz Grove, D8337, Fergus Falls, MN
   B. (page 99) Approval, Early Forgiveness of Housing Trust Fund (HTF) loan
   -Dale Street (fka Redeemer's Arms), St. Paul
   C. (page 103) Modification, Workforce Housing Development Program
   - Twenty08, D8126, Alexandria (Sara Bunn)

D. (page 107) Modification, Preservation Affordable Rental Income Fund (PARIF) Loan and Assumption, Housing Trust Fund – Long Term Homeless (HTF-LTH) Loan
-Dale Street Place, D3065, St. Paul

E. (page 121) Commitment Extensions, Housing Infrastructure Bond (HIB) Loans
– RD Portfolio, Various

F. (page 133) Final Loan Approval: Limited Partner Buy Out Loan
- Hoffman Place, White Bear Lake, D6234

G. (page 145) Final Loan Approval: Limited Partner Buy Out Loan
- Cornerstone Village, St. Michael, D6233

H. (page 157) Final Loan Approval: Limited Partner Buy Out Loan
-Maple Village, Maple Grove, D5959

I. (page 169) Adoption, Series Resolution authorizing the issuance and sale of Additional Series of State Appropriation Bonds (Housing Infrastructure)

8. Discussion Items

A. (page 233) Draft Consolidated Plan for Housing and Community Development 2022-2026 and 2022 Annual Action Plan

9. Information Items

A. (page 285) Post-Sale Report, Rental Housing 2022 Series B

B. (page 289) Post-Sale Report, Residential Housing Finance Bonds 2022 Series GH

10. Other Business

None.

11. Adjournment

DRAFT Minutes
Minnesota Housing Board Meeting
Thursday, June 23, 2022
1:00 p.m.
Via Conference Call

1. **Call to Order.**
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 conference call: Chief Executive Benjamin, Auditor Blaha, Chair John DeCramer, Craig Klausing, Stephanie Klinzing, and Terri Thao.
Minnesota Housing Staff present via conference call: Anbar Ahmed, Tal Anderson, Tom Anderson, Noemi Arocho, Jordan Bailes, Ryan Baumtrog, Susan Bergmann, Vi Bergquist, Laura Bolstad Grafstrom, Sondra Breneman, Sarah Broich, Ibtisam Brown, Jessica Deegan, Matt Dieveney, Michelle Doyal, Bobbie Durant, Graydon Francis, Rachel Franco, Shannon Gerving, Vanessa Haight, Darryl Henchen, Adam Himmel, Heidi Hovis, Summer Jefferson, Ayo Jones, Aaron Keniski, Dan Kitzberger, Laurie Krivitz, Janine Langsjoen, Tresa Larkin, Debbi Larson, Song Lee, James Lehnhoff, Rachel Lochner, Linda Lubi, Joseph Marks, Jill Mazullo, Don McCabe, Rudi Mohamed, John Patterson, Brittany Rice, Williak Price, Paula Rindels, Cheryl Rivinius, Lael Robertson, Rachel Robinson, Kayla Schuchman, Anne Smetak, Corey Strong, Kim Stuart, Jodell Swenson, Mike Thone, Nancy Urbanski, Que Vang, Kayla Vang, Teresa Vaplon, Nicola Viana, Amanda Welliver, Tyler Wenande, Jennifer Willette, Kelly Winter, Carole Wohlk, Sarah Woodward and Kristy Zack.
Others present via conference call: Ramona Advani, Minnesota Office of the State Auditor; Gene Slater, CSG Advisors.

3. **Agenda Review**
None.

4. **Approval**
A. Regular Meeting Minutes May 26, 2022
Motion: Terri Thao moved to approve the May 26, 2022, Regular Meeting Minutes. Seconded by Auditor Blaha. Roll call was taken. Chief Executive Benjamin abstained. Motion carries 5-0. All were in favor.

5. **Reports**
A. Chair
None.

B. Commissioner
Deputy Commissioner Robinson shared the following with the Board:
- Welcome new employees

- RentHelpMN Update
- HomeHelpMN Update

C. Committee
None.

6. Consent Agenda

A. Waiver of the Predictive Cost Model 25% Threshold
-Restoring Waters f.k.a Emma Norton Residence 2.0, D8313, St. Paul, MN

B. Risk Management and Internal Control Framework

Motion: Stephanie Klinzing moved to approve the Consent Agenda Items. Seconded by Craig Klausing. Roll call was taken. Motion carries 6-0. All were in favor.

7. Action Items

A. Approval, Home Improvement Loan Programs Changes

Shannon Gerving presented to the board a request for approval of changes to the Home Improvement Loan Programs. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.
Motion: Stephanie Klinzing moved Approval, Home Improvement Loan Programs Changes. Seconded by Chief Executive Benjamin. Roll call was taken. Motion carries 6-0. All were in favor.

B. Request for Updated Delegated Authority Related to Extensions of Single Family Loans

Anne Smetak presented to the board a request for approval of an update to existing Board Delegation 24 to allow six months extensions of single family loan terms. Chair DeCramer opened up the discussion. There were no questions from board members.
Motion: Stephanie Klinzing moved Request for Updated Delegated Authority Related to Extensions of Single Family Loans. Seconded by Auditor Blaha. Roll call was taken. Motion carries 6-0. All were in favor.

C. Approval, Selection and Commitment 2022 Housing Tax Credit (HTC) Round 2 and Deferred Loan Selection

Nicola Viana presented to the board a request for approvals related to the 2022 HTC Round 2 Request for Proposals (RFP). Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.
Motion: Stephanie Klinzing moved adoption of a resolution approving the allocation of competitive federal 9% Low Income Housing Tax Credits (HTCs). Seconded by Auditor Blaha. Roll call was taken. Motion carries 6-0. All were in favor.
Motion: Craig Klausing moved adoption of a resolution approving the selection of Isle View Apartments for further processing, and the commitment of deferred financing, and subject to final underwriting and due diligence, authorizing the closing of loans related to an Asset Management Financing Adjustment/Financing Adjustment Factor (FA/FAF)

deferred loan commitment in the amount of up to $2,000,000 for a 30-year term and up to a 1.0% interest rate. Seconded by Terri Thao. Roll call was taken. Motion carries 6-0. All were in favor.

D. Commitment, Low and Moderate Income Rental Loan (LMIR), Modification, Housing Infrastructure Bond Loan (HIB) and Waiver of the Predictive Cost Model 25% Threshold - Windwood Townhomes, D2959, Duluth, MN

Carrie Weisman presented to the board a request for the adoption of the following resolutions: 1. Adoption of a resolution authorizing the issuance of a LMIR program commitment in the amount of up to $677,000; 2. Adoption of a resolution modifying the loan under the HIB program to increase from a maximum loan of $10,527,000 to a maximum of $11,277,000; and 3. Approval of a waiver to the predictive cost model. The total development cost (TDC) per unit is $242,000 and now exceeds the predictive model by 26%. Because the percentage is over the predictive cost model threshold of 25%, the increase requires a board approved waiver. Chair DeCramer opened up the discussion. There were no questions from board members.
Motion: Chief Executive Benjamin moved Commitment, Low and Moderate Income Rental Loan, Modification, Housing Infrastructure Bond Loan and Waiver of the Predictive Cost Model 25% Threshold - Windwood Townhomes, D2959, Duluth, MN. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 6-0. All were in favor.

E. Commitment, Low and Moderate Income Rental Loan (LMIR) -Balsam Apartments II, D8307, Dayton, MN

Tom Anderson presented to the board a request for the adoption of a resolution authorizing the issuance of a LMIR program commitment in the amount of up to $3,025,000. Chair DeCramer opened up the discussion. There were no questions from board members.
Motion: Terri Thao Commitment, Low and Moderate Income Rental Loan -Balsam Apartments II, D8307, Dayton, MN. Seconded by Auditor Blaha. Roll call was taken. Motion carries 6-0. All were in favor.

8. Discussion Items

A. 3rd Quarter FY 2022 Financial Reporting Package

B. Minnesota Housing Administrative Budget, State Fiscal Year 2023

9. Information Items

A. Conflict of Interest Disclosure Reporting

B. Post-Sale Report, Residential Housing Finance Bonds 2022 Series EF

10. Other Business

None.

11. Adjournment
The meeting was adjourned at 2:15 p.m.

____
John DeCramer, Chair

MINNESOTA HOUSING

Board Agenda Item: 6.A
Date: 7/21/2022

Item: Approval, Revisions to the Rehabilitation and Emergency and Accessibility Loan Program Procedural Manuals

Staff Contact(s):
Tonya Taylor, 651.296.8844,Tonya.taylor@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests Board approval of the revised Rehabilitation Loan Program and Emergency and Accessibility Loan Program Procedural Manuals.

Fiscal Impact:
The Rehabilitation and Emergency and Accessibility Loan Programs are funded by Agency resources and State appropriations. Individual awards are structured as loans that do not earn interest for the Agency.

Meeting Agency Priorities: select all that apply
- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):
- Background
- Request Details
- Rehabilitation Loan Program Procedural Manual
- Emergency and Accessibility Loan Program Procedural Manual

Background
The Rehabilitation Loan Program (RLP) and Emergency and Accessibility Loan Program (ELP) was created in 1971 by the Minnesota Legislature to complement loan programs available in the private sector, in order to fill the financial gap that exists between low-income homeowners who are able to secure traditional financing for home improvements and those unable to do so.

RLP/ELP provides a zero percent interest rate, deferred mortgage loan that is forgiven in full at the end of the loan term (15 years for homes taxed as real property, 10 years for manufactured homes taxed as personal property), as long as the borrower continues to own and occupy the residence. Funds must be used for improvements that directly affect the safety, habitability, livability or energy efficiency of the home.

Changes to the Rehabilitation Loan Program and Emergency and Accessibility Loan Program Procedural Manuals (Procedural Manuals)
Staff recommends revisions to the Procedural Manuals to streamline procedures, improve implementation of rehabilitation, and enable more homeowners to access the programs. Below is a summary of the substantive revisions to the Procedural Manuals.

Timing of Income and Asset Limit Verification
Staff recommends changing language in the Procedural Manuals to allow lenders to verify a borrower's income and assets within 12 months of the loan closing. Borrowers will be required to execute a Borrower Attestation within ten (10) days of the loan closing attesting that there have not been any substantial changes to the borrower's income or assets. If the lender closes the loan 12 months or later after borrower application, the lender must reverify the income and assets. Current policy requires lenders to verify the borrower's income and assets within three (3) months of the loan commitment. The recommended changes will streamline implementation of the program by allowing the lender to verify income only once at the time of application if the loan closes within 12 months of borrower application.

Use of Agency Documents
Staff recommends changing the language in the Procedural Manuals to allow lenders to use their own documents in some cases. Current policy requires all lenders to use only Agency created documents. Lenders would still be required to ensure that all information the Agency requires for the RLP and ELP programs is included in their own documents. This change will allow lenders to streamline processes and create efficiencies when leveraging other programs or resources. For example, lenders would be able to use their own borrower application to assess a homeowner for multiple programs, including RLP and ELP.

Ownership Interest to Include Homes on Tribal Trust Lands
Staff recommends adding language to allow homes on tribal trust lands as an eligible ownership interest type. This change will help to better serve Indigenous households through RLP and ELP.

Extend the Rehabilitation Completion Period
Staff recommends changing the language in the Procedural manuals to allow projects to be completed within 12 months of loan closing. Current policy requires all rehabilitation to be completed within 9 months of loan closing. Staff received feedback from lenders expressing concerns about delayed project

completions due to supply chain and material shortages and limited availability of contractors. The change would provide lenders more time to work with borrowers and contractors to complete projects.

Income Calculation
Staff recommends changing the language in the Procedural Manuals to refer lenders to the Income Calculation Worksheet for guidance regarding the information that is needed when calculating a borrower’s gross annual income. This change will create efficiencies for lenders since all the required information needed to determine the borrower’s income eligibility is already included in the Income Calculation Worksheet.

Credit History and Credit Reports
Staff recommends adding language to the Procedural Manuals clarifying that a borrower’s credit history outside of their mortgage(s) should not be used to determine the borrower’s eligibility, and the borrower must be current on all liens against the subject property. Current policy does not require that lenders obtain a borrower’s credit report. This change would clarify the current policy that if a lender pulls a credit report for another reason (e.g., to determine eligibility for a different program), that borrowers are not denied a loan based on information obtained from a credit report unrelated to the borrower’s mortgage(s).

Other Eligible Costs
Staff recommends adding a new section to the Procedural Manual for Other Eligible Costs. This language is currently in the Procedural Manuals but is in the “Loan Amount” section. It clarifies and highlights the eligible costs by moving this language to its own section.

Effective Date
If approved, the proposed Procedural Manuals will go into effect August 1, 2022.

Rehabilitation Loan Program Procedural Manual

~~January~~August 1, 2022

Table of Contents

Introduction

Mission Statement

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.

Background

Minnesota Housing Finance Agency ("Minnesota Housing") was created in 1971 by the Minnesota Legislature.

Minnesota Housing created the Rehabilitation Loan Program (the "Program") to compliment loan programs available in the private sector to fill the financial gap that exists between low-income homeowners able to secure home improvement financing in the private sector and those homeowners unable to do so.

Procedural Manual

This Procedural Manual sets forth for the Lenders the terms and conditions under which Minnesota Housing will purchase mortgage loans originated under the Program.

Rehabilitation Loan Program

Deferred, zero percent interest rate Program loans are available to low-income Minnesota homeowners through participating Lenders. Loans must be for improvements that directly affect the safety,[1] habitability[2] livability, or energy efficiency[3] of the home or replacement of Manufactured Homes. Existing residential housing is inspected using Minnesota Housing's Single Family Rehabilitation Standard ("Rehabilitation Standard" see Forms Guide and Glossary). Deficiencies cited in any property inspection under the Rehabilitation Standard must be prioritized and cured as funding allows. Homeowners requiring assistance of an emergency nature will be referred to the Minnesota Housing Emergency and Accessibility Loan Program.

[1] Rehabilitation improvements which address conditions in the home that can cause danger or risk of injury.
[2] Rehabilitation improvements which address basic needs and are of average/median grade or quality.
[3] Rehabilitation improvements which reduce overall energy use while providing the same or a higher level of performance, comfort and convenience.

Chapter 1 – Partner Responsibilities/Warranties

1.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Rehabilitation Loan Program Participation Agreement (the "Participation Agreement") executed between the Lender and Minnesota Housing. Minnesota Housing reserves the right to:

- Change the Program interest rate at any time under its sole discretion;
- Alter or waive any of the requirements;
- Impose other and additional requirements; and
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated.

Minnesota Housing is under no obligation to purchase any loan or retain ownership of a loan that does not comply fully with this Procedural Manual. Minnesota Housing may grant waivers, alterations or revisions at its sole discretion.

1.02 Compliance with Privacy Act Statutes

The Minnesota Government Data Practices Act:

- Requires the Lender to supply Borrowers with the Tennessen Warning and the Privacy Act Notice ~~(Forms Guide and Glossary)~~ when requesting private data;[4] and
- Governs when the disclosure of the Borrower's Social Security Number is required.

The Minnesota Revenue Recapture Act of 1980 (Minnesota Statutes Sections 270A.01 to 270A.12) allows the disclosure of the Borrower's Social Security Number or Minnesota Tax Identification Number to the Minnesota Department of Revenue. This could result in the application of funds held by the State, including but not limited to tax refunds to the payment of any delinquent indebtedness of the Borrower to Minnesota Housing.

1.03 Unauthorized Compensation

The Lender may receive fees approved in this Procedural Manual. However, the Lender shall not receive or demand from builder, remodeler, contractor, supplier, or Borrower:

- Kickbacks;
- Commissions;
- Rebates; or
- Other compensation.

[4] Only the Borrower's name, address and amount of assistance received are public data and may be released to the public. All other data are private and may be released only to those authorized access by law.

In order to reduce the total rehabilitation cost associated with an eligible property, the Lender may receive discounts from third parties involved in the project improvements. In these cases, the Lender must document in the Borrower file that the discounts received are considered typical for the market area and do not constitute a kickback, commission, rebate or compensation for products or services rendered. Any discounts that exceed what is typical must be documented as a charitable contribution by the representative of the seller, builder, remodeler, contractor or supplier providing the discount.

1.04 Minnesota Housing Due Diligence Audit Guidelines and Requirements

The Lender is required to keep on file a complete copy of documents for each loan originated for purchase by Minnesota Housing. Minnesota Housing will perform a quality control audit of loan files purchased from the Lender and will notify the Lender if a loan is selected for audit. Upon request, the Lender must submit a complete loan package with all documentation that was used to originate and close the loan. Loan audits will include, but are not limited to, a minimum of 10% of all loans purchased.

Audited loans are reviewed for:

- Minnesota Housing Program/policy compliance;
- Compliance with federal and state consumer lending regulations;
- Fraud or misrepresentation on the part of any party involved in the transaction; and
- Trends and/or other indicators that may have an impact on the financial viability of the Program in part or in whole.

1.05 Termination of the Lender’s Participation

Minnesota Housing may terminate the participation of any Lender under this Procedural Manual at any time and may preclude the Lender’s future eligibility for reasons including, but not limited to, nonconformance with:

- This Procedural Manual;
- The Participation Agreement;
- The Federal Fair Housing Law and/or the Equal Credit Opportunity Act;
- Any federal or state laws or acts that protect the Borrower’s rights with regard to obtaining financing for home improvements; and
- Other applicable state and federal laws, rules, and regulations.

Upon termination of the Lender’s Participation Agreement, Minnesota Housing will continue to purchase eligible loans for which a Commitment has already been issued, until the Commitment expiration date.

Minnesota Housing may, at its option, impose remedies other than termination of the Participation Agreement for the Lender’s nonperformance.

The Lender may request reinstatement into Minnesota Housing programs. The decision whether or not to reinstate the Lender shall be at Minnesota Housing's sole discretion.

1.06 Representations and Warranties

The Lender agrees to comply with all applicable federal, state, and local laws, ordinances, regulations and orders including, but not limited to, the following (and any applicable rules, regulations, or laws thereunder):

- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- Section 527 of the National Housing Act;
- The Equal Credit Opportunity Act;
- The Fair Credit Reporting Act;
- Federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968);
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A);
- Data Privacy - Minnesota Statutes Chapter 13;
- Minnesota S.A.F.E. Mortgage Licensing Act of 2010 – Minnesota Statutes Chapters 58 and 58A;
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101;
- Fair and Accurate Credit Transactions Act;
- Truth in Lending Act;
- Home Mortgage Disclosure Act;
- Anti-Predatory Lending Act;
- USA Patriot Act;
- Bank Secrecy Act;
- Anti-Money Laundering and Office of Foreign Assets Control Policy;
- Internal Revenue Code of 1986, Section 6050H; and
- Real Estate Settlement Procedures Act of 1974.

In addition to the above warranties and representations, the Lender also warrants and represents that:

- The Lender will comply with the Minnesota Housing Lead Based Paint Guidebook, found on the Minnesota Housing website;
- The Lender is the sole owner and holder of the Program loan with the right to assign it to Minnesota Housing;
- The Lender has assigned the loan free and clear of all encumbrances;
- The Lender has complied and will continue to comply with all terms and conditions in the Participation Agreement and this Procedural Manual for each loan processed unless prior written approval is obtained from Minnesota Housing;
- The Lender is a legally constituted public or governmental agency, political subdivision, nonprofit entity, a housing and redevelopment authority, or other organization which has as a primary purpose, the provision or development of affordable housing to low-income persons or households in Minnesota;

- The Lender maintains capital and trained personnel adequate to render the services required as a part of the Lender's participation in the Program;
- The Lender follows all state and federal consumer lending laws, rules and regulations;
- The Lender has neither received nor solicited any fee or remuneration not approved by this Procedural Manual;
- After reasonable inspection, the Lender has no knowledge that any improvement funded by the loan is in violation of applicable zoning ordinances, building ordinances, laws or regulations; and

The Lender also agrees that the person who confirms on the Minnesota Housing Loan Commitment System on behalf of the Lender is fully conversant with Minnesota Housing Program requirements, and has the authority to legally bind the Lender; and the Lender has complied with all terms, conditions and requirements of the Participation Agreement and this Procedural Manual unless those terms, conditions and requirements have been specifically waived in writing by Minnesota Housing.

1.07 Lender Compensation

The Lender is compensated for each loan purchased by Minnesota Housing at a rate of $2,500 plus 5% of the loan amount per loan.

1.08 Selection of Contractors

The Lender may not choose the contractor. Borrowers are responsible for the selection of any contractor who will be involved in completing rehabilitation improvements on the property.

Chapter 2 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting

2.01 Fraud

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

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the communication channels described in section 2.05.

2.02 Misuse of Funds

A loan or grant agreement is a legal contract. The borrower or grantee promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the borrower or grantee to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the borrower or grantee must use Minnesota Housing funds as agreed and the borrower or grantee must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

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

Any borrower or grantee (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the communication channels described in section 2.05.

2.03 Conflict of Interest

A conflict of interest, actual or potential, 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 averse to one or both parties. A conflict of interest exists even if no unethical, improper or illegal act results from it.

An individual conflict of interest is any situation in which one’s judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a friend, relative, acquaintance or business or organization with which they are involved.

Organizational conflicts of interest occur when:

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

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

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

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual or potential conflicts of interest through one of the communication channels described in section 2.05.

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

2.04 Suspension

By entering into any agreement with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of the agreement) has not been suspended from doing business with Minnesota Housing. Please refer to Minnesota Housing's website for a list of suspended individuals and organizations.

2.05 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 (e.g., grantees, 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

- Any member of Minnesota Housing's Servant Leadership Team
- EthicsPoint, the Minnesota Housing hotline reporting service vendor

2.06 Assistance to Employees and Affiliated Parties

A contracting party that receives funding from Minnesota Housing to make specified loans, grants, or other awards to recipients may make these specified loans, grants, or other awards to their directors, officers, agents, consultants, employees and/or their families, elected or appointed officials of the State of Minnesota as well as to Minnesota Housing employees and/or their families ("Affiliated Assistance") provided:

- 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 2.03.
- The assistance is awarded utilizing the same costs, terms and conditions as similarly situated unaffiliated recipients, and the recipient receives no special consideration or access compared to similarly situated unaffiliated recipients.
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and their immediate family members. Family members include a spouse, domestic partner, parent, sibling, child, in-law or other relative living in the recipient's home

A contracting party need not disclose Affiliated Assistance to Minnesota Housing. However, the contracting party must document and certify, prior to awarding the Affiliated Assistance, 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 upon request to Minnesota Housing. Affiliated Assistance that does not meet each of these provisions will be considered a violation of Minnesota Housing conflict of interest standards which must be reported through one of the communication channels outlined in section 2.~~03~~05.

Chapter 3 - Borrower Eligibility Requirements

3.01 Borrower

One individual or multiple individuals are eligible to be a Borrower(s) only if such individual or individuals meet the requirements of this Procedural Manual.

3.02 Borrower Age

Borrower must be eighteen (18) years of age or older or have been declared emancipated by a court having jurisdiction.

3.03 Co-Signers

Co-signers are not permitted on Program loans.

3.04 Ownership Interest

For residences taxed as real property, the Borrower(s) must individually, or in the aggregate, possess at least a one-third ownership interest in the residence to be improved. For a Manufactured Home taxed as personal property, the Borrower(s) ownership interest requirement is 100%.

The Borrower(s) and Accommodation Parties, individually or in the aggregate, must have 100% ownership interest in the residence to be improved.

Borrowers under this Program must have clear title to the subject property as outlined in Section 5.06 of this Procedural Manual.

Eligible forms of ownership interest include the following:

- A fee simple estate;
- A community land trust;
- Vendee interest in a recorded contract-for-deed[5];
- An approved tribal residential lease on tribal lands;
- A Manufactured Home taxed as real property; ~~or~~
- A Manufactured Home taxed as personal property and located in a Manufactured Home park~~.~~; or
- A Manufactured Home with an approved tribal residential lease located on tribal lands.

Title may be held as follows:

- Individually;

[5] Borrower must get prior approval from contract for deed vendor. Vendor will be required to sign the Mortgage as an Accommodation Party.

- Joint Tenants;
- Tenants in common; or
- A recorded life estate, excluding remaindermen[6]

Ineligible forms of ownership interest include but are not limited to the following:

- Shares in a Cooperative Corporation;
- Ownership by any form of trust; and
- Ownership subject to a reverse mortgage.

3.05 Occupancy Requirements

Borrower must have owned and occupied the property as his/her/their Principal Residence for at least 6 months prior to applying for the Program loan. Further, the Borrower must maintain ownership and title to the property and reside in the property as his/her Principal Residence during the term of the loan.

3.06 Rehabilitation Loan Program Application

~~To be considered for Program funds,~~All Borrowers must apply for the Program through an approved Lender~~ using the Minnesota Housing Borrower Application. ~~.

3.07 Prior Minnesota Housing Assistance

A Borrower who has previously received financing through the Program for rehabilitation or manufactured home replacement is ineligible to receive further financing through this Program for rehabilitation for five years from the loan closing date with exceptions for emergency situations as determined in the sole discretion of Minnesota Housing.

A Borrower who has previously received financing through the Program for only rehabilitation is eligible to receive financing through this Program for Manufactured Home replacement.

3.08 Rehabilitation Loan Program Eligibility Income

Gross annual household income includes but is not limited to the gross annual projected household income of all residents age 18 and over that reside in the household~~, from whatever source derived and~~ before taxes or withholdings ~~–~~less deductible ~~medical ~~expenses allowed. ~~Incidental income from after school employment of persons under 18 years of age does not need~~The Lender must use the Income Eligibility Calculation Worksheet to calculate the gross annual household income. The Income Eligibility Calculation Worksheet must be ~~included. (See Income Eligibility Calculation Worksheet). The maximum~~retained in the loan file. The gross household income may not exceed the amounts listed on Minnesota Housing's ~~website.~~Website as of the date of the loan application.

~~Gross annual projected household income includes:~~

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[6] Remainderman will be required to sign the Mortgage as an Accommodation Party.

- ~~Salary, commissions, bonuses, tips, and earnings from full-time, part-time and seasonal employment, including sick pay;~~
- ~~Interest, dividends, and gains on sale of securities;~~
- ~~Annuities, pensions, and royalties;~~
- ~~Veterans Administration compensation/benefits;~~
- ~~Public assistance;~~
- ~~Social Security benefits;~~
- ~~Unemployment Insurance;~~
- ~~Net rental income;~~
- ~~Net income received from business activities (see Income Eligibility Calculation Worksheet);~~
- ~~Alimony and child support;~~
- ~~Estate or trust income;~~
- ~~Ongoing educational grants; and~~
- ~~Contract-for-deed income after deducting principal, interest, taxes and insurance paid on outstanding debt against the property. (Deductions may not exceed the contract-for-deed income.)~~

If a Borrower's gross annual household income is zero or a negative amount, the Borrower is ineligible for financing.

Documentation of the ~~Borrower's gross annual household income must be dated no more than 3 months before the loan commitment is obtained via the Loan Commitment System~~gross annual household income must be verified at the time of the loan application. The Lender does not need to reverify documentation of the gross annual household income if the Lender closes the loan within 12 months of Borrower application. The Borrower(s) must execute the Borrower Attestation within 10 days of the loan closing date attesting that there has not been a substantial change to the gross annual household income as stated on the loan application. If the Lender closes the loan 12 months or later after Borrower application, the Lender must reverify the gross annual household income and the Borrower(s) must submit updated documentation of the gross annual household income.

3.09 Minnesota Housing Maximum Asset Limit

The total assets of all residents in the household may not exceed $25,000 after deducting any outstanding indebtedness pertaining to the assets. Assets include, but are not limited to, the following:

- Cash on hand or in checking or savings accounts;
- Securities or United States Savings Bonds;
- Market value of all interests in real estate, exclusive of the structure to be improved or the replacement Manufactured Home and a parcel of real property of not more

than two contiguous platted lots or 160 continuous acres on which such structure is located;
- Cash value of life insurance policies;
- Recreational vehicles such as golf carts, snowmobiles, boats, or motorcycles;
- All land in which any resident of the household holds title and is selling on a contract-for-deed. Value in this case is defined as the outstanding principal balance expected to exist on the contract one year from the date of application;
- Life estate value on a property other than the subject property; and
- All other property, excluding household furnishings, clothing, and one automobile, and real estate, equipment, supplies, and inventory used in a business.

~~Documentation of assets of the Borrower(s) and all residents in the household must be dated no more than 3 months before the loan commitment is obtained via the Loan Commitment System.~~
Documentation of the Borrower's assets must be verified at the time of the loan application. The Lender does not need to reverify documentation of the Borrower's assets if the Lender closes the loan within 12 months of Borrower application. The Borrower(s) must execute the Borrower Attestation within 10 days of the loan closing date attesting that there has not been a substantial change to the Borrower's assets. If the Lender closes the loan 12 months or later after Borrower application, the Lender must reverify the Borrower's assets and the Borrower must submit updated documentation of the Borrower's assets.

3.10 Credit Requirements

- Credit reports are not required by Minnesota Housing.
- Borrower must be current on all property tax payments at the time of application
- Borrowers must be current on all mortgage loan payments at the time of application. Examples of documentation for verifying payments include, but are not limited to:
  - A verification of current mortgage payment status from the loan servicer; and
  - A mortgage statement citing the loan servicer's name and address, the most recent payment made, the date and amount of the next payment due and any past due amounts, and/or any unpaid fees.
- There are no additional credit requirements. A Borrower's credit history outside of their mortgage should not be used to determine the Borrower's eligibility. The Borrower must be current on all liens against the subject property.

3.11 Separated Spouses

When the Lender establishes that a spouse permanently resides outside of the household, that separated spouse may be excluded from signing the Rehabilitation loan application and note but must sign the mortgage.

Examples of separated spouse documentation include:

- Legal separation documentation;
- Proof of initiated divorce proceedings; ~~and~~ or
- Verification of separate Principal Residence and absence of joint accounts.

Chapter 4 - Property Eligibility Requirements

4.01 Eligible Properties

Properties eligible for a loan must be located in the State of Minnesota and include any of the following property types:

- A single family detached home;
- A duplex;[7]
- An eligible one-unit dwelling in an eligible planned unit development (PUD);
- A condominium unit;[8]
- A townhome;[9] ~~and~~or
- Certain Manufactured Homes that meet the requirements outlined in Section 3.04.

4.02 Ineligible Properties

Properties ineligible for a loan include but are not limited to:

- Properties containing three or more units;
- Properties intended for use as an investment property (except the rental of a second unit in a duplex);
- Properties intended for recreational use; ~~and~~or
- Properties primarily used for business (more than 50% of the floor space is used for business).

4.03 Property Inspections

The Lender must conduct inspections of the property as follows:

- The first inspection must be made using the Rehabilitation Standards (Forms Guide and Glossary) in order to determine the property's deficiencies without regard to lead-based paint hazards. The results of the inspection are used to prepare the initial scope of work.
- If required, lead-based paint inspections or tests must be completed according to the Lead-Based Paint Guide for Applicable Single Family Programs. If required per the Lead-Based Paint Guide for Applicable Single Family Programs, lead-based paint hazard reduction must be added to the scope of work.

[7] The Borrower must occupy one unit of a duplex property. Any improvements that benefit only the rental unit of a duplex must have prior written approval by Minnesota Housing.
[8] If the property is a condominium, only the portion of the real estate owned by the Borrower is eligible for financing under this Program. The common areas owned by the association are not eligible.
[9] If the property is a townhome, only the portion of the real estate owned by the Borrower is eligible for financing under this Program. The common areas owned by the association are not eligible.

- Additional inspections must demonstrate that construction has been completed according to the scope of work and that the quality of the work is satisfactory. The Lender may conduct additional inspections as work is completed.

Minnesota Housing reserves the right to inspect properties during any stage of the rehabilitation process with reasonable notice.

4.04 Local Ordinances and Plans

Property improvements must conform to all applicable zoning ordinances and all ~~appropriate~~necessary permits must be obtained.

Chapter 5 – Loan/Rehabilitation Eligibility

5.01 Loan Eligibility

Minnesota Housing purchases closed loans from the Lenders if the loan satisfies all the requirements of this Procedural Manual.

5.02 Interest Rate/Amortization Requirements

Generally, loans under this Procedural Manual are interest-free, deferred loans which are forgiven at the end of the loan term. However, if the Borrower sells, transfers title or ceases to occupy the property as his/her Principal Residence during the loan term, the loan will become due and payable.

5.03 Program Loan Amounts

- The minimum loan amount is $1,000.
  The maximum loan amount may not exceed $37,500~~ and may include the costs of required radon tests, pre-rehabilitation energy audits, post-rehabilitation blower-door tests, lead-based paint inspections and remediation, and replacement of a Manufactured Home.~~.
- ~~Recording fees, mortgage registration tax and title search costs may be collected from the Borrower or may be included in the loan amount as long as Program loan amount maximum is not exceeded. No other fees may be charged to the borrower.~~

5.04 Mortgage Term

Prior to the expiration of the applicable periods indicated below, all loans are due ~~on~~upon sale, transfer of title, or if the property ceases to be the Borrower's Principal Residence.

- The loan term for properties taxed as real estate is 15 years.
- The loan term for Manufactured Homes:
  - Taxed as real property is 15 years;
  - Taxed as personal property and located within a Manufactured Home park is 10 years; or
  - Taxed as personal property with an approved tribal residential lease located on tribal lands is 10 years.

5.05 Security for the Loan

- ~~All loans~~Any mortgage for ~~properties~~a property taxed as real estate must be ~~secured with a mortgage which must be~~ recorded within 30 days after the ~~date of~~ closing date. The Lender ~~may~~must not wait to record the mortgage until after the rehabilitation is completed to accommodate changes in the loan amount.
- All interests in the Note and Mortgage must be assigned to Minnesota Housing when the loan is purchased and funded by Minnesota Housing.

- Loans for a Manufactured Home taxed as personal property must be secured with a lien against the title to the Manufactured Home.
- In the event there are changes in the loan amount, the Lender must follow the Change Order requirements in Section 5.08.

5.06 Title Requirements

The Lender is required to verify:

- The legal description of the subject property;
- The Borrower's ownership interest, by conducting a title investigation:
  - Through documented contact with the County Recorder’s Office/Registrar of Titles; or
  - Through documentation of ownership provided by tribal government; or
  - Via an Owners and Encumbrances report; and
- Existing liens, if any, on the property.

5.07 Rehabilitation Requirements

- Each rehabilitation improvement must be a permanent general improvement made in compliance with all applicable state, county and municipal or tribal government health, housing, building, fire prevention and housing maintenance codes or other public standards.
- Prior to rehabilitation, properties must be inspected to the Rehabilitation Standard (Forms Guide and Glossary) to determine any deficiencies.
- Rehabilitation must comply with the Lead-Based Paint Guide for Applicable Single Family Programs.
- All rehabilitation improvements must be prioritized in a written scope of work and must correlate to the deficiencies identified during the Rehabilitation Standard (Forms Guide and Glossary) inspection and includes all applicable lead-based paint hazard reduction activities.
- At least two bids from Minnesota-licensed building contractors must be solicited based on the written scope of work. Bids from Tribal government approved contractors are allowed if the property is located on tribal lands. In general, the lowest, reasonable bid should be selected. If the lowest, reasonable bid is not selected, the Lender and Borrower must document written justification for not selecting the lowest, reasonable bid.
- All rehabilitation improvements must be completed by contractors licensed in the State of Minnesota or tribal government approved contactors except a homeowner need not be licensed when homeowner labor is involved.
- A written construction contract must be executed between the contractor and the Borrower.
- All rehabilitation improvements must comply with the Green Communities Scope of Work Addendum.

- Rehabilitation improvements to Manufactured Homes must comply with Minnesota State Building Code (Minnesota Rules Part 1350.3800) which addresses the distinction between a Construction Alteration and a Repair and the different licensing requirements attendant to each improvement.

After completion of rehabilitation, eligible properties must:

- ~~Be free of~~Have no deficiencies ~~which will~~that would cause ~~further~~ damage to the home. ~~The~~ Any rehabilitation work must meet the Rehabilitation Standard ~~must be used as the basis for all rehabilitation work undertaken.~~.
- ~~Have completed rehabilitation work that is in compliance with all applicable state, county and municipal health, housing, building, fire prevention and housing maintenance codes or other public standards.~~
- Meet the lead-based paint requirements in the Lead-Based Paint Guide for Applicable Single Family Programs.

5.08 Change Orders

After the loan has closed:

- Changes in the scope of work are not allowed unless unanticipated deficiencies are found during the rehabilitation which will cause further damage to the home if not addressed.
- Any changes to the scope of work, including the reason for the change, must be documented in the file.
- In the event that a change order occurs, post-closing modification requirements must be met as referenced in Section 7.02 of this Procedural Manual.

5.09 Sworn Construction Statement and Lien Waivers

General contractors are required to execute a Sworn Construction Statement.

The Lenders must obtain lien waivers for all work performed and all materials supplied by:

- The general contractor(s);
- Subcontractors; ~~and~~or
- Materials supplier(s).

Upon completion of rehabilitation, the Lender and the Borrower must execute the Completion Certificate provided by Minnesota Housing. Rehabilitation must be completed within ~~9~~12 months of loan closing unless Minnesota Housing issues a written extension.

5.10 Homeowner Labor

- Homeowner labor is permitted provided the Lender is satisfied the Borrower is capable of and willing to perform the labor.

- Borrower must execute a Work Program Agreement.
- The materials list must include evidence of the actual cost of the materials required to complete the necessary improvements.
- The Lender must perform at least one interim inspection in addition to the initial and final inspections otherwise required.
- The Borrower may not ~~pay~~be paid or be reimbursed for the cost of labor performed by the Borrower or other household residents.
- ~~Disbursements of funds by the Borrower and to the Borrower are not permitted under this Program.~~

5.11 Eligible Rehabilitation Improvements

Eligible rehabilitation improvements must be directly related to the habitability or safety of the home and be of average or medium grade or quality. Eligible improvements include, but are not limited to:

- Accessibility-related improvements;
- Energy efficiency-related improvements;
- Lead hazard mitigation;
- Radon mitigation;
- Smoke detectors/alarms;
- ~~CO~~ Carbon monoxide detectors/alarms;
- Structural improvements;
- Electrical improvements;
- Plumbing improvements;
- Drainage, grading, and gutters;
- Roofing, soffits, and fascia,
- Siding;
- Windows and doors;
- Insulation;
- Furnaces and other heating systems;
- Wall and ceiling repair;
- Flooring; ~~and~~or
- Other improvements as approved in writing by Minnesota Housing.

The following rehabilitation improvements are eligible only under the circumstances described below. Prior written approval is not necessary to complete the improvements below if the circumstances described are met. The Lender must document in the file that the improvement was necessary due to one or more of the circumstances below.

- Replacement of kitchen cabinets or bathroom vanities when an accessibility need exists; lead hazards cannot be addressed any other way; the repair of existing cabinets or vanities is not feasible or cost reasonable; or, existing kitchen cabinets do not allow for adequate food storage.

- Replacement of kitchen counter tops when an accessibility need exists, the existing countertop presents a clear health or safety hazard; or there is not adequate space for food preparation.
- Replacement of decorative trim when lead hazard reduction is required.
- Work on existing garages when a medical or accessibility need exists; lead hazard reduction is required; or, required by the local building code and evidence of the code violation is presented.
- Reconstruction of existing garages when a medical or accessibility need exists.
- Demolition of outbuildings when lead hazard reduction is required; or required by the local building code and evidence of the code violation is presented.
- Construction or reconstruction of sidewalks and driveways when existing conditions present a clear and imminent safety hazard. Repair is limited to the portion of sidewalks and driveways on the Borrower's property.
- New central air conditioner installation when a medical or accessibility need exists.
- Walk-in bathtubs when a medical or accessibility need exists.

Home Additions are reviewed on a case by case basis and are rarely approved by Minnesota Housing. The following list details circumstances under which Minnesota Housing might approve a Home Addition:

- An accessibility-related Home Addition when a medical/physical need exists.
- A bathroom Home Addition when the home has an inadequate bathroom.
- A kitchen Home Addition when the home's existing kitchen facilities are a health or safety hazard.
- A bedroom Home Addition when over-crowding exists. Over-crowding exists when there is an average of more than one person per room (excluding the bathroom and kitchen).

Exceptions are at Minnesota Housing's sole discretion. The Lender must demonstrate that alternative remedies have been evaluated and are not feasible. ~~However, any~~If an exception is granted, Minnesota Housing will provide the approval ~~must be~~ in writing ~~and is at Minnesota Housing's sole discretion.~~ . The written approval from Minnesota Housing must be retained in the loan file.

5.12 Ineligible Rehabilitation Improvements

Ineligible rehabilitation improvements include but are not limited to:

- Construction of garages (except when a medical or an accessibility need exists);
- Installation of new decorative trim (except when replacement of existing decorative trim is necessary for lead hazard reduction);

- Hard-wired microwave ovens;
- "Luxury" improvements, which are improvements of a type exceeding that customarily used in the locality for properties of the same type as the property to be rehabilitated (swimming pool, outdoor hot tub, etc.);
- Public improvement assessments;
- Improvements that do not become a part of the real property, including but not limited to, appliances such as freestanding refrigerators and stoves; ~~and~~or
- Any improvements already in place.
- Loan proceeds may not be used to pay off any existing debt.

5.13 Manufactured Home Replacement

Eligible uses for Manufactured Home replacement include but are not limited to:

- Purchase of a replacement Manufactured Home that is free of deficiencies that would affect the safety, habitability, and livability of a home;
- The following are eligible uses only if a replacement Manufactured Home is purchased:
  - Demolition and removal of the existing Manufactured Home;
  - Transportation and installation of a replacement Manufactured Home; and
  - Utility connections of replacement Manufactured Home.

The replacement Manufactured Home must be in compliance with all applicable federal, state, county and municipal manufactured home safety and construction codes, regulations, or other public standards including the Minnesota Manufactured Home Building Code.

All aspects of Manufactured Home replacement must be completed, including installation and utility connections of the replacement manufactured home within 6 months from the date of ~~loan~~ closing ~~unless the~~. Extensions are at Minnesota Housing's sole discretion. The Lender ~~provides~~must request an extension and provide a good cause for the extension ~~as determined by~~. If an extension is granted, Minnesota Housing ~~and~~ will provide the approval in writing. The written approval from Minnesota Housing ~~issues a written extension~~must be retained in the loan file.

5.14 Other Eligible Costs

Other eligible improvements may include, but are not limited to:

- the costs of required radon tests, pre-rehabilitation energy audits, post-rehabilitation blower-door tests, lead-based paint inspections and remediation, or replacement of a Manufactured Home.
- Recording fees, mortgage registration tax and title search costs may be collected from the Borrower or may be included in the loan amount so as long as the Program loan amount maximum is not exceeded. No other fees may be charged to the Borrower.

5.15 Non-Complying Loans

Minnesota Housing shall have the right to take one or more of the following actions in the event the Lender submits a loan that does not, as determined by Minnesota Housing, comply with the requirements of this Procedural Manual:

- Adjust the purchase price of the non-complying loan;
- If not already purchased, refuse to purchase the loan;
- If already purchased, require the Lender to repurchase the loan for the outstanding balance and any fees paid to the Lender;
- Terminate, suspend, or otherwise limit the Participation Agreement with Minnesota Housing; or
- Preclude the Lender from future participation in Minnesota Housing programs.

5.~~15~~16 Repurchase of Loans

Minnesota Housing at its option, may tender any loan to the Lender for repurchase if:

- Any representation or warranty of the Lender or the Borrower with respect to the loan is determined by Minnesota Housing to be materially incorrect; or
- The loan is not in compliance with any term or condition set forth in the Participation Agreement and this Procedural Manual.

Upon written notice of repurchase by Minnesota Housing, the Lender has ten business days to submit payment to Minnesota Housing for the unpaid principal balance, submit payment for fees paid to the Lender in the sale of the loan, and submit payment for reasonable expenses incurred by Minnesota Housing, including ~~attorney's~~attorney fees. Failure to comply with this requirement may result in the termination, suspension, further legal action or otherwise limit the Lender's Participation Agreement with Minnesota Housing.

Chapter 6 – Commitment/Disbursement

Minnesota Housing funds a variety of programs and initiatives and reserves the right to establish limits for any program or initiative during any business day such as:

- A maximum dollar amount the Lender may commit; or
- A maximum number of individual Commitments the Lender may commit.

The Lender commits funds on a first-come, first-served basis.

Individual Commitments are to be considered as “forward Commitments” by the Lender. It is expected that the loan will be closed within the commitment period and delivered to Minnesota Housing for purchase.

6.01 Loan Commitments

In order to obtain a Commitment to reserve funds under the Program the Lender must:

- Reserve the loan using the Loan Commitment System.
- Commitments are valid for 120 days. All Commitments will be automatically cancelled at day 121. Extensions are approved at Minnesota Housing’s sole discretion.
- Loans must meet eligibility requirements and gain a status of Purchase Approval via the Loan Commitment System no later than the last day a Commitment is valid.

6.02 Modifying a Commitment

- Changes to a loan must be updated in the Loan Commitment System and will be evaluated for compliance with Program eligibility requirements.
- Any qualifying Commitment change will not alter the Commitment period originally established.
- Changes to Commitments involving the Borrower and/or the property address are not permitted.
- An increase in the loan amount will be allowed only if funds are available to accommodate the change.

6.03 Canceling a Commitment

Minnesota Housing requires the Lender to cancel any Commitment of funds that will not be used for the specified loan.

6.04 Minnesota Housing Disbursement of Funds

Minnesota Housing will purchase loans that, by the daily cutoff time, have been Purchase Approved in the Loan Commitment System. One hundred percent of the loan amount plus the

Lender fee will be disbursed two business days after the loan has been purchased by Minnesota Housing.

The Lender Certificate with details of each purchase transaction will be available to the Lender via the Loan Commitment System after the loan has been purchased by Minnesota Housing.

6.05 Loan Purchase Corrections

If it is determined that an adjustment to the purchase price of any purchased loan is necessary, the Lender will be invoiced for any funds to be returned or Minnesota Housing will disburse the necessary funds to the Lender.

Chapter 7 – Documentation Requirements

7.01 Loan Processing and Closing

All loans submitted to Minnesota Housing must meet the following requirements:

- Loans must be closed and required pre-close review documents must be reviewed for compliance by Minnesota Housing prior to completing the True and Certify process in the Loan Commitment System.
- Minnesota Housing forms must be used ~~and may not be altered in any way.~~as outlined in the Forms Guide and Glossary.
- All loan documents must be complete, accurate and reviewed by the Lender at the various and appropriate stages of the loan.
- All mortgage assignments must run directly from the Lender to Minnesota Housing and use the Minnesota Uniform Conveyancing Blank.
- All mortgages and assignments must be recorded by the appropriate offices:
    - Abstract Property – County Recorder's Office
    - Torrens Property – Registrar of Titles
    - Tribal government and Bureau of Indian Affairs
    - Manufactured Homes taxed as personal property and located within a Manufactured Home park require a completed Public Safety Form 2017 (PS2017) recorded with the Department of Public Safety. The form should indicate Minnesota Housing Finance Agency as the secured party and list Minnesota Housing's address. 400 Wabasha Street North, Suite 400, St. Paul MN 55102.

7.02 Loan Modification and Loan Corrections

The Lender must contact Minnesota Housing for documentation and process instructions, including utilizing the Rehabilitation Loan Program Modification of Note and Mortgage Agreement, and/or Rehabilitation Loan Program Modification of Note and Manufactured Home Security Agreement, in the event of loan amount corrections and/or modifications that occur after loan closing and/or after the loan has been recorded.

7.03 Minnesota Housing Documentation/Delivery Requirements

Minnesota Housing provides the Loan Transmittal Form detailing specific documentation/delivery requirements.

The Lender must fully execute and deliver documents within designated timeframes as outlined on the Loan Transmittal form. In addition, the Lender must specifically warrant that all applicable documentation has been obtained and reviewed to determine compliance with all Minnesota Housing requirements.

Documentation not delivered to Minnesota Housing/servicer within the specified time frames, may result, at Minnesota Housing's discretion, in the Lender being required to repurchase the loan, or any such remedy as identified in this Procedural Manual or allowed by law. Minnesota Housing may also, at its discretion, extend the timeframes.

7.04 Documentation and Data Requirements

The Lenders participating in the Program are required to track all applicants and maintain sufficient documentation to show compliance with federal Fair Housing laws. The following data must be gathered for each transaction:

- Application date;
- Applicant's full name;
- Single head of household information; and
- Reason the loan commitment is canceled, if applicable.

To better understand and address the disparity gap, the agency is required to collect, on a voluntary basis, demographic information regarding race, color, national origin, and sex of applicants for agency programs intended to benefit homeowners and homebuyers.
All forms listed in the Loan File Requirements Checklist should be fully executed, as applicable, and maintained in the loan file by the Lender. Forms may be found on the Forms Guide and Glossary.

7.05 Records Retention

The Lender must retain all loan documents in compliance with federal regulatory guidelines. The Lender is required to make loan records available for inspection by Minnesota Housing for a period of six (6) years after the loan is sold to Minnesota Housing. Those records that may be requested by Minnesota Housing include, but are not limited to:

- Credit related documents (e.g. paystubs, tax returns, income statements, documentation of assets, etc.);
- Compliance related documents (e.g. Borrower application, Loan Estimate (or its alternative form), Closing Disclosure (or its alternative form), Affiliated Business Arrangement documents, evidence of compliance with the Bank Secrecy/Anti-Money Laundering Act, etc.);
- Property related documents (e.g. scope of work, bids, lien waivers, change orders, fees, building permits and completion certificates, evidence of compliance with rehabilitation and lead-based paint standards, etc.); and
- Collateral documents (e.g. title work or O&E reports, evidence of property ownership, a copy of the fully executed Note, a copy of the fully executed and recorded Mortgage, a copy of the fully executed recorded Assignment of Mortgage to Minnesota Housing, etc.).

Chapter 8 – Servicing

8.01 Servicing

Upon purchase of the loan by Minnesota Housing, the Lender must deliver documents outlined in the Loan Transmittal form to the Minnesota Housing servicer. Until the loan is purchased, the Lender assumes all loan servicing responsibilities.

8.02 Delivery of Loans to Servicer

The Lender must forward the loan package according to the requirements outlined in the Loan Transmittal form to the servicer by mail within five calendar days of Minnesota Housing's purchase of the loan. Upon receipt of the recorded mortgage, the Lender must ensure the original document is delivered to the servicer within ten business days.

Appendix A: Definitions

TERM	DEFINITION
Accommodation Parties	An owner of the property who is not a Borrower on the note, such as a non-purchasing spouse.
Borrower	The recipient of loan funds from the Program.
Commitment	A Commitment of funds from Minnesota Housing with specific terms and conditions applied to a specific Borrower and a specific property.
Construction Alteration (Manufactured Housing)	Pursuant to the Minnesota State Building Code (Minnesota Rules Part 1350.0100) "… replacement, addition, modification or removal of any equipment or installation which may affect the construction, plumbing, heating, cooling, fuel-burning system, electrical system or the functioning of any of these in manufactured homes subject to the code".
Home Addition	The addition of livable space which is achieved through an actual expansion of square footage to the home, or by finishing off unfinished or partially unfinished square footage in an existing area of the home.
Lender	A lender under contract to participate in the Program.
Manufactured Home	Manufactured Home as defined in Minn. Stat. 327.31, subd. 6.
Minnesota Housing	Refers to Minnesota Housing Finance Agency.
Participation Agreement	The contract executed between the Lenders and Minnesota Housing that defines the terms in which the Lender agrees to participate in the Program.
Principal Residence	A property used as the primary domicile of the owner-occupant Borrower and his/her household.
Program	Refers to the Rehabilitation Loan Program.
Rehabilitation Standard	Refers to the Single Family Rehabilitation Standard form.
Repair (Manufactured Housing)	Any improvement other than those outlined in the definition of Construction Alteration including, (according to Minnesota State Building Code (Minnesota Rules Part 1350.3800)) " repairs with approved components or parts; conversion of listed fuel-burning appliances in accordance with the terms of their listing, adjustment and maintenance of equipment or replacement of equipment in kind."

MINNESOTA HOUSING

Emergency and Accessibility Loan Program Procedural Manual

~~September~~ August 1, ~~2021~~2022

Table of Contents

Introduction

Mission Statement

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.

Background

The Minnesota Housing Finance Agency ("Minnesota Housing") was created in 1971 by the Minnesota Legislature.

The Emergency and Accessibility Loan Program (the "Program") is a part of the rehabilitation Loan Program (RLP). Minnesota Housing created RLP and the Program to complement loan programs available in the private sector to fill the financial gap that exists between low-income homeowners able to secure home improvement financing in the private sector and those homeowners unable to do so.

Procedural Manual

This Procedural Manual sets forth for Lenders the terms and conditions under which Minnesota Housing will purchase mortgage loans originated under the Program.

Emergency and Accessibility Loan Program

Deferred, zero percent interest rate Program loans are available to low-income Minnesota homeowners through participating Lenders. Loans must be for improvements that directly affect an Emergency Condition or Accessibility Improvement.

Chapter 1 – Partner Responsibilities/Warranties

1.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the ~~Participation Agreement.~~Emergency and Accessibility Loan Program Participation Agreement (the "Participation Agreement") executed between the Lender and Minnesota Housing. Minnesota Housing reserves the right to:

- ~~Minnesota Housing reserves the right to:~~Change the Program interest rate at any time under its sole discretion;
- Alter or waive any of the requirements;
- Impose other and additional requirements; and
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated.

Minnesota Housing is under no obligation to purchase any loan or retain ownership of a loan that does not comply fully with this Procedural Manual. Minnesota Housing may grant waivers, alterations or revisions at its sole discretion.

1.02 Compliance with Privacy Act Statutes

The Minnesota Government Data Practices Act:

- Requires the Lender to supply Borrowers with the Tennessen Warning and the Privacy Act Notice ~~(Appendix B)~~ when requesting private data[1]; and
- Governs when the disclosure of the Borrower's Social Security Number is required.

The Minnesota Revenue Recapture Act of 1980 (Minnesota Statutes Sections 270A.01 to 270A.12) allows the disclosure of the Borrower's Social Security Number or Minnesota Tax Identification Number to the Minnesota Department of Revenue. This could result in the application of funds held by the State, including but not limited to tax refunds, to the payment of any delinquent indebtedness of the Borrower to Minnesota Housing.

1.03 Unauthorized Compensation

The Lender may receive fees approved in this Procedural Manual. However, the Lender shall not receive or demand from a builder, remodeler, contractor, supplier or Borrower:

- Kickbacks;
- Commissions;

[1] Only the Borrower's name, address and amount of assistance received are public data and may be released to the public. All other data are private and may be released only to those authorized access by law.

- Rebates; or
- Other compensation.

In order to reduce the total rehabilitation cost associated with an eligible property, the Lender may receive discounts from third parties involved in the project improvements. In these cases, the Lender must document in the Borrower file that the discounts received are considered typical for the market area and do not constitute a kickback, commission, rebate or compensation for products or services rendered. Any discounts that exceed what is typical must be documented as a charitable contribution by the representative of the seller, builder, remodeler, contractor or supplier providing the discount.

1.04 Minnesota Housing Due Diligence Audit Guidelines and Requirements

The Lender is required to keep on file a complete copy of documents for each loan ~~originated for purchase~~purchased by Minnesota Housing. Minnesota Housing will perform a quality control audit of loan files purchased from the Lender and will notify the Lender if a loan is selected for audit. Upon request, the Lender must submit ~~a~~the complete loan package with all documentation that was used to originate and close the loan. Loan audits will include, but are not limited to, a minimum of 10% of all loans purchased.

Audited loans are reviewed for:

- Minnesota Housing Program/policy compliance;
- Compliance with federal and state consumer lending regulations;
- Fraud or misrepresentation on the part of any party involved in the transaction; and
- Trends and/or other indicators that may have an impact on the financial viability of the Program in part or in whole.

1.05 Termination of the Lender's Participation

Minnesota Housing may terminate the participation of any Lender under this Procedural Manual at any time and may preclude the Lender's future eligibility for reasons including, but not limited to, nonconformance with:

- This Procedural Manual;
- The Participation Agreement;
- The Federal Fair Housing Law and/or the Equal Credit Opportunity Act;
- Any federal or state Laws or Acts that protect the Borrower's rights with regard to obtaining financing for home improvements; ~~and~~or
- Other applicable state and federal laws, rules and regulations.

Upon termination of a Lender's Participation Agreement, Minnesota Housing will continue to purchase eligible loans for which a Commitment has already been issued, until the Commitment expiration date.

Minnesota Housing may, at its option, impose remedies other than termination of the Participation Agreement for Lender noncompliance.

The Lender may request reinstatement into Minnesota Housing programs. The decision whether or not to reinstate a Lender shall be at Minnesota Housing's sole discretion.

1.06 Representations and Warranties

The Lender agrees to comply with all applicable federal, state, and local laws, ordinances, regulations and orders including, but not limited to, the following (and any applicable rules, regulations and orders thereunder):

- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- Section 527 of the National Housing Act;
- The Equal Credit Opportunity Act;
- The Fair Credit Reporting Act;
- Federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968);
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A);
- Data Privacy - Minnesota Statutes Chapter 13;
- Minnesota S.A.F.E. Mortgage Licensing Act of 2010 – Minnesota Statutes Chapters 58 and 58A;

~~Data Privacy - Minnesota Statutes Chapter 13 and Minnesota Statutes Section 462A.065;~~

- Americans with Disabilities Act, 42 U.S.C.A. Section 12101;
- Fair and Accurate Credit Transactions Act;
- Truth in Lending Act;
- Home Mortgage Disclosure Act;
- Anti-Predatory Lending Act;
- USA Patriot Act;
- Bank Secrecy Act;
- Anti-Money Laundering and Office of Foreign Assets Control Policy;
- Internal Revenue Code of 1986, Section 6050H; and
- Real Estate Settlement Procedures Act of 1974~~; and~~.

~~Code of Federal Regulations (24 CFR part 35).~~

In addition to the above warranties and representations, the Lender also warrants and represents that:

- The Lender is the sole owner and holder of the Program loan with the right to assign it to Minnesota Housing;
- The Lender has assigned the loan free and clear of all encumbrances;
- The Lender has complied with and will continue to comply with all terms and conditions in the Participation Agreement and this Procedural Manual for each loan processed pursuant to the Program unless prior written approval is obtained from Minnesota Housing;
- The Lender is a legally constituted public or governmental agency, political subdivision, nonprofit entity, a housing and redevelopment authority, or other organization, which has as a primary purpose the provision or development of affordable housing to low-income persons or households in Minnesota;
- The Lender maintains capital and trained personnel adequate to render the services required as a part of the Lender's participation in the Program;
- The Lender follows all state and federal consumer lending laws, rules and regulations;
- The Lender has neither received nor solicited any fee or remuneration not approved by this Procedural Manual; and
- After reasonable inspection, the Lender has no knowledge that any improvement funded by the loan ~~is~~are in violation of applicable zoning ordinances, building ordinances, laws or regulations~~.~~; and

The Lender also agrees that the person who confirms on the Minnesota Housing Loan Commitment System on behalf of the Lender is fully conversant with Minnesota Housing Program requirements, and has the authority to legally bind the Lender~~. The~~; and the Lender has complied with all terms, conditions and requirements of the Participation Agreement and this Procedural Manual unless those terms, conditions and requirements have been specifically waived in writing by Minnesota Housing.

1.07 Lender Compensation

The Lender is compensated for each loan purchased by Minnesota Housing at a rate of 10% of the loan amount or $1,200 per loan, whichever is less.

1.08 Selection of Contractors

The Lender may not choose the contractor. Borrowers are responsible for the selection of any contractor who will be involved in completing rehabilitation on the property.

Chapter 2 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting

2.01 Fraud

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

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the ways described in Section 2.05.

2.02 Misuse of Funds

A loan ~~and Participation Agreement are~~or grant agreement is a legal ~~contracts~~contract. The ~~Borrower and the Lender must~~ borrower or grantee promises to use the funds to engage in ~~eligible uses~~certain activities or procure certain goods~~,~~ or services ~~when~~while Minnesota Housing ~~provides~~agrees to provide funds to the ~~Borrower~~borrower or ~~the Lender~~grantee to pay for those ~~eligible uses~~activities, goods~~,~~ or services. Regardless of the Minnesota Housing program or funding source, the ~~Borrower~~borrower or ~~the Lender~~grantee must use Minnesota Housing funds as agreed and the ~~Borrower~~borrower or ~~the Lender~~grantee must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

A misuse of funds shall be deemed to have occurred when: (1) Minnesota Housing funds are not used as agreed by a ~~Borrower~~borrower or ~~the Lender~~grantee; or (2) A ~~Borrower~~borrower or ~~the Lender~~grantee cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the loan or ~~Participation Agreement~~grant agreement.

Any ~~Borrower~~borrower or ~~Lender~~grantee (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the ~~ways~~communication channels described in ~~Section~~section 2.05~~.~~.

2.03 Conflict of Interest

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

An individual conflict of interest is any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a friend, relative, acquaintance or business or organization with which they are involved.

Organizational conflicts of interest occur when:

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

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

- Revising the contracting party's responsibilities to mitigate the conflict;
- Allowing the contracting party to create firewalls that mitigate the conflict;
- Asking the contracting party to submit an organizational conflict of interest mitigation plan~~; or~~
- Terminating the contracting party's participation.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual, perceived, or potential conflicts of interest through one of the ways described in Section 2.05.

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

2.04 Suspension

By entering into any agreement with Minnesota Housing, contracting party (including its employees or affiliates that will have direct control over the subject of the agreement) represents that it 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~~suspended individuals and organizations.

2.05 Disclosure and Reporting

Minnesota Housing promotes a "speak-up, see something, say something" culture whereby internal staff~~, external~~ 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 (e.g., ~~the Lenders, Borrowers~~grantees, 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~~. You may report wrongdoing or other concerns by contacting:~~ using these same communication channels.

- Minnesota Housing's Chief Risk Officer~~;~~
- Any member of Minnesota Housing's Servant Leadership Team~~; and/or~~
- EthicsPoint~~,~~, the Minnesota Housing hotline reporting service vendor.

2.06 Assistance to Employees and Affiliated Parties

A contracting party that receives funding from Minnesota Housing to make specified loans, grants, or other awards to recipients may make these specified loans, grants, or other awards to their directors, officers, agents, consultants, employees and/or their families, elected or appointed officials of the State of Minnesota as well as to Minnesota Housing employees and/or their families ("Affiliated Assistance") provided:

- 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 2.03.
- The assistance is awarded utilizing the same costs, terms and conditions as similarly situated unaffiliated recipients, and the recipient receives no special consideration or access compared to similarly situated unaffiliated recipients.
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and their immediate family members. Family members include a spouse, domestic partner, parent, sibling, child, in-law or other relative living in the recipient's home.

A contracting party need not disclose Affiliated Assistance to Minnesota Housing. However, the contracting party must document and certify, prior to awarding the Affiliated Assistance, 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 upon request to Minnesota Housing. Affiliated Assistance that does not meet each of these provisions will be considered a violation of Minnesota Housing conflict of interest standards which must be reported through one of the communication channels outlined in section 2.05.

Chapter 3 - Borrower Eligibility Requirements

3.01 Borrower

One individual or multiple individuals are eligible to be a Borrower(s) only if such individual or individuals meet the requirements of this Procedural Manual.

3.02 Borrower Age

Borrower must be eighteen (18) years of age or older or have been declared emancipated by a court having jurisdiction.

3.03 Co-Signers

Co-signers are not permitted on Program loans.

3.04 Ownership Interest

For residences taxed as real property, the Borrower(s) must individually, or in the aggregate, possess at least a one-third ownership interest in the residence to be improved. For a Manufactured Home taxed as personal property, the Borrower(s) ownership interest requirement is 100%.

The Borrower(s) and Accommodation Parties, individually or in the aggregate, must have 100% ownership interest in the residence to be improved.

Borrowers under this Program must have clear title to the subject property as evidenced by a title search or title opinion and a copy of the deed.

Eligible forms of ownership interest include the following:

- A fee simple estate;
- A community land trust;
- Vendee interest in a recorded contract-for-deed;
- An approved tribal residential lease on tribal lands;
- A Manufactured Home taxed as real property; ~~or~~
- A Manufactured Home taxed as personal property and located in a Manufactured Home park~~.~~; or
- A Manufactured Home with an approved tribal residential lease located on tribal lands.

Title may be held in the following ways:

- Individually;
- Joint Tenants;
- Tenants in Common; or

- A recorded life estate, excluding remaindermen[2].

Ineligible forms of ownership include but are not limited to the following:

- Shares in a Cooperative Corporation;
- An ownership interest by any form of trust; ~~and~~or
- An ownership interest subject to a reverse mortgage.

3.05 Occupancy Requirements

Borrower must have owned the property and resided in the property as his/her/their Principal Residence for at least 6 months prior to applying for the Program loan. Further, the Borrower must maintain ownership and title to the property and regularly reside in the property as their Principal Residence during the term of the loan.

3.06 Emergency and Accessibility Loan Program Application

All Borrowers must apply for the Program through an approved Lender ~~using the Minnesota Housing Borrower Application.~~ .

3.07 Prior Minnesota Housing Assistance

A Borrower who has previously received financing through the Program and/or the rehabilitation Loan Program, may be eligible for additional Program funds assuming all loan requirements have been met and an Emergency Condition or Accessibility Improvement has been identified.

3.08 Emergency and Accessibility Loan Program Eligibility Income

Gross annual household income includes but is not limited to the gross annual projected household income of all residents age 18 and over that reside in the household~~, from whatever source derived and~~ before taxes or withholdings ~~–~~less deductible ~~medical~~ expenses allowed. ~~Incidental income from after school employment of persons under 18 years of age does not need~~The Lender must use the Income Eligibility Calculation Worksheet to calculate the gross annual household income. The Income Eligibility Calculation Worksheet must be ~~included. (See Income Eligibility Calculation Worksheet.)~~retained in the loan file. The gross household income may not exceed the amounts listed on Minnesota Housing's Website as of the date of loan application.

~~Gross annual projected household income includes:~~

~~Salary, commissions, bonuses, tips, earnings from full-time, part-time and seasonal employment, including sick pay;~~

[2]Remainderman will be required to sign the Mortgage as an Accommodation Party.

~~Interest, dividends, gains on sale of securities;~~

~~Annuities, pensions, royalties;~~

~~Veterans Administration compensation/benefits;~~

~~Public assistance;~~

~~Social Security benefits;~~

~~Unemployment insurance;~~

~~Net rental income;~~

~~Net income received from business activities or investments;~~

~~Alimony and child support;~~

~~Estate or trust income;~~

~~Ongoing educational grants; and~~

~~Contract-for-deed income deducting principal, interest, taxes, and insurance paid on outstanding debt against the property. (Deductions cannot exceed the contract-for-deed income.)~~

If a Borrower's gross annual household income is zero or a negative amount, the Borrower is ineligible for financing.

~~Documentation of the Borrower's gross annual household income must be dated no more than 3 months before the loan commitment is obtained via the Loan Commitment System~~

Documentation of the gross annual household income must be verified at the time of the loan application. The Lender does not need to reverify documentation of the gross annual household income if the Lender closes the loan within 12 months of Borrower application. The Borrower(s) must execute the Borrower Attestation within 10 days of the loan closing date attesting that there has not been a substantial change to the gross annual household income. If the Lender closes the loan 12 months or later after Borrower application, the Lender must reverify the gross annual household income and the Borrower(s) must submit updated documentation of the gross annual household income.

3.09 Minnesota Housing Maximum Asset Limit

The total assets of all residents in the household may not exceed $25,000.00 after deducting any outstanding indebtedness pertaining to the assets. Assets include, but are not limited to, the following:

~~Assets include, but are not limited to, the following:~~

- Cash on hand or in checking or savings accounts;
- Securities or United States Savings Bonds;

- Market value of all interests in real estate, exclusive of the structure to be improved and a parcel of real property of not more than two contiguous platted lots or 160 continuous acres on which such structure is located;
- Cash value of life insurance policies;
- Recreational vehicles such as golf carts, snowmobiles, boats, or motorcycles;
- All land in which any resident of the household holds title and is selling on a contract-for deed. Value in this case is defined as the outstanding principal balance expected to exist on the contract one year from the date of application;
- Life estate value on a property other than the subject property; and
- All other property, excluding household furnishings, clothing, and one automobile, and real estate, equipment, supplies, and inventory used in a business.

~~Documentation of assets of the Borrower(s) and all residents in the household must be dated no more than 3 months before the loan commitment is obtained via the Loan Commitment System~~

Documentation of the Borrower's assets must be verified at the time of the loan application. The Lender does not need to reverify documentation of the Borrower's assets if the Lender closes the loan within 12 months of Borrower application. The Borrower(s) must execute the Borrower Attestation within 10 days of the loan closing date attesting that there has not been a substantial change to the Borrower's assets. If the Lender closes the loan 12 months or later after Borrower application, the Lender must reverify the Borrower's assets and the Borrower(s) must submit updated documentation of the Borrower's assets.

3.10 Credit Requirements

- Credit reports are not required by Minnesota Housing.
- Borrower must be current on all property tax payments at the time of application.
- Borrowers must be current on all mortgage loan payments at the time of application. Examples of documentation for verifying payments include, but are not limited to:
  - A verification of current mortgage payment status from the loan servicer; ~~and~~or
  - A mortgage statement citing the loan servicer's name and address, the most recent payment made, the date and amount of the next payment due and any past due amounts, and/or any unpaid fees.
- There are no additional credit requirements. A Borrower's credit history outside of their mortgage may not be used to determine the Borrower's eligibility. The Borrower must be current on all liens against the subject property.

3.11 Separated Spouses

When the Lender establishes that a spouse permanently resides outside of the household, that separated spouse may be excluded from signing the Program loan application and note, but must sign the mortgage.

Examples of separated spouse documentation include:

- Legal separation documentation;
- Proof of initiated divorce proceedings; and
- Verification of separate Principal Residence and absence of joint accounts.

~~3.12 Loans to the Lender's Employees and Affiliated Parties~~

~~The Lender may make Minnesota Housing loans to their directors, officers, agents, consultants, employees and/or their families, elected or appointed officials of the State of Minnesota as well as to Minnesota Housing employees and/or their families who are not in a position to participate in a decision making process or gain inside information with regard to the loan and do not result in a conflict of interest as outlined in Section 2.03 of this Program manual. The Borrower must meet all eligibility criteria for the Program.~~

Chapter 4 - Property Eligibility Requirements

4.01 Eligible Properties

Properties eligible for a loan must be located in the State of Minnesota and may include any of the following property types:

- A single family detached home;
- A duplex[3];
- An eligible unit in a ~~Planned Unit Development~~planned unit development (PUD);
- A unit of a condominium[4];
- A townhome[5]; or
- Certain Manufactured Homes ~~(as~~that meet the requirements outlined in Section 3.04~~)~~..

4.02 Ineligible Properties

Properties ineligible for a Program loan include but are not limited to:

- Properties containing three or more units;
- ~~Properties intended for recreational use;~~
- Properties intended to be used as an investment property (except the rental of a second unit in a duplex); and
- Properties intended for recreational use;
- Properties primarily used for business (more than 50% of the floor space is used for the business).

4.03 Property Inspections

The Lender must conduct inspections of the property as follows:

- The first inspection determines the property's Emergency Conditions or essential Accessibility Improvements without regard to lead hazards and is used to prepare the initial ~~scope~~ Scope of ~~work~~Work.
- Additional inspections ~~should~~ must demonstrate that construction has been completed according to the Scope of Work and that the quality of the work is satisfactory. The Lender may conduct additional inspections as work is completed.

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[3] The Borrower must occupy one unit of a duplex property.

[4] If the property is a condominium, only the portion of the real estate owned by the Borrower is eligible. Common areas owned by the association are not eligible.

[5] If the property is a townhome, only the portion of the real estate owned by the Borrower is eligible. Common areas owned by the association are not eligible.

Minnesota Housing reserves the right to inspect properties during any stage of rehabilitation with reasonable notice.

4.04 Local Ordinances and Plans

Property improvements must conform to all applicable zoning ordinances and all ~~appropriate~~necessary permits must be obtained.

Chapter 5 – Loan/Rehabilitation Eligibility

5.01 Loan Eligibility

Minnesota Housing purchases closed loans from the Lender if the loan satisfies all the requirements of the Procedural Manual.

5.02 Interest Rate/Amortization Requirements

Generally, loans under the Procedural Manual are interest-free, deferred loans which are forgiven at the end of the loan term. However, if the Borrower sells, transfers title or ceases to occupy the property as his/her/their Principal Residence during the loan term, the loan will become due and payable.

5.03 Program Loan Amount

- Minimum loan amount is $1,000.
- Maximum loan amount is $15,000.

~~Minimum loan amount is $1,000.~~

~~Recording fees, mortgage registration tax and title search costs may be collected from the Borrower or may be included in the loan amount as long as Program loan amount maximum is not exceeded. No other fee's may be charged to the Borrower.~~

5.04 Mortgage Term

Prior to the expiration of the applicable periods indicated below, all loans are due on sale, transfer of title, or if the property ceases to be the Borrower's Principal Residence~~.~~.

- The loan term for properties taxed as real property is 15 years.
- The loan term for Manufactured Homes:
  - Taxed as real property is 15 years;
  - Taxed as personal property and located within a Manufactured Home park is 10 years; or
  - Taxed as personal property with an approved tribal residential lease located on tribal lands is 10 years.

~~Prior to the expiration of the applicable periods stated above, all loans are due on sale, transfer of title, or if the property ceases to be the Borrower's Principal Residence.~~

5.05 Security for the Loan

- All loans for properties taxed as real estate must be secured with a mortgage which must be recorded within 30 days after the date of closing. The Lender may not wait to record the mortgage until after the rehabilitation is completed to accommodate changes in the loan amount.

- All interests in the Note and Mortgage must be assigned to Minnesota Housing when the loan is purchased and funded by Minnesota Housing.

- Loans for a Manufactured Home, taxed as personal property must be secured with a lien against the title to the Manufactured Home.
- In the event there are changes in the loan amount, the Lender must follow the Change Order requirements in Section 5.08.

5.06 Title Requirements

The Lender is required to verify the following:

- The legal description of the subject property;
- The Borrower's ownership interest by conducting a title investigation:
  - Through documented contact with the County Recorder's Office/Registrar of Titles; or
  - Through documentation of ownership provided by tribal government approved by Minnesota Housing; or
  - Via an Owners and Encumbrances report; and
- Any existing liens, if any, on the property.

5.07 Rehabilitation Requirements

Rehabilitation in connection with a Program loan must satisfy the following requirements:

- Prior to the start of rehabilitation, the property must be inspected and determined to be eligible under the Program.
- All proposed rehabilitation must be outlined in a written ~~scope~~Scope of ~~work~~Work and must address the Emergency Condition and/or Accessibility Improvement noted in the inspection report.
- At least two bids must be solicited from Minnesota-licensed contractors or tribal government approved contractors based on the written ~~scope~~Scope of ~~work~~Work. Generally, the lowest, reasonable bid must be selected. If the lowest, reasonable bid is not selected, the Lender and the Borrower must provide written justification for selecting the higher bid and such bid must be approved at the sole discretion of Minnesota Housing.
- All improvements must be completed by contractors licensed by the state of Minnesota or tribal government approved contractors.
- A written construction contract must be executed between the Borrower and the contractor.
- Each rehabilitation improvement must be a permanent general improvement finished in compliance with all applicable state, county and municipal or tribal government

health, housing, building, fire prevention and housing maintenance codes or other public standards.

- Rehabilitation improvements to Manufactured Homes must comply with Minnesota State Building Code, Section 1350.3800, which addresses the distinction between a ~~construction alteration~~Construction Alteration and a ~~repair~~Repair and the different licensing requirements attendant to each type of improvement.
- Lien waivers must be collected from all contractors upon completion of rehabilitation.

5.08 Change Orders

After the loan has closed:

- Changes in the ~~scope~~Scope of ~~work~~Work are not permitted unless unanticipated deficiencies identified during the rehabilitation process will cause further damage to the home if not addressed.
- Any change in the ~~scope~~Scope of ~~work~~Work, including the reason for the change must be documented in the file.
- In the event that a change order occurs, post-closing modification requirements must be met as referenced in Section 7.02 of this Procedural Manual.

5.09 Sworn Construction Statement and Lien Waivers

General Contractors are required to execute a Sworn Construction Statement. ~~The Lender must obtain lien waivers for all work performed and all materials supplied by:~~

The Lender must obtain lien waivers for all work performed and all materials supplied by:

- The general contractor(s);
- Subcontractors; and
- Materials supplier(s).

Upon completion of rehabilitation, the Lender and the Borrower must execute the Completion Certificate provided by Minnesota Housing. ~~rehabilitation~~Rehabilitation must be completed within ~~9~~12 months of loan Commitment unless Minnesota Housing issues a written extension.

5.10 Homeowner Labor

Homeowner labor is not permitted under the Program.

5.11 Eligible Emergency Improvements

Eligible emergency improvements are repairs to a property damaged as a result of events beyond the Borrower's control or as necessitated by a systems or structural failure such as:

- Failure of the heating, electrical, ventilation, or plumbing/septic system;

- Roof leaks that have led to significant secondary damage to the home's interior, including but not limited to electrical damage that would cause a potential fire hazard;
- A structural failure of the foundation, walls, or roof of the home that could cause collapse;
- An Environmental Intervention Blood Lead Level (EIBLL) of a household resident; or
- An accessibility need that prevents a ~~Disabled~~ Household Resident with a Disability from inhabiting the home.

Other Emergency Conditions that could cause the home to be or become uninhabitable, including demolition of structurally unsound outbuildings and home additions intended to accommodate a ~~Disabled~~ Household Resident with a Disability will be considered by Minnesota Housing on a case-by-case basis.

The Lead Based Paint Guide for Applicable Single Family Programs does not apply to Program loans unless the repairs were necessitated by a lead paint health hazard.

5.~~13~~12 Ineligible Rehabilitation Improvements

Ineligible rehabilitation improvements include, but are not limited to, the following:

- Installation of new decorative trim (except when replacement of existing decorative trim is necessary for lead hazard reduction);
- Hard-wired microwave ovens;
- "Luxury" improvements, which are improvements of a type exceeding that customarily used in the locality for properties of the same type as the property to be rehabilitated (swimming pool, outdoor hot tub, etc.);
- Public improvement assessments;
- Improvements that do not become a part of the real property, including but not limited to, appliances such as freestanding refrigerators and stoves; and
- Any improvements already in place. Loan proceeds may not be used to pay off existing debt.

5.13 Other Eligible Costs

Other eligible improvements could include, but are not limited to:

- Recording fees, mortgage registration tax and title search costs may be collected from the Borrower or may be included in the loan amount as long as the Program loan amount maximum is not exceeded. No other fee's may be charged to the Borrower.

5.14 Non-Complying Loans

Minnesota Housing shall have the right to take one or more of the following actions in the event a Lender submits a loan that does not, as determined by Minnesota Housing, comply with the requirements of this Procedural Manual:

- Adjust the purchase price of the noncompliant loan;
- If not already purchased, refuse to purchase the loan;
- If already purchased, require the Lender to repurchase the loan for the outstanding balance and any fees paid to the Lender;
- Terminate, suspend, or otherwise limit the Lender's Participation Agreement with Minnesota Housing; or
- Preclude the Lender from future participation in Minnesota Housing programs.

5.15 Repurchase of Loans

Minnesota Housing may, at its option, tender any loans to the Lender for repurchase if:

- Any representation or warranty of the Lender or the Borrower with respect to the loan is determined by Minnesota Housing to be materially incorrect; or
- The loan is not in compliance with any term or condition set forth in the Participation Agreement and this Procedural Manual.

Upon written notice of repurchase by Minnesota Housing, the Lender has ten (10) business days to submit payment to Minnesota Housing for the unpaid principal balance, submit payment for fees paid to the Lender in the sale of the loan, and submit payment for reasonable expenses incurred by Minnesota Housing, including ~~attorney's~~attorney fees. Failure to comply with this requirement may result in the termination, suspension, further legal action, and/or otherwise limit the Lender's Participation Agreement with Minnesota Housing.

Chapter 6 – Commitment/Disbursement

Minnesota Housing funds a variety of programs and initiatives and reserves the right to establish limits for any program and/or initiative during any business day such as:

- A maximum dollar amount a Lender may commit; or
- A maximum number of Commitments a Lender may commit.

The Lender commits funds on a first-come, first-served basis. Fund balances are available on the Minnesota Housing website.

Commitments are to be considered as “forward commitments” by the Lender. It is expected that the loan will be closed within the Commitment period and delivered to Minnesota Housing for purchase.

6.01 Loan Commitments

In order to obtain a Commitment to reserve funds under the Program~~,~~ the Lender must ~~reserve~~:

- Reserve the loan using the Loan Commitment System.
- Commitments are valid for 120 days. All Commitments will be automatically cancelled at day 121. Extensions are approved at Minnesota Housing’s sole discretion~~.~~.
- Loans must meet eligibility requirements and gain a status of Purchase Approval via the Loan Commitment System no later than the last day a Commitment is ~~still~~ valid.

6.02 Modifying a Commitment

- Changes to a loan must be updated in the Loan Commitment System and will be evaluated for compliance with Program eligibility requirements.
- Any qualifying Commitment change will not alter the Commitment period originally established.
- Changes to Commitments involving the Borrower(s) and/or the property address are not permitted.
- An increase to the loan amount will be permitted only if funds are available to accommodate the change.

6.03 Canceling a Commitment

Minnesota Housing requires the Lender to cancel any Commitment that will not be used for the specified Program loan.

6.04 Minnesota Housing Disbursement of Funds

Minnesota Housing will purchase loans that, by the daily cutoff time, have been Purchased Approved in the Loan Commitment System. One hundred percent of the loan amount plus the

Lender fee will be disbursed two business days after the loan has been purchased by Minnesota Housing.

~~A~~The Lender Certificate with details of each purchase transaction will be available to the Lender via the Loan Commitment System after the loan has been purchased by Minnesota Housing.

6.05 Loan Purchase Corrections

If it is determined that an adjustment to the purchase price of any purchased loan is necessary, Minnesota Housing will either invoice the Lender for any funds to be returned or disburse additional funds to the Lender.

Chapter 7 – Documentation Requirements

7.01 Loan Processing and Closing

All loans submitted to Minnesota Housing must meet the following requirements:

- ~~All standard loan documents must be on~~ Minnesota Housing forms must be used as ~~provided and may not be altered~~outlined in ~~any way.~~the Forms Guide and Glossary.
- All loan documents must be complete, accurate and reviewed by the Lender at the various and appropriate stages of the loan.
- All mortgage assignments must run directly from the Lender to Minnesota Housing and use the Minnesota Uniform Conveyancing Blank.
- All mortgages and assignments must be recorded by the appropriate offices:
    - Abstract Property – County Recorder's Office
    - Torrens Property – Registrar of Titles
    - Tribal government and Bureau of Indian Affairs
    - Manufactured Homes taxed as personal property and located within a Manufactured Home park require that Public Safety Form 2017 (PS2017), listing Minnesota Housing as the lien holder, be recorded with the Department of Public Safety. The form should indicate Minnesota Housing Finance Agency as the secured party and list Minnesota Housing's address: 400 Wabasha Street North, Suite 400, St. Paul, MN 55102.

7.02 Loan Modifications and Loan Corrections

The Lender must contact Minnesota Housing for documentation and process instructions, including utilizing the Modification of Note and Mortgage Agreement, and/or Modification of Note and Manufactured Home Security Agreement, in the event of loan amount corrections and/or modifications that occur after loan closing and/or after the loan has been recorded.

7.03 Minnesota Housing Documentation/Delivery Requirements

Minnesota Housing provides the Loan Transmittal form detailing specific documentation/delivery requirements.

The Lender must fully execute and deliver documents within designated timeframes as outlined on the Loan Transmittal form. In addition, the Lender must specifically warrant that all applicable documentation has been obtained and reviewed to determine compliance with all Minnesota Housing requirements.

Documentation not delivered to Minnesota Housing/servicer within the specified time frames, may result, at Minnesota Housing's discretion, in the Lender being required to repurchase the loan, or any other such remedy as identified in this Procedural Manual or the Participation Agreement. Minnesota Housing may also, at its discretion, choose to extend the timeframes.

7.04 Documentation and Data Requirements

The Lenders participating in the Program are required to track all applicants and maintain sufficient documentation to show compliance with federal Fair Housing laws. The following data must be gathered for each transaction:

- Application date;
- Applicant's full name;
- ~~Applicant's race/ethnicity;~~
- Single head of household information; and
- Reason the loan commitment is canceled, if applicable.

To better understand and address the disparity gap, the agency is required to collect, on a voluntary basis, demographic information regarding race, color, national origin, and sex of applicants for agency programs intended to benefit homeowners and homebuyers.
All forms listed in the Loan File Requirements Checklist should be fully executed, as applicable, and maintained in the loan file by the Lender. Forms may be found on the Forms Guide and Glossary.

7.05 Records Retention

The Lender must retain all loan documents in compliance with federal ~~and state laws, rules, and regulations~~regulatory guidelines. The Lender is required to make loan records available for inspection by Minnesota Housing for a period of six (6) years after the loan is sold to Minnesota Housing. Those records that may be requested by Minnesota Housing include, but are not limited to:

- Credit related documents (e.g. paystubs, tax returns, income statements, documentation of assets, etc.);
- Compliance related documents (e.g. Borrower application, Loan Estimate (or its alternative form), Closing Disclosure (or its alternative form), Affiliated Business Arrangement documents, evidence of compliance with the Bank Secrecy/Anti-Money Laundering Act, etc.);
- Property related documents (e.g. scope of work, bids, lien waivers, change orders, fees, building permits and completion certificates, evidence of compliance with rehabilitation and lead-based paint standards, etc.); and
- Collateral documents (e.g. title work or O&E reports, evidence of property ownership, a copy of the fully executed Note, a copy of the fully executed and recorded Mortgage, a copy of the fully executed recorded Assignment of Mortgage to Minnesota Housing, etc.).

Chapter 8 – Servicing

8.01 Servicing

Upon purchase of the loan by Minnesota Housing, the Lender must deliver documents outlined in the Loan Transmittal form to the Minnesota Housing servicer. Until the loan is purchased, the Lender assumes all loan servicing responsibilities.

8.02 Delivery of Loans to Servicer

The Lender must forward the loan package according to the requirements outlined in the Loan Transmittal form to the servicer by mail within five calendar days of Minnesota Housing's purchase of the loan. Upon receipt of the recorded mortgage, the Lender must ensure the original document is delivered to the servicer within ten business days.

Appendix A: Definitions

All terms used in the Procedural Manual use industry standard definitions except for the following:

TERM	DEFINITION
Accommodation Party	An owner of the property who is not a Borrower on the note, such as a non-purchasing spouse.
Accessibility Improvement	An interior or exterior improvement or modification to a property, which is necessary to enable a ~~Disabled~~ Household Resident with a Disability or a Borrower with a permanent physical or mental condition that substantially limits one or more major life activities to function in that property.
Borrower	The recipient of Program loan funds.
Commitment	A Commitment of funds from Minnesota Housing with specific terms and conditions applied to a specific Borrower and a specific property.
Construction Alteration (Manufactured Housing)	Pursuant to the Minnesota State Building Code (Minnesota Rules Part 1350.0100) "… replacement, addition, modification or removal of any equipment or installation which may affect the construction, plumbing, heating, cooling, fuel-burning system, electrical system or the functioning of any of these in manufactured homes subject to the code".
~~Disabled~~ Household Resident with a Disability	A Borrower, or household member, who has a permanent physical or mental condition, which substantially reduces the person's ability to function in a residential setting. If the disability does not require the use of a mobility device, the Borrower must provide a completed Authorization to Disclose Health Information form, or a Supplemental Security Income (SSI) award letter or Social Security Disability Insurance (SSDI) award letter.
Emergency Condition	Property damage beyond the homeowner's control or that is necessitated by a system or structural failure that has caused or could cause the home to be uninhabitable.
Lender	A lender under contract to participate in the Program.
Manufactured Home	~~A dwelling structure not permanently affixed to real property and used as a Principal Residence.~~

	Manufactured Home as defined in Minn. Stat. 327.31, subd. 6.
Minnesota Housing	The Minnesota Housing Finance Agency.
Participation Agreement	The contract executed between a Lender and Minnesota Housing that defines the terms in which the Lender agrees to participate in the Program.
Principal Residence	A property used as the primary domicile of the owner-occupant Borrower and his/her/their household.
Program	The Emergency and Accessibility Loan Program.

~~Appendix B: Forms List~~

~~All forms listed in Appendix B should be fully executed, as applicable, and maintained in the loan file by the Lender.~~ Repair (Manufactured Housing)	Any improvement other than those outlined in the definition of Construction Alteration including, (according to Minnesota State Building Code (Minnesota Rules Part 1350.3800)) " repairs with approved components or parts; conversion of listed fuel-burning appliances in accordance with the terms of their listing, adjustment and maintenance of equipment or replacement of equipment in kind."

~~Forms may be found on the Forms Guide and Glossary. See the Loan File Requirements Checklist for additional documentation requirements.~~

- ~~Accessibility Evaluation~~
- ~~Authorization to Disclose Health Information~~
- ~~Borrower Application~~
- ~~Change Order~~
- ~~Completion Certificate~~
- ~~Homeowner Agreement~~
- ~~Income Eligibility Calculation Worksheet~~
- ~~Lead Paint Checklist~~
- ~~Modification of Note and Mortgage~~
- ~~Modification of Note and Mobile Home Security Agreement~~
- ~~Loan Transmittal~~
- ~~Mortgage~~
- ~~Note~~
- ~~Note and Mobile Home Security Agreement~~
- ~~Signature/Record Retention Requirements~~
- ~~Tennessen Warning~~

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MINNESOTA HOUSING

Board Agenda Item: 6.A
Date: 7/21/2022

Item: Approval, HousingLink Grant

Staff Contact(s):
Alyssa Wetzel-Moore, 651-263-1453, Alyssa.Wetzel-Moore@state.mn.us
Ryan Baumtrog, 651-296-9820, Ryan.Baumtrog@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests approval for $350,000 to fund a two-year grant contract for HousingLink. The grant will fund ongoing operations including the provision of vacancy and waiting list information, support to an online searchable database of publicly funded rental housing units in Minnesota known as Streams and maintenance of the statewide Affirmative Marketing Toolkit.

Fiscal Impact:
This award uses Pool 3 resources structured as a grant which does not earn interest for the Agency.

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

Attachment(s):
- Background

Background

This request will support on-going operations for HousingLink through a sole source contract to support providing comprehensive, accurate and timely data regarding the supply of affordable rental housing and rental assistance to those searching for rental housing options. Staff throughout the agency utilize the data, website, services and reports of HousingLink to support their work. HousingLink has become Minnesota's primary source for affordable housing-related openings, data, information and resources. HousingLink is the only provider that provides a statewide, searchable and up-to-date listing of subsidized apartments, including up-to-date vacancies of apartments that accept Section 8 vouchers. They also provide search features based on accessibility features to help people with disabilities find affordable, integrated housing.

HousingLink provides centralized housing information for individuals and communities primarily through its website for finding affordable housing vacancies. They also inform policymaking with reliable, credible data. HousingLink was created as a result of the 1995 Hollman v Cisneros Consent Decree wherein the decree stipulated that an affordable housing information 'clearinghouse' be created, to ensure low-and-moderate income families would have access to affordable housing information they need. HousingLink is a 501(c)(3) nonprofit organization. HousingLink has demonstrated a clear place as the preeminent data organization for affordable housing information. Minnesota Housing, along with multiple affordable housing partners, utilize many of the resources now incorporated into the HousingLink website.

The activities that will be funded with this grant contract includes:

1. **Advancing Affordable Housing Opportunities**

Low and moderate-income renters, and the agencies that help them, need a quick and efficient place to identify rental housing openings and find answers to common housing questions. HousingLink provides these households and agencies a user-friendly, one-stop website to locate the following:

- Affordable rental housing openings
- Open subsidized housing waiting lists
- Rental housing education and resources to help them understand:
    - Subsidized housing
    - How to have a successful renting experience
    - How to overcome criminal, credit, and rental history barriers

The HousingLink website provides a wide variety of practical information and resources to help advance the affordable housing opportunities available to low-to-moderate income renters.

Housing Search (formerly hList)

Service agencies and low-to-moderate income renters use the HousingLink website to search for affordable rental housing and subsidized waiting list openings. A household searching for housing is the most common activity on their website.

2. **Housing Authority Waiting List (HAWL) Report**

The Housing Authority Waiting List (HAWL) Report contains information on the status of Section 8 Voucher and Public Housing waiting lists in the Twin Cities metro area. This report is heavily used and is updated whenever a change in waiting list status occurs.

In addition to publishing the report online, HousingLink emails waiting list alerts to 8,000+ subscribers on their Housing Authority Waiting List Alert email. The subscribers to this list are low-income renters and service agency professionals who use the information to acquire subsidized housing opportunities. HAWL alerts are a way to disperse this information the moment it is available directly into the hands of case managers and renters.

3. **HousingLink Research and Housing Supply Data**

HousingLink provides information on the supply and location of publicly funded affordable housing through reports and an online database called Streams. Streams (www.housinglink.org/streams) has been expanded statewide and now includes 3,300 properties and 122,119 affordable units with public funding. Streams is used by Minnesota Housing staff, as well as other researchers and community planners and policymakers.

4. **Affirmative Marketing Toolkit**

An online resource for housing providers seeking to ensure their applicant pool reflects the diversity of our communities, the toolkit aids in completing the HUD form, Affirmative Fair Housing Marketing Plan - Multifamily Housing, Form HUD-935.2A. Using the Toolkit helps housing providers complete the HUD form.

5. **Olmstead Plan**

HousingLink completed a redesign of their website to improve the housing search experience for people with disabilities. They continue to promote the features of the website throughout the state to landlords, renters who need accessible housing, service agencies, and government organizations. They are focusing on getting more listings with accessible features for those with disabilities posted to the site and increasing the amount of Greater Minnesota search and listing activity.

Financial Assessment:

HousingLink passed the agency's Financial Review based on their 2020 Audited Financials. Minnesota Housing has a current grant contract with HousingLink and the grant period ends on August 31, 2022. HousingLink is being processed under the requirements of our grants management policies. An on-site monitoring visit will be required annually.

Expected Outcomes:

HousingLink's core activities fall within three of Minnesota Housing's Strategic Priorities: Preserve Housing with Federal Project-Based Rent Assistance; Prevent and End Homelessness; and Address Specific and Critical Local Housing Needs. With this funding from Minnesota Housing, HousingLink will:

- Maintain its ongoing operations, including provision of vacancy and waiting list information through www.housinglink.org, information useful and educational services to housing seekers and providers and others in Minnesota.
- Maintain Streams, a publicly available, online, searchable database of publicly funded rental housing units in Minnesota.
- Maintain the statewide Affirmative Marketing Toolkit.

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MINNESOTA HOUSING

Board Agenda Item: 7.A
Date: 7/21/2022

Item: Modification, Housing Infrastructure Bond (HIB) Loan and Approval, Updated Waiver of Predictive Cost Model 25% Threshold

- Garitz Grove, D8337, Fergus Falls, MN

Staff Contact(s):
Carrie Weisman, 651.296.3769, carrie.weisman@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
At the March 25, 2021 board meeting, the proposed development was selected for a commitment of deferred funding under the Housing Infrastructure Bond (HIB) program under Resolution No. 21-013 in the amount of $6,031,000. Agency staff completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution modifying the Housing Infrastructure Bond (HIB) loan, increasing the original amount by $626,000 for a total HIB loan of $6,657,000.

Staff also recommends approval of an updated waiver to the predictive cost model. At the March 25, 2021 board meeting, the board granted a waiver of the predictive cost model 25% threshold. At that time, the total development cost (TDC) per unit was 39% over the predictive cost model. Current TDC per unit is $341,300 and now exceeds the predictive model by 61%.

All commitments are subject to the terms and conditions of the Agency term letter.

Fiscal Impact:
Minnesota Housing will not earn interest revenue as the loan does not carry an interest rate. The debt service on the HIBs issued to finance the HIB loan is paid via state appropriations. The Agency will earn certain fee income from providing the loan.

Meeting Agency Priorities:

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

Attachments:

- Background
- Resolution
- Resolution Attachment: Term Lette

Background:

At its March 25, 2021 meeting, the Minnesota Housing board approved the selection of Gartiz Grove for a loan commitment under the Housing Infrastructure Bond (HIB) program in the amount of $6,031,000. At that same board meeting, the board granted a waiver to the predictive cost model threshold because estimated total development costs (TDC) per unit exceeded the predictive model estimate by 39%.

The project involves the new construction of 24 one-bedroom units in a three-story elevator building located in Fergus Falls. The development will provide permanent supportive housing for single adults experiencing homelessness, targeting households with serious mental illness. All 24 households will benefit from Housing Support. Seven units will serve households that meet the definition of high priority homeless (HPH) and six units will serve people with disabilities (PWD). The project is a joint effort between Otter Tail County Human Services and the Fergus Falls Housing Redevelopment Authority (HRA) that will have county behavioral health staff and nursing services on site along with additional services coordinated through several other local service providers.

Since selection, TDC has increased $689,071 (9%), primarily due to market volatility of construction material prices and demand for labor. A portion of cost increases were offset by a new loan from the Fergus Falls HRA in the amount of $50,000. To close the remaining gap, staff recommends an increase to the HIB loan of $626,000 for a total HIB loan of $6,657,000.

Summary of project cost changes since selection:

Description	Amount at Selection	Amount Current	Amount Change	% Change
Acquisition or Refinance	$ 100,001	$ 1	($ 100,000)	-100%
Construction Costs	$ 5,558,786	$ 6,354,462	$ 795,676	14%
Environmental Abatement	$ 0	$ 0	$ 0	0%
Professional Fees	$ 655,562	$ 640,559	($ 15,003)	-2%
Developer Fee	$ 750,000	$ 750,000	$0	0%
Financing Costs	$ 125,152	$ 133,550	$ 8,398	7%
Total Mortgageable Costs	$ 7,189,501	$ 7,878,572	$ 689,071	**10%**
Reserves	$ 312,213	$ 312,213	$ 0	0%
Total Development Cost	$ 7,501,714	$ 8,190,785	$ 689,071	**9%**

Staff also recommends approval of an updated waiver to the predictive cost model. When selected in March 2021, the project was 39% over the predictive cost model primarily due to the entire first floor (33%) of the building being dedicated to office, program, and common area space. With a relatively large amount of common space to provide services and programming and relatively fewer number of units to share the cost, the per unit cost is higher than typical. If the property had seven additional residential units on the first floor instead of office, program, and common area space, the project would be within the predictive cost model 25% threshold.

Additionally, due to construction cost increases, TDC per unit is now $341,300 and exceeds the predictive model estimate of $212,000 per unit by 61%. The predictive cost model calculation is based on the model used for the 2020 Consolidated Request for Proposal (RFP) selections, which does not account for the faster than average construction cost increases experienced over the last two years. Staff finds the costs per unit of $341,300 to be reasonable given market volatility and the large portion of office, program, and common area space in the building.

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XX
Modifying Resolution No. MHFA 21-013

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT MODIFICATION
HOUSING INFRASTRUCTURE BOND (HIB) PROGRAM

WHEREAS, the Board has previously authorized a commitment for the Gartiz Grove development by its Resolution No. 21-013; 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.

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 HIB loan shall not exceed $6,657,000.

2. All other terms and conditions of Minnesota Housing Resolution No. 21-013 remain in effect.

Adopted this 21st day of July 2022

____
CHAIRMAN

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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

July 7, 2022

Mikel Olson
Fergus Falls Housing and Redevelopment Authority
1151 Friberg Avenue
Fergus Falls, MN 56537

RE: Term Letter
Garitz Grove, Fergus Falls
Development #D8337, Project # M18538

Dear Mikel Olson:

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: Garitz Grove L.L.C.
Managing Member:	Fergus Falls Housing and Redevelopment Authority
Development Description/Purpose:	New construction of a 24-unit affordable housing development located in Fergus Falls, Minnesota

Program	Housing Infrastructure Bonds (HIB)	Flexible Financing Cap Costs (FFCC)
Loan Amount	$6,657,000	$315,000
Interest Rate	0%	0%
Mortgage Insurance Premium (%)	Not Applicable	Not Applicable
Term	Approx. 18 months (construction) + 30 years	Approx. 18 months (construction) + 30 years
Amortization / Repayment	N/A	N/A
Prepayment Provision	No prepayment first 10 years from date of the HIB Note.	Prepayment at any time without penalty
Nonrecourse or Recourse	Nonrecourse	Nonrecourse

Construction to Permanent Loan, Construction Bridge Loan or End Loan	Construction to Permanent Loan	Construction to Permanent Loan
Lien Priority	First	Second

Origination Fee: HIB Loan: $58,285
(payable at the earlier of loan commitment or loan closing)

Inspection Fee: $14,952 (payable at the earlier of loan commitment or loan closing)

Guaranty / Guarantor(s): Completion guaranty to be provided by:
The Fergus Falls Housing and Redevelopment Authority

Operating Cost Reserve Account: Capitalized operating reserve in the amount of $312,213 funded at initial loan closing from FFCC loan proceeds. The operating reserve will be held by Minnesota Housing.

Replacement Reserve Account: Annual replacement reserve deposits will be required in the amount of $450/unit/annum. The monthly replacement reserve will be $900. The replacement reserve will be held by Minnesota Housing.

Escrows: N/A

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- SH Homeless

- 24 units with incomes not exceeding 60% MTSP and rents at 60% MTSP.
- Commitment to 18 months (construction) plus 30 years of affordability from the date of closing.

FFCC

- 24 units with incomes not exceeding 60% MTSP and rents at 60% MTSP.
- Commitment to affordability in effect while the loan is outstanding.

HAP or Other Subsidy Agreement: Commitment to 10 years of affordability from the date of loan closing under the Housing Support Program for 24 units.

Other Occupancy Requirements:

- Seven High Priority Homeless (HPH) units for single adults.
- 17 units must serve Other Homeless Households under the HIB program.

Other Requirements: The HIB and FFCC loans are subject to the terms in the attached Deferred 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 six months from the date of this letter or loan closing/end loan commitment.

Additional Terms: None

Other Conditions:

- Execution of an Access Easement benefiting the Development subject to Minnesota Housing approval

Board Approval: Commitment of 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 it to Maggie Nadeau at maggie.nadeau@state.mn.us on or before 10 business days from date of this letter.

If you have any questions related to this letter, please contact Carrie Weisman at carrie.weisman@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:

GARITZ GROVE L.L.C.

By: Fergus Falls Housing and Redevelopment Authority
Its: Manager

By: ________________________
Mikel B. Olson
Its: Executive Director

Date Accepted: 7/7/2022

MINNESOTA HOUSING

Board Agenda Item:7.B
Date: 7/21/2022

Item: Approval, Early Forgiveness, Housing Trust Fund (HTF) Loan
- Dale Street Place (fka Redeemer's Arms), D3065, St. Paul, MN

Staff Contact(s):
Ted Tulashie, 651.296.3119, ted.tulashie@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests the board adopt a resolution authorizing the early forgiveness of the $5,226,222 Housing Trust Fund (HTF) loan funded with proceeds from Nonprofit Housing (NPH) Bonds. This forgivable loan was originally scheduled to mature on August 18, 2041. The current loan balance is $5,226,222.

Fiscal Impact:
Minnesota Housing does not earn interest revenue on this Housing Trust Fund loan. There is no other fiscal impact to the Agency.

Meeting 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:
Redeemers Arms, now known as the Dale Street Place, is a 150-unit development located in St. Paul that was built in 1964. The development was owned by a nonprofit community board and financed with a U.S. Department of Housing and Urban Development (HUD) Section 202 loan. In 2011, Trellis Co. purchased the building through its subsidiary CHDC Redeemers, LLC.

Current Agency financing on the property includes:

Existing Minnesota Housing Loans	Original and Current Loan Amount	Date of Loan	Maturity Date	Int. Rate	Compliance End Date	Restricted. Units	Income Limits (%)	Rent Limits (%)
PARIF	$1,500,000	8/18/2002	8/18/2041	0.0%	8/18/2041	150	80%	--
PARIF	$1,181,965	8/18/2005	8/18/2041	0.0%	8/18/2041	150	80%	--
HTF-LTH	$598,568	8/18/2011	8/18/2041	0.0%	8/18/2026	70	50%	60%
HTF (NPH Bond)	$5,226,222	8/18/2011	8/18/2041*	0.0%	8/18/2031	70	50%	60%

*Forgivable

The $5,226,222 HTF loan closed in August 18, 2011, matures in August 18, 2041, and the minimum compliance period expires in August 18, 2031. The loan helped fund the acquisition and rehabilitation of the property. Section 2.3 of the Mortgage Note included the following:

> *If no Event of Default has occurred as of the Maturity Date, then on the Maturity Date, the Mortgage Note shall be deemed to be forgiven and extinguished and no repayment by Borrower shall be required.*

The loan was funded with a portion of the proceeds of Nonprofit Housing Bonds (State Appropriation), Series 2011, issued in the principal amount of $21,750,000. Covenants of the loan include maintaining the nonprofit status of the owner and providing housing for permanent supportive housing for individuals or families who either:

- Have been without a permanent residence for at least 12 months, or four times in the past three years, or
- Are at significant risk of lacking permanent residence for 12 months, or at least four times in last three years

In the 2020 Consolidated RFP, Minnesota Housing selected the development for a new $4,392,000 Preservation Affordable Rental Investment Fund (PARIF) Program loan based on the risk of loss of the project-based Section 8 contract due to physical needs. The PARIF loan selection was to be structured in partnership with the issuance of new tax-exempt bonds from the City of St. Paul or Ramsey County that would qualify the project for 4% low-income housing tax credits. The housing tax credits are now estimated to generate approximately $9,300,000 of proceeds to help support the building rehabilitation.

Initially, all four existing Agency loans were proposed to be assumed and extended to be coterminous with the new PARIF loan. Upon further investigation during the underwriting process, it was identified that the HTF loan was originally funded with proceeds of Nonprofit Housing Bonds that required continued ownership by a non-profit entity, which is incompatible with a housing tax credit ownership structure.

After exploring several options to resolve the incompatibility (including reviewing an option to eliminate the tax credit structure), the developer approached the Agency with a request to consider early forgiveness of the HTF (NPH Bond) loan, which in turn would allow the tax credit structure and proposed significant rehabilitation to proceed. Kutak Rock, the agency's finance counsel, has provided an opinion that early forgiveness of the HTF loan will not jeopardize the tax-exempt status of the original bonds.

Staff recommends forgiving the $5,226,222 HTF Loan based on the following:

- The forgiveness will not increase risk to the Agency since the tax-exempt status of the bonds is expected to remain protected and the building will continue to serve the intended population;
- There is no reasonable ability for the development to be able to repay the loan;
- The forgiveness is in conjunction with the larger rehabilitation project, which will extend the affordability of the building;
- There will be no permanent displacement nor loss of affordability as the $598,568 Housing Trust Fund-Long-Term Homelessness (HTF-LTH) loan with the same affordability restrictions is proposed to be assumed and extended for 30 years (resulting in approximately 12 years of additional affordability); and,
- The development meets the Agency's strategic priority of preservation and preserving federal rent subsidies.

The two remaining PARIF Loans totaling $2,681,965 are now expected to be repaid to the Agency. The $598,568 HTF-LTH Loan is still proposed to be assumed into the new project, which is addressed in a separate board action.

Agenda Item: 7.B
Resolution

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XX

RESOLUTION APPROVING DEBT FORGIVENESS
HOUSING TRUST FUND (HTF) PROGRAM

WHEREAS, Redeemer's Arms, a multi-unit housing development, was selected to receive a Housing Trust Fund (HTF) loan funded with proceeds of Nonprofit Housing (NPH) Bonds by the Minnesota Housing Board under Resolution MHFA 10-108; and,

WHEREAS, the Agency subsequently provided an HTF loan in the amount of $5,226,222; and,

WHEREAS, the loan included in this request was structured to be forgiven upon maturity, if no events of default occurred; and,

WHEREAS, the debt forgiveness is in conjunction with the larger rehabilitation and preservation project.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby approves the following:

1. Early forgiveness of the HTF loan in the amount of $5,226,222 effective as of the date of this resolution.

Adopted this 21st day of July 2022

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CHAIRMAN

MINNESOTA HOUSING

Board Agenda Item:7.C
Date: 7/21/2022

Item: Modification, Workforce Housing Development Program
- Twenty08, D8126, Alexandria, MN

Staff Contact(s):
Sara Bunn, 651.296.9827, sara.bunn@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
At the April 22, 2022 board meeting, the City of Alexandria was selected for a deferred loan of $300,000 under the Workforce Housing Development Program (WHDP) under Resolution No. 22-029. Agency staff recommends the adoption of a resolution to increase the loan amount by $199,000 for a total WHDP loan of $499,000.

Fiscal Impact:
The Workforce Housing Development Program is funded by state appropriations; neither grants nor forgivable loans offered under the program earn interest income for the Agency.

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

Attachment(s):
- Background
- Resolution

Background:
The Workforce Housing Development Program is a competitive funding program that targets small to medium-sized communities in Greater Minnesota that have a need for market rate, rental workforce housing. Grants or forgivable deferred loans are available to finance the construction of new residential rental properties in communities with proven job growth and demand for workforce rental housing. In accordance with Minn. Stat. 462A.39, a city is the applicant and holds the agreement with Minnesota Housing. The city may subsequently contract with a developer to construct and/or own the project.

The City of Alexandria requested $499,999 in deferred funding from the 2021 WHDP to build a 62-unit new construction apartment building referred to as Twenty08. At the April 21, 2022 board meeting, partial funding was recommended based on limited funding availability, and the City was awarded $300,000. Due to the recent withdrawal of an application, there are now program funds available and staff recommends the adoption of a resolution to increase the loan amount by $199,000 for a total WHDP loan of $499,000 to fully fund the project.

Staff has confirmed that the project does still require the additional funding to move forward and is consistent with the WHDP requirements.

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XX
Modifying Resolution No. MHFA 22-029

RESOLUTION APPROVING LOAN AGREEMENT MODIFICATION

WHEREAS, the Board has previously authorized the Workforce Housing Development Deferred Loan Agreement for the City of Alexandria Twenty08 Project by its Resolution No. 22-029; and

WHEREAS, the development continues to be in compliance with Minn. Stat. ch. 462A.39 and Agency's rules, regulations and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to modify the Deferred Loan Agreement for the indicated development, subject to the revisions noted:

1. The amount of the Workforce Housing Development loan shall be $499,000;

2. All other terms and conditions of the MHFA Resolution No. 22-029 remain in effect.

Adopted this 21st day of July 2022

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CHAIRMAN

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MINNESOTA HOUSING

Board Agenda Item: 7.D
Date: 7/21/2022

Item: Modification, Preservation Affordable Rental Investment Fund Loan (PARIF) Loan and Assumption, Housing Trust Fund – Long-Term Homelessness (HTF-LTH) Loan
- Dale Street Place, D3065, St. Paul, MN

Staff Contact(s):
Ted Tulashie, 651.296.3119, ted.tulashie@state.mn.us

Request Type:

☒ Approval
  ☒ Motion
  ☒ Resolution

☐ No Action Needed
  ☐ Discussion
  ☐ Information

Summary of Request:
At the December 17, 2020 board meeting, the proposed development was selected for a commitment of deferred funding under the Preservation Affordable Rental Investment Fund (PARIF) program under Resolution No. 20-064 in the amount of $4,392,000. Agency staff completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution:

1. Adoption of a resolution modifying the loan under the Preservation Affordable Rental Investment Fund (PARIF) program, from $4,392,000 to a maximum of $7,282,000, modifying Resolution No. 20-064.
2. Adoption of a resolution authorizing assumption of an existing Agency Housing Trust Fund-Long Term Homelessness (HTF-LTH) loan with a principal balance of $598,568; a 30-year extension of the maturity date; and no imposition of an assumption fee.

All commitments are subject to the terms and conditions of the Agency term letter.

Fiscal Impact:
the Agency will not earn interest revenue on this loan. The PARIF loan is funded by state appropriations has no interest expense to the Agency. The Agency will earn a construction oversight fee on the loan.

Meeting Agency Priorities:

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

Attachments:

- Development Summary
- Resolutions
- Resolution Attachment: Term Letter

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information				
Development Name	Dale Street Place		**D#3065**	**M#18398**
Address	313 Dale Street North			
City	St. Paul	**County**	Ramsey	
Date of Selection	December 17, 2020	**Region**	Metro	

A. Project Description and Population Served

- Dale Street Place is the renovation and preservation of a partial project-based Section 8 development at risk of loss due to critical physical needs.
- The development involves the acquisition/substantial rehabilitation of 150 units in St. Paul consisting of a four-story elevator building with units ranging from efficiency to 1-bedroom. The property is occupied.
- The development will provide permanent supportive housing for people with disabilities (PWD), primarily with mental illness. The project has 76 units for households that meet the high priority homeless (HPH) criteria, and 23 units for households that meet the PWD criteria.
- The development will serve households with incomes that range from 30% to 50% Multifamily Tax Subsidy Projects (MTSP) limits.
- 112 units will be deeply affordable to households at 30% MTSP.
  - 92 units will benefit from Project-based Section 8 Voucher rental assistance from the Metropolitan Council Housing and Redevelopment Authority (Metro HRA)
  - 20 units will benefit from Housing Support income supplement through Ramsey County
- The development will be a 100% housing tax credit property with a 40-year Land Use Restrictive Agreement (LURA).

B. Mortgagor Information

Ownership Entity:	Dale Street Limited Partnership
Sponsor:	Trellis Co.
General Partner(s)/ Principal(s):	Trellis Dale Street GP LLC
Guarantor(s):	N/A

C. Development Team Capacity Review

The sponsor, Trellis Co., has the experience and capacity to complete the project. It has partnered with a processing agent, Mahoney Development Services. The developer has previously utilized deferred loans and tax credits with proven success.

Trellis Management Co. formerly known as BDC Management Co. was established in 1989 and currently has 44 developments with a total of 3,146 units. The property management company has the capacity to manage this development.

The service provider, Simpson Housing, has extensive experience providing supportive housing services to the HPH/PWD residents.

Blumentals/Architecture Inc. is the architect and Frerichs Construction Company is the general contractor. Both have the capacity to effectively design and construct the project.

The sponsor, Trellis Co. is a non-profit organization led by a woman executive director/president.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort / Cash Flow	Construction/ End Loan
Deferred	PARIF	Appropriations.	$7,282,000	0.0 %	N/A	Approx. 30 years*	No	Construction to Permanent
Deferred Loan	HTF-LTH	Existing	$598,568	0.0 %	N/A	Approx. 30 year extension	No	Existing loan being assumed and modified

*Term of loans will be co-terminus with existing U.S. Department of Housing and Urban Development (HUD) loan.

PARIF loan with interest anticipated to be 0% but up to 1% interest allowed, if requested.

- The original PARIF selected loan amount was $4,392,000.
- A request to increase the PARIF loan by $2,890,000 for a total PARIF loan of $7,282,000 is being recommended by staff. Refer to Section E for further details.

Approval of extension and modification of existing HTF-LTH loan:

- An existing Agency deferred HTF-LTH loan at a principal balance of $598,568 will be assumed, subordinated, and extended to be co-terminus with the new Agency loan.
- The current Minimum Affordability Period expires August 18, 2041, and will be extended to match the new loan maturity.
- Because assumption of the loan is occurring in conjunction with new financing and the assessment of oversight fees, no assumption fee will be imposed.

E. Significant Changes Since Date of Selection

The project experienced a significant funding gap of which approximately $3.5 million is attributable to higher-than-expected construction bids caused by supply chain disruptions and an increased rehab scope of work.

In addition, the equity provider, Enterprise, is requiring a significant increase in the reserves to adequately fund the Supportive Housing services operations. The additional gap was realized by a $600,000 increase to acquisition costs and the elimination of the proposed assumption of several existing Minnesota Housing loans. Two existing PARIF loans in the amount of $1,500,000 and $1,181,965 for a total of $2,681,965 will be repaid to the Agency.

The increase was partially offset with increased equity proceeds, additional developer capital contribution, interim income during rehab, and a seller note. Staff recommends a $2,890,000 million increase to the new Minnesota Housing PARIF loan to fill the remaining gap.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	$11,600,000	$ 77,333
Construction Costs	$ 9,904,297	$ 66,029
Environmental Abatement	$ 25,000	$ 167
Professional Fees	$ 1,292,155	$ 8,614
Developer Fee	$ 2,300,000	$ 15,333
Financing Costs	$ 1,284,828	$ 8,566
Total Mortgageable Costs	$26,406,279	$ 176,042
Reserves	$ 1,928,600	$ 12,857
Total Development Cost	$28,334,880	$ 188,899

B. Permanent Capital Sources

Description	Amount	Per Unit
Permanent Mortgage	$ 0	$ 0
General Partner Capital Contribution	$ 455,782	$ 3,039
HTC Equity Proceeds (Enterprise)	$ 9,330,942	$ 62,206
Agency Deferred Funding (PARIF)	$ 7,282,000	$ 48,547
MHFA HTF-LTH	$ 598,568	$ 3,990
HUD Flexible Subsidy Note	$ 2,198,243	$ 14,655
City of St. Paul	$ 1,000,000	$ 6,667
Interim Income	$ 353,465	$ 2,356
Seller Loan	$ 5,776,224	$ 38,508
Rebates	$ 189,656	$ 1,264
Deferred Developer Fee	$ 1,150,000	$ 7,667
Total Permanent Financing	**$28,334,880**	**$ 188,899**

C. Financing Structure

- The City of St. Paul has committed $1,000,000 in Community Development Block Grant (CDGB) funds.
- The City of St. Paul will provide approximately $14,910,000 of tax-exempt volume cap limited bonds to qualify the project for the 4% housing tax credits. The bonds will be administered by US Bank. The City of St. Paul will administer the 4% housing tax credits.

D. Cost Reasonableness

- The budgeted total development cost (TDC) per unit of approximately $189,000 is 10% below the $209,461 predictive model estimate, which is within the 25% threshold range and does not require board approval.

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
0 BR-HPH	26	$ 888	50% MTSP	30% MTSP	Sect 8 HAP
0 BR	10	$ 888	50% MTSP	30% MTSP	Sect 8 HAP
0 BR-HPH	32	$ 934	50% MTSP	30% MTSP	Sect 8 HAP
0 BR-PWD	20	$ 891	50% MTSP	30% MTSP	Housing Support
0 BR	21	$ 474	50% MTSP	50% MTSP	
1 BR	7	$ 816	50% MTSP	50% MTSP	
1 BR	10	$ 842	50% MTSP	50% MTSP	
1 BR-PWD	3	$ 1,058	50% MTSP	30% MTSP	Sect 8 HAP
1 BR	3	$ 1,058	50% MTSP	30% MTSP	Sect 8 HAP
1 BR-HPH	18	$ 1,058	50% MTSP	30% MTSP	Sect 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.

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 5% vacancy, with 1.7% income and 3% expense inflators.
- Rental assistance
  - 92 units benefit from a Section 8 HAP contract rental assistance with Metro HRA renewed to 12/31/2033.
  - 20 units additional units benefit from Housing Support rental assistance.

Agenda Item: 7.D
Resolutions

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XX
Modifying Resolution No. MHFA 20-064

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT MODIFICATION PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) PROGRAM

WHEREAS, the Board has previously authorized a commitment for the Dale Street Place development by its Resolution No. 20-064; 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.

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 PARIF loan shall not exceed $7,282,000.

2. All other terms and conditions of Minnesota Housing Resolution No. 20-064 remain in effect.

Adopted this 21st day of July 2022

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CHAIRMAN

Agenda Item: 7.D
Resolutions

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XX

RESOLUTION APPROVING LOAN ASSUMPTION
HOUSING TRUST FUND – LONG-TERM HOMELESSNESS (HTF-LTH) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received a request to allow the assumption and modification of a Housing Trust Fund – Long-Term Homelessness (HTF-LTH) Loan for a multiple unit housing development occupied by persons and families of low income, as follows:

Name of Development:	Dale Street Place
Assumption Entity:	Dale Street Limited Partnership
Sponsor:	Trellis Co.
Location of Development:	St. Paul, MN
Number of Units:	150
Original Amount of HTF-LTH loan:	$598,568
Current Balance of HTF-LTH loan:	$598,568

WHEREAS, Agency staff has determined that the application is eligible for assumption under the HTF-LTH loan Combination Mortgage, Security Agreement, and Fixture Financing Statement; and

WHEREAS, the HTF-LTH loan on the above property has a maturity date of August 18, 2041; and

WHEREAS, the assumption is in conjunction with the larger rehabilitation and preservation project.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to facilitate the loan modification and assumption of the HTF-LTH loan under the following terms and conditions:

1. Agency staff may allow the assumption of the HTF-LTH loan at a current balance of $598,568 by Dale Street Limited Partnership; and

2. The interest rate of the loan shall remain at 0%; and

3. The HTF-LTH loan shall be extended for a term of approximately 30 years from the date of closing; and

4. No assumption fee shall be required; and

5. All other provisions of the loan agreement currently in place remain in force and effect.

Adopted this 21st day of July 2022

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CHAIRMAN

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

July 6, 2022

Elizabeth Flannery
Trellis Company
614 North 1st Street, Suite 100
Minneapolis, MN 55401

RE: Term Letter
Dale Street Place, St. Paul
Development #D3065, Project # M18398

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: Dale Street Limited Partnership

General Partner(s) Trellis Dale Street GP LLC

Development Description/Purpose: Acquisition and rehabilitation of a 150-unit affordable housing development located in St. Paul, Minnesota

Program	**Preservation Affordable Rental Investment Fund (PARIF)**
Loan Amount	$7,282,000
Interest Rate	0%
Mortgage Insurance Premium (%)	Not Applicable
Term	Approx. 30 years to be co-terminus with HUD loan
Amortization /Repayment	Deferred lump sum payment due at maturity
Prepayment Provision	Prepay at any time without penalty.
Nonrecourse or Recourse	Nonrecourse
Construction to Permanent Loan, Construction Bridge Loan or End Loan	Construction to Permanent Loan
Lien Priority	Second

Origination Fee:	N/A
Inspection Fee:	$22,510 (payable at the earlier of loan commitment or loan closing)
Guaranty / Guarantor(s):	Not applicable
Operating Cost Reserve Account:	Capitalized operating reserve in the amount of $728,600 funded after construction completion anticipated from equity installments. The operating reserve will not be held by Minnesota Housing.
Replacement Reserve Account:	Capitalized replacement reserve in the amount of $250,000 funded after construction completion from equity installment after completion of rehab. Monthly replacement reserve deposits will be required in the amount of $350/unit/annum. The monthly replacement reserve will be $4,375. The replacement reserve will be held by Minnesota Housing.
Other Reserves Account:	Capitalized expense coverage reserve in the amount of $350,000 funded after construction completion from equity installments. Capitalized Supportive Services reserve in the amount of $600,000 funded after construction completion from equity installments These reserve accounts will not be held by Minnesota Housing.
Escrows:	Not applicable
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:	PARIF • 150 units with incomes not exceeding 80% MTSP and rents at 80% MTSP. • Commitment to 30 years of affordability from the date of loan closing.
HAP or Other Subsidy Agreement:	• Commitment to 30 years of affordability from the date of loan closing (to match loan maturity) under the HAP Program for 92 units. • Commitment to 10 years of affordability from the date of loan closing under the Housing Support Program.
Other Occupancy Requirements:	Not Applicable
Other Requirements:	The PARIF loan is subject to the terms in the attached Deferred Selection Criteria. The PARIF mortgagor will enter into an agreement with the Agency that complies with Minn. Stat. § 462A.21 and the requirements and/or rider to the appropriation providing funds for the given year.
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 six months from the date of this letter or loan closing/end loan commitment.
Additional Terms:	Not applicable
Other Conditions:	Assumption of the $598,568 HTF-LTH loan is also approved. The loan will be subordinated and extended to be co-terminus with the new PARIF loan. The assumption is conditioned upon: • Affordability and all other requirements of the HTF-HPH loan will be extended through the new term of the loan
Board Approval:	Commitment of all 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 it to Adam Himmel at adam.himmel@state.mn.us on or before 10 business days from date of this letter.

If you have any questions related to this letter, please contact Ted Tulashie at ted.tulashie@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:

DALE STREET LIMITED PARTNERSHIP

By: Trellis Dale Street GP LLC
General Partner

By:
____
Elizabeth Flannery, President

Date Accepted: _______________________

MINNESOTA HOUSING

Board Agenda Item: 7.E
Date: 7/21/2022

Item: Commitment Extension, Housing Infrastructure Bond (HIB) Loans – RD Portfolio:

- D8170, City Centre Apartments, Pine Island
- D8169, Heather Court Apartments, Owatonna
- D5824, Malmquist Estates, Red Wing
- D6106, North States Apartments & BR Properties, Waseca
- D8173, Pine West & Springhaven, Cold Spring
- D8191, Riverside & Hillside Apartments, Watertown
- D8172, Town Edge Estates, Gaylord

Staff Contact(s):
Tom Anderson, 651.296.8161, tom.anderson@state.mn.us
Susan Thompson, 651.296.9878, susan.thompson@state.mn.us

Request Type:

☒ Approval ☐ No Action Needed
☒ Motion ☐ Discussion
☒ Resolution ☐ Information

Summary of Request:
At the July 25, 2019 Minnesota Housing board meeting, the proposed seven developments (collectively, the RD Portfolio) were selected for deferred funding under the Housing Infrastructure Bond (HIB) program in an amount of $12,095,670. The commitments were extended pursuant to Board Delegation No. 009 and currently expire July 24, 2022.

Staff recommends an extension of the funding commitment to July 31, 2023 to allow time for final processing and closing of the loans.

Fiscal Impact:
Certain loans will earn interest revenue for the Agency. As the debt service on the HIBs issued to finance the HIB loans is paid via state appropriations, there is no interest expense to the Agency. The Agency will also earn certain fee income in conjunction with the loans.

Meeting Agency Priorities:

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

Attachments:

- Background
- Resolutions

Background:
The RD Portfolio involves the acquisition, renovation, and preservation of 10 properties consisting of 243 affordable units located in seven Greater Minnesota communities. With this preservation initiative, the RD Portfolio will continue to provide affordable rental housing that will serve households comprised of families, singles, and seniors. As part of this project, the U.S. Department of Agriculture Rural Development (USDA RD) has agreed to provide rental assistance to an additional 57 units so that 241 of the 243 units will benefit from project-based rental assistance. Each property will be renovated to address critical physical needs that will help preserve the physical assets for 30 years.

The sponsor, Southwest Minnesota Housing Partnership (SWMHP), is acquiring the 10-property portfolio in a single transaction from a common owner. The RD Portfolio was originally submitted as a single, non-tax credit project funded with one large cross-collateralized Agency deferred loan on the 10 properties; however, the cross-collateralized structure was not permitted by USDA RD, which holds 10 individual mortgages on the 10 properties. Therefore, the 10-property portfolio was restructured into seven separate developments. Six of the properties are located within three cities and were able to be consolidated into 3 developments . A benefit of this city-based structure is that it is now also acceptable to tax credit syndicators as a tax credit investment. The RD Portfolio will be structured as a multi-asset, seven project tax credit development owned under a single limited partner entity and subject to a single limited partnership agreement. The transaction, however, includes seven separate sets of loan documents and each transaction will be treated as a separate closing although they must close at the same time.

On July 25, 2019, the Minnesota Housing board approved the selection of the seven developments for up to $12,095,670 of loans under the Housing Infrastructure Bond (HIB) program. The entire amount of the HIB loans is financed with proceeds from a 2019 issuance of Tax-Exempt volume limited bonds HIBs.

At the October 28, 2021 board meeting, the HIB loan amounts were modified resulting in an overall increase of $124,280 across the portfolio to $12,219,950. At that same meeting, a waiver to Article 8(a) of the 2019 QAP that limits issuing private activity bonds to no more than 53% of the aggregate basis and the corresponding limit that was included in the 2019 resolution for three of the developments was approved.

While the combined transaction has proven more complex than anticipated, the purpose of preserving 243 occupied rental units that are deeply affordable in Greater Minnesota remains. Over the course of this project review, USDA RD has restructured their review processes; the construction materials and labor market continue to be volatile, and each property still requires its own set of due diligence reviews. Collectively, these items have lengthened the time period to complete the structuring and closing process.

Progress has been made on several fronts. Due diligence items are being collected, loan documents are being drafted and reviewed, and staff are working to finalize negotiations with USDA RD. The goal is to close all seven developments in 2022, but a twelve month extension is requested to allow for other unforeseen delays.

While not part of this action request, staff anticipates a $600,000 funding gap due to changes in the construction and labor market. The final reviews for that funding gap were not complete before the current commitments are set to expire. Action on this extension does not constitute action on any funding amount changes, but staff is requesting the extension so that we may continue work on this project.

Commitment extensions have previously been approved pursuant to Board Delegation No. 009 per Resolution No. MHFA 18-021 and expires on July 24, 2022. In accordance with that board delegation, the total extension period must not exceed 24 months. The ability to further extend the closing deadline under the delegated authority has been exhausted. Staff is seeking board approval for the current extension request to July 31, 2023.

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XXX
Modifying Resolution No. MHFA 19-040 and MHFA 21-057

RESOLUTION APPROVING MORTGAGE COMMITMENT EXTENSION
HOUSING INFRASTRUCTURE LOAN (HIB) LOAN

WHEREAS, the Board has previously authorized a commitment for the City Centre Apartments development herein named by its Resolution No. 19-040; and

WHEREAS, the Board authorized a modification to that commitment by its Resolution No. 21-057; and

WHEREAS, the development continues to be in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies; and

WHEREAS, Agency staff have determined that additional time is needed to complete processing and closing of the transaction.

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 deadline to close established by MHFA Resolution No. 19-040 was extended pursuant to Board Delegation No. 009 per Resolution No. MHFA 18-021 to July 24, 2022. The deadline to close is hereby extended to July 31, 2023; and

2. All other terms and conditions of the MHFA Resolution No. 19-040 Resolution No. 21-057 remain in effect.

Adopted this 21st day of July 2022

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CHAIRMAN

Agenda Item: 7.E
Resolutions

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XX
Modifying Resolution No. MHFA 19-045 and MHFA 21-058

RESOLUTION APPROVING MORTGAGE COMMITMENT EXTENSION
HOUSING INFRASTRUCTURE LOAN (HIB) LOAN

WHEREAS, the Board has previously authorized a commitment for the Heather Court Apartments development herein named by its Resolution No. 19-045; and

WHEREAS, the Board authorized a modification to that commitment by its Resolution No. 21-058; and

WHEREAS, the development continues to be in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies; and

WHEREAS, Agency staff have determined that additional time is needed to complete processing and closing of the transaction.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to extend the commitment for the indicated development, subject to the revisions noted:

1. The deadline to close established by MHFA Resolution No. 19-045 was extended pursuant to Board Delegation No. 009 per Resolution No. MHFA 18-021 to July 24, 2022. The deadline to close is hereby extended to July 31, 2023; and

2. All other terms and conditions of MHFA Resolution No. 19-045 and Resolution No. 21-058 remain in effect.

Adopted this 21st day of July 2022

____

CHAIRMAN

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XXX
Modifying Resolution No. MHFA 19-041 and MHFA 21-059

RESOLUTION APPROVING MORTGAGE COMMITMENT EXTENSION
HOUSING INFRASTRUCTURE LOAN (HIB) LOAN

WHEREAS, the Board has previously authorized a commitment for the Malmquist Estates development herein named by its Resolution No. 19-041; and

WHEREAS, the Board authorized a modification to that commitment by its Resolution No. 21-059; and

WHEREAS, the development continues to be in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies; and

WHEREAS, Agency staff have determined that additional time is needed to complete processing and closing of the transaction.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to extend the commitment for the indicated development, subject to the revisions noted:

1. The deadline to close established by MHFA Resolution No. 19-041 was extended pursuant to Board Delegation No. 009 per Resolution No. MHFA 18-021 to July 24, 2022. The deadline to close is hereby extended to July 31, 2023; and

2. All other terms and conditions of MHFA Resolution No. 19-041 and Resolution No. 21-059 remain in effect.

Adopted this 21st day of July 2022

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CHAIRMAN

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XX
Modifying Resolution No. MHFA 19-043 and MHFA 21-060

RESOLUTION APPROVING MORTGAGE COMMITMENT EXTENSION
HOUSING INFRASTRUCTURE LOAN (HIB) LOAN

WHEREAS, the Board has previously authorized a commitment for the North States Apartments & BR Properties development herein named by its Resolution No. 19-043; and

WHEREAS, the Board authorized a modification to that commitment by its Resolution No. 21-060; and

WHEREAS, the development continues to be in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies; and

WHEREAS, Agency staff have determined that additional time is needed to complete processing and closing of the transaction.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to extend the commitment for the indicated development, subject to the revisions noted:

1. The deadline to close established by MHFA Resolution No. 19-043 was extended pursuant to Board Delegation No. 009 per Resolution No. MHFA 18-021 to July 24, 2022. The deadline to close is hereby extended to July 31, 2023; and

2. All other terms and conditions of MHFA Resolution No. 19-043 and Resolution No. 21-060 remain in effect.

Adopted this 21st day of July 2022

____
CHAIRMAN

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XX
Modifying Resolution No. MHFA 19-033 and MHFA 21-061

RESOLUTION APPROVING MORTGAGE COMMITMENT EXTENSION
HOUSING INFRASTRUCTURE LOAN (HIB) LOAN

WHEREAS, the Board has previously authorized a commitment for the Pine West & Springhaven development herein named by its Resolution No. 19-033; and

WHEREAS, the Board authorized a modification to that commitment by its Resolution No. 21-061; and

WHEREAS, the development continues to be in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies; and

WHEREAS, Agency staff have determined that additional time is needed to complete processing and closing of the transaction.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to extend the commitment for the indicated development, subject to the revisions noted:

1. The deadline to close established by MHFA Resolution No. 19-033 was extended pursuant to Board Delegation No. 009 per Resolution No. MHFA 18-021 to July 24, 2022. The deadline to close is hereby extended to July 31, 2023; and

2. All other terms and conditions of MHFA Resolution No. 19-033 and Resolution No. 21-061 remain in effect.

Adopted this 21st day of July 2022

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CHAIRMAN

Agenda Item: 7.E
Resolutions

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XX
Modifying Resolution No. MHFA 19-042 and MHFA 21-062

RESOLUTION APPROVING MORTGAGE COMMITMENT EXTENSION
HOUSING INFRASTRUCTURE LOAN (HIB) LOAN

WHEREAS, the Board has previously authorized a commitment for the Riverside & Hillside Apartments development herein named by its Resolution No. 19-042; and

WHEREAS, the Board authorized a modification to that commitment by its Resolution No. 21-02; and

WHEREAS, the development continues to be in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies; and

WHEREAS, Agency staff have determined that additional time is needed to complete processing and closing of the transaction.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to extend the commitment for the indicated development, subject to the revisions noted:

1. The deadline to close established by MHFA Resolution No. 19-042 was extended pursuant to Board Delegation No. 009 per Resolution No. MHFA 18-021 to July 24, 2022. The deadline to close is hereby extended to July 31, 2023; and

2. All other terms and conditions of MHFA Resolution No. 19-042 and Resolution No. 21-062 remain in effect.

Adopted this 21st day of July 2022

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CHAIRMAN

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XX
Modifying Resolution No. MHFA 19-044 and MHFA 21-063

RESOLUTION APPROVING MORTGAGE COMMITMENT EXTENSION
HOUSING INFRASTRUCTURE LOAN (HIB) LOAN

WHEREAS, the Board has previously authorized a commitment for the Town Edge Estates development herein named by its Resolution No. 19-044; and

WHEREAS, the Board authorized a modification to that commitment by its Resolution No. 21-063; and

WHEREAS, the development continues to be in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies; and

WHEREAS, Agency staff have determined that additional time is needed to complete processing and closing of the transaction.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to extend the commitment for the indicated development, subject to the revisions noted:

1. The deadline to close established by MHFA Resolution No. 19-044 was extended pursuant to Board Delegation No. 009 per Resolution No. MHFA 18-021 to July 24, 2022. The deadline to close is hereby extended to July 31, 2023; and

2. All other terms and conditions of MHFA Resolution No. 19-044 and Resolution No. 21-063 remain in effect.

Adopted this 21st day of July 2022

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CHAIRMAN

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MINNESOTA HOUSING

Board Agenda Item: 7.F
Date: 7/21/2022

Item: Final Loan Approval, Limited Partner Buy Out Loan
Hoffman Place, D6234, White Bear Lake, MN

Staff Contact(s):
Tresa Larkin, 651.284.3177, tresa.larkin@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☒ Resolution	☐ Information

Summary of Request:
Staff has completed the underwriting and technical review of the proposed development and recommends the final approval and adoption of a resolution authorizing the issuance of a Limited Partner Buy Out Loan in the amount of up to $821,333, subject to the terms and conditions of the Agency term letter.

Fiscal Impact:
Limited Partner Buy Out loans are funded from Housing Investment Fund (Pool 2) resources. As such, Minnesota Housing will earn interest income on the loan without incurring financing expenses. Minnesota Housing will earn additional fee income from originating the loan for this project.

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

Attachment(s):
- Background
- Development Summary
- Resolution
- Resolution Attachment: Term Letter

BACKGROUND

At the October 19, 2017 meeting, the Minnesota Housing board reviewed a request for Concept Approval for Limited Partner Buy Out Loans and voted unanimously to approve the new lending option. The limited partner buy out loans were designed to be used by owners of affordable rental properties to buy out the interests of exiting investor limited partners in low-income housing tax credit projects, helping to position the property for long term preservation of affordability.

General terms that were approved in 2017 included the following:

- Funds would be available to facilitate the exit of an investor limited partner.
- Eligible borrowers must have an existing loan from Minnesota Housing and would be encouraged utilize a new Minnesota Housing first mortgage to pay off both the outstanding debt and the buy-out loan.

Loan Terms:

Term:	Up to 24 month balloon; interest payments due monthly
Interest:	Fixed rate, interest only
Security:	Mortgage recorded against the property in last lien position
Fees:	Origination fee of 1% of loan amount
Guaranty:	Personal guaranty from remaining investor partners for full loan amount
Loan Amount:	Capped at 87% LTV based on existing first mortgage payoff plus new loan amount
Prepayment:	Loan may be prepaid without penalty at any time

Following the approval in 2017, only two loans have closed using the limited partner buy out loan product as approved at that time. No owners have used the limited partner buy out loan product in the last three years.

Agency staff has now received three requests for limited partner buy out loan funds. Based on the nature of these specific transactions, current market conditions, and other factors considered during underwriting, the waiver or modification of several of the originally approved loan terms are recommended for these transactions. These waivers are detailed in the Development Summary with each agenda item.

The original loan terms that were presented in 2017 are generally more restrictive than the terms being utilized for underwriting of the current transactions. Given the small number of transactions, staff does not recommend changing the terms of the lending product at this time. Lending terms may be reassessed in the future depending on activity in this product line and future market conditions.

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information				
Development Name	Hoffman Place		**D#6234**	**M#20566**
Address	3656 Hoffman Place			
City	White Bear Lake	**County**	Ramsey	
Date of Selection	6/29/2022	**Region**	Metro	

A. Project Description and Population Served

- Hoffman Place has 60 units in a 4-story elevator building with units ranging from one to three bedrooms located in White Bear Lake.
- The development provides general occupancy and workforce housing for family and single households.
- The project was built in 2009/2010 using housing tax credits (HTC), an Agency Low and Moderate Income Rental (LMIR) first mortgage financing (non HUD Risk Sharing) with a 17-year term and 30-year amortization, Agency Flexible Financing for Capital Costs (FFCC) financing and other subordinate debt.
- The project owner has been negotiating with the HTC investor limited partner, WNC, to buy out the limited partner owner position. The parties have agreed to the purchase price of $660,000 if the payoff can occur by August 31, 2022.
- In addition to the limited partner buyout, Borrower has requested, and Agency staff recommends, the payoff of the existing $100,000 subordinate debt in favor of Family Housing Fund and the Ramsey County Housing and Redevelopment Authority (HRA) loan in the amount of $61,333 at this time.
- A LMIR refinance loan request is anticipated to follow in 2027 which will include pay off (refinance) of the existing LMIR first mortgage, payoff of the FFCC loan, pay off of the City loan and pay off of the limited partner buy out loan. We anticipate a refinanced loan amount of approximately $4.4MM which is sufficient to retire all existing debt and address capital needs with a vision toward long-term preservation.

B. Mortgagor Information

Ownership Entity:	WBL Hoffman Place, LLC
Sponsor:	Sand Companies
Managing Member:	WBL Housing Group, LLC

C. Development Team Capacity Review

Sand Companies, Inc., has completed over 1,100 units of affordable housing that are of similar size and scope to the proposed development. MN Housing staff has rated this developer as acceptable.

Sand Property Management, LLC was established in 2011. They are a subsidiary of Sand Companies, Inc., who has been managing properties since 1996. They currently have 38 developments, with a total of 1,666 units.

Sand Property Management, LLC is a woman-owned business enterprise. Their current portfolio consists of Section 8, housing tax credits, HOME, LMIR and supportive housing. The asset management average evaluation ratings were good to excellent and average occupancy has been 95%. Sand has the capacity to continue to manage this development.

D. Current Funding Request

Loan Type	Source	Amount	IR	Term	Amort	Recourse	Lien Priority	Const. or End Loan
Amortizing, Subordinate	Pool 2	$821,333	4.50%	Approx. 5yrs October 2027	30	N	4	End Loan/ Immediate

- Limited Partner and subordinate debt buyout loan of up to $821,333 to be funded with Housing Investment Funds (Pool 2) with a 4.50% fixed interest rate with a term of approximately 5 years, to be coterminous with the existing Agency debt due October 2027.
- This approval provides consent by the Agency to allow the additional debt to be added behind our existing debt to the borrower.
- The loan will be closed and funded immediately at the time of closing.

E. Waiver(s)

The concept for making limited partner buy out loans was approved by the Agency Board in October 2017. While no guide or handbook has been created to further specify the lending criteria for limited partner buy out loans, the following items differ from those originally presented to Board:

- Use of funds – this loan will pay off both the Limited Partner and a portion of the subordinate debt.
- Term – the term of this loan will be approximately 5 years to be coterminous with the existing Agency debt rather than 24 months. This will make the future refinance at first mortgage maturity rather than forcing a premature refinance for the property.

- Repayment Term – this loan will make amortizing payments based on a 5-year term and 30-year amortization rather than be interest only. This brings the principal of the loan back to the Agency earlier than under the original program concept and earns interest income for the Agency.
- Origination Fee – the origination fee has been structured using the standard LMIR calculation rather than a flat 1% of the loan amount fee. Since this loan will be structured as an amortizing loan, adding a minimum fee per LMIR standards is appropriate.
- Guaranty – the strong operations of this project indicate that a guaranty is not necessary to secure this loan. Given the projected debt service coverage ratio and the cash flow, a guaranty would not significantly improve the Agency security.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Limited Partner Buy Out	$ 660,000	$ 11,000
Family Housing Fund Pay Off	$ 100,000	$ 1,667
Ramsey County Pay Off	$ 61,333	$ 1,022
Professional/Financing Fees	$ 45,000	$ 750
Total Development Cost	**$ 866,333**	**$ 14,439**

B. Permanent Capital Sources

Description	Amount	Per Unit
Buy Out Loan	$ 821,333	$ 13,689
General Partner Cash	$ 45,000	$ 750
Total Permanent Financing	**$ 866,333**	**$ 14,439**

C. Financing Structure

- This limited partner buy out loan will replace the exiting limited partner and pay off the existing Family Housing Fund loan and Ramsey County HRA loan.
- This new loan will be placed in last lien position behind only Agency and City debt with a clear path to refinance and pay off all subordinate debt when loans come due in 2027.
- Loan proceeds used to pay off limited partner and subordinate debt; general partner cash will cover all professional and financing fees.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (%, of MTSP or AMI)
1BR	6	$ 1,137	60% MTSP	60% MTSP
2BR	39	$ 1,360	60% MTSP	60% MTSP
3BR	15	$ 1,566	60% MTSP	60% MTSP

*Net Rents are the underwriting rents and are net of a utility allowance. The underwriting rents may not reflect the maximum rent limits.

- Subject rents are between $44 (1BR) and $70 (3BR) under the maximum allowable 60% rent limits.
- No rent and income restrictions are associated with this loan. The property must continue to comply with all rent and income requirements associated with existing financing.

B. Feasibility Summary

- Loan to value of the limited partner buy out loan is just 9% based on 2021 taxable value per the county tax records. Total loan to value of all debt that will remain post-closing of the limited partner buy out loan is 46%; leaving ample room for underwriting the refinance at maturity.
- The property demonstrates a 2.41 Debt Service Coverage Ratio (DSCR) including the existing LMIR loan as well as the payment of this new loan with strong cashflow at the project.
- Replacement reserves are currently being held by the Agency and will continue to be held by the Agency upon closing of this loan. Deposits are and will continue to be made at the standard amount of $450/Per Unit Per Annum (PUPA). All required maintenance and repairs are completed at the project in a timely manner, and the project has sufficient reserves to handle capital improvements.
- Vacancy is being underwritten at 5%. This is more than twice as high as the actual vacancy for 2021 but does match the vacancy factor used by Asset Management for the project budget.

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XX

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LIMITED PARTNER BUY OUT LOAN

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide 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:	Hoffman Place
Sponsors:	Sand Companies
Location of Development:	White Bear Lake
Number of Units:	60
Amount of Mortgage: (not to exceed)	$821,333

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 financing 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 permanent mortgage loans to the sponsor or an affiliate thereof from the Housing Investment Fund (Pool 2) for the indicated development, upon the following terms and conditions:

1. This authorization shall expire on December 31, 2022; and

2. The amount of the amortizing loan shall not exceed $821,333; and

3. The interest rate on the loan shall be 4.50% per annum (subject to change, as set forth in the attached Agency term letter dated June 29, 2022), with monthly payments based on a 30-year amortization; and

4. The term of the permanent LMIR loan shall be approximately 5 years, to be coterminous with the existing Agency LMIR first mortgage; and

5. 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

6. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and

7. The sponsor 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 21st day of July, 2022

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CHAIRMAN

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

June 29, 2022

Mr. Jamie Thelen
Sand Companies
WBL Hoffman Place, LLC
366 10th Avenue S
Waite Park, MN 56387

RE: Term Letter
Hoffman Place, White Bear Lake
Development # 6233, Project # 14780

Dear Jamie:

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: WBL Hoffman Place, LLC

Managing Member(s): WBL Housing Group, LLC

Development Description/Purpose: Pay off of Limited Partner and Subordinate Debt related to the 60-unit affordable housing development located in White Bear Lake, Minnesota

Minnesota Housing Loan Type/Terms

Program	Limited Partner Buy Out Loan
Loan Amount	$ 821,333
Interest Rate	4.50%
Mortgage Insurance Premium (%)	Not Applicable
Term	Approximately 5 years. Maturity coterminous with existing LMIR mortgage with due date October 2027.
Amortization / Repayment	30 years
Prepayment Provision	Prepay at any time without penalty.
Nonrecourse or Recourse	Nonrecourse

Construction to Permanent Loan, Construction Bridge Loan or End Loan	Immediate Delivery/End Loan
Lien Priority	4^{th} Lien Position

*Subject to change. Loan closing must occur by September 30, 2022 for the quoted interest rate to be valid; interest rate may be subject to adjustment after this date at Minnesota Housing's sole discretion.

Origination Fee: Limited Partner Buy Out Loan: $25,000 (payable at the loan closing)

Inspection Fee: Not Applicable

Guaranty / Guarantor(s): Not Applicable

Operating Deficit Escrow Reserve Account: Not Applicable

Operating Cost Reserve Account: Not Applicable

Replacement Reserve Account: Not Applicable. Replacement reserves will continue to be held by the Agency with the existing LMIR mortgage loan.

Escrows: Not Applicable. Real estate tax escrow and property insurance escrow Replacement reserves will continue to be held by the Agency with the existing LMIR mortgage loan.

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: No rent and income restrictions are associated with this loan.

Property must continue to comply with all rent and income requirements associated with existing financing.

HAP or Other Subsidy Agreement: Not Applicable

Other Occupancy Requirements:	Not Applicable
Other Requirements:	Not Applicable
Closing Costs:	Borrower agrees to pay all closing and financing costs related to the specific financing referenced in this letter.
Expiration Date:	The Terms will expire six months from the date of this letter.
Additional Terms:	Not Applicable
Other Conditions:	Not Applicable
Board Approval:	Commitment of all 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 it to Tresa Larkin at tresa.larkin@state.mn.us on or before 10 business days from date of this letter. Additionally, if you have any questions related to this letter, please contact Tresa.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

WBL HOFFMAN PLACE, LLC

By: ______________________________
Secretary/Treasurer of Managing Member

Date Accepted: 7/1/22

MINNESOTA HOUSING

Board Agenda Item: 7.G
Date: 7/21/2022

Item: Final Loan Approval, Limited Partner Buy Out Loan
Cornerstone Village, D6233, Saint Michael, MN

Staff Contact(s):
Tresa Larkin, 651.284.3177, tresa.larkin@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff has completed the underwriting and technical review of the proposed development and recommends the final approval and adoption of a resolution authorizing the issuance of a Limited Partner Buy Out Loan in the amount of up to $560,000, subject to the terms and conditions of the Agency term letter.

Fiscal Impact:
Limited Partner Buy Out loans are funded from Housing Investment Fund (Pool 2) resources. As such, Minnesota Housing will earn interest income on the loan without incurring financing expenses. Minnesota Housing will earn additional fee income from originating the loan for this project.

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

Attachment(s):
- Background
- Development Summary
- Resolution
- Resolution Attachment: Term Letter

BACKGROUND

At the October 19, 2017 meeting, the Minnesota Housing board reviewed a request for Concept Approval for Limited Partner Buy Out Loans and voted unanimously to approve the new lending option. The limited partner buy out loans were designed to be used by owners of affordable rental properties to buy out the interests of exiting investor limited partners in low-income housing tax credit projects, helping to position the property for long term preservation of affordability.

General terms that were approved in 2017 included the following:

- Funds would be available to facilitate the exit of an investor limited partner.
- Eligible borrowers must have an existing loan from Minnesota Housing and would be encouraged utilize a new Minnesota Housing first mortgage to pay off both the outstanding debt and the buy-out loan.

Loan Terms:

Term:	Up to 24 month balloon; interest payments due monthly
Interest:	Fixed rate, interest only
Security:	Mortgage recorded against the property in last lien position
Fees:	Origination fee of 1% of loan amount
Guaranty:	Personal guaranty from remaining investor partners for full loan amount
Loan Amount:	Capped at 87% LTV based on existing first mortgage payoff plus new loan amount
Prepayment:	Loan may be prepaid without penalty at any time

Following the approval in 2017, only two loans have closed using the limited partner buy out loan product as approved at that time. No owners have used the limited partner buy out loan product in the last three years.

Agency staff has now received three requests for limited partner buy out loan funds. Based on the nature of these specific transactions, current market conditions, and other factors considered during underwriting, the waiver or modification of several of the originally approved loan terms are recommended for these transactions. These waivers are detailed in the Development Summary with each agenda item.

The original loan terms that were presented in 2017 are generally more restrictive than the terms being utilized for underwriting of the current transactions. Given the small number of transactions, staff does not recommend changing the terms of the lending product at this time. Lending terms may be reassessed in the future depending on activity in this product line and future market conditions.

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information				
Development Name	Cornerstone Village		**D#6233**	**M#20565**
Address	40 St. Michael Parkway			
City	Saint Michael	**County**	Wright	
Date of Selection	6/29/2022	**Region**	Central	

A. Project Description and Population Served

- Cornerstone Village has 42 units in a 4-story elevator building with units ranging from one to three bedrooms located in St. Michael.
- The development provides general occupancy and workforce housing for family and single households.
- The project was built in 2010/2011 using housing tax credits (HTC), Agency Low and Moderate Income Rental (LMIR) first mortgage financing (non HUD Risk Sharing) with a 17-year term and 30-year amortization, Agency Flexible Financing for Capital Costs (FFCC) financing and other subordinate debt.
- The project owner has been negotiating with the HTC investor limited partner, WNC, to buy out the limited partner owner position. The parties have agreed to the purchase price of $350,000 if the payoff can occur by August 31, 2022.
- In addition to the limited partner buyout, Borrower has requested, and Agency staff recommends, the payoff of the existing $210,000 subordinate debt in favor of Greater Minnesota Housing Fund at this time.
- A LMIR refinance loan request is anticipated to follow in 2028 which will include pay off (refinance) of the existing LMIR first mortgage, payoff of the FFCC loan, and pay off of the limited partner loan and remaining subordinate debt buyout loan request. We anticipate a refinanced loan amount of approximately $3.5MM which is sufficient to retire all existing debt and address capital needs with a vision toward long-term preservation.

B. Mortgagor Information

Ownership Entity:	Saint Michael Housing Group, LLC
Sponsor:	Sand Companies
Managing Member:	SCI Associates, LLC

C. Development Team Capacity Review

Sand Companies, Inc., has completed over 1,100 units of affordable housing that are of similar size and scope to the proposed development. MN Housing staff has rated this developer as acceptable.

Sand Property Management, LLC was established in 2011. They are a subsidiary of Sand Companies, Inc., who has been managing properties since 1996. They currently have 38 developments, with a total of 1,666 units.

Sand Property Management, LLC is a woman-owned business enterprise. Their current portfolio consists of Section 8, housing tax credits, HOME, LMIR and supportive housing. The asset management average evaluation ratings were good to excellent and average occupancy has been 95%.Sand has the capacity to continue to manage this development.

D. Current Funding Request

Loan Type	Source	Amount	IR	Term	Amort	Recourse	Lien Priority	Const. or End Loan
Amortizing, Subordinate	Pool 2	$560,000	4.50%	Approx. 6yrs October 2028	30	N	4	End Loan/ Immediate

- Limited Partner and subordinate debt buyout loan of up to $560,000 to be funded with Housing Investment Funds (Pool 2) with a 4.50% fixed interest rate with a term of approximately 6 years, to be coterminous with the existing Agency debt due October 2028.
- This approval provides consent by the Agency to allow the additional debt to be added behind our existing debt to the borrower.
- The loan will be closed and funded immediately at the time of closing.

E. Waiver(s)

The concept for making limited partner buy out loans was approved by the Agency Board in October 2017. While no guide or handbook has been created to further specify the lending criteria for limited partner buy out loans, the following items differ from those originally presented to Board:

- Use of funds – this loan will pay off both the Limited Partner and subordinate debt.
- Term – the term of this loan will be approximately 6 years to be coterminous with the existing Agency debt rather than 24 months. This will make the future refinance at first mortgage maturity rather than forcing a premature refinance for the property.

- Repayment Term – this loan will make amortizing payments based on a 6-year term and 30-year amortization rather than be interest only. This brings the principal of the loan back to the Agency earlier than under the original program concept and earns interest income for the Agency.
- Origination Fee – the origination fee has been structured using the standard LMIR calculation rather than a flat 1% of the loan amount fee. Since this loan will be structured as an amortizing loan, adding a minimum fee per LMIR standards is appropriate.
- Guaranty – the strong operations of this project indicate that a guaranty is not necessary to secure this loan. Given the projected debt service coverage ratio and the cash flow, a guaranty would not significantly improve the Agency security.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Limited Partner Buy Out	$ 350,000	$ 8,333
Greater MN Pay Off	$ 210,000	$ 5,000
Professional/Financing Fees	$ 45,000	$ 1,071
Total Development Cost	**$ 605,000**	**$ 14,405**

B. Permanent Capital Sources

Description	Amount	Per Unit
Buy Out Loan	$ 560,000	$ 13,333
General Partner Cash	$ 45,000	$ 1,071
Total Permanent Financing	**$ 605,000**	**$ 14,405**

C. Financing Structure

- This limited partner buy out loan will replace the exiting limited partner and pay off the existing Greater Minnesota Housing Fund loan.
- This new loan will be placed in last lien position; however, this loan will be behind only Agency debt with a clear path to refinance and pay off all subordinate debt when loans come due in 2028.
- Loan proceeds used to pay off limited partner and subordinate debt; general partner cash will cover all professional and financing fees.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (%, of MTSP or AMI)
1BR	6	$ 1,137	60% MTSP	60% MTSP
2BR	25	$ 1,357	60% MTSP	60% MTSP
3BR	11	$ 1,561	60% MTSP	60% MTSP

*Net Rents are the underwriting rents and are net of a utility allowance. The underwriting rents may not reflect the maximum rent limits.

- Subject rents are between $45 (1BR) and $70 (3BR) under the maximum allowable 60% rent limits.
- No rent and income restrictions are associated with this loan. The property must continue to comply with all rent and income requirements associated with existing financing.

B. Feasibility Summary

- Loan to value of the limited partner buy out loan is just 13% based on 2021 taxable value per the county tax records. Total loan to value of all debt that will remain post-closing of the limited partner buy out loan is 70%; leaving ample room for underwriting the refinance at maturity.
- The property demonstrates a 2.06 Debt Service Coverage Ratio (DSCR) including the existing LMIR loan as well as the payment of this new loan with strong cashflow at the project.
- Replacement reserves are currently being held by the Agency and will continue to be held by the Agency upon closing of this loan. Deposits are and will continue to be made at the standard amount of $450/Per Unit Per Annum (PUPA). All required maintenance and repairs are completed at the project in a timely manner, and the project has sufficient reserves to handle capital improvements.
- Vacancy is being underwritten at 5%. This is more than twice as high as the actual vacancy for 2021 but does match the vacancy factor used by Asset Management for the project budget.

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LIMITED PARTNER BUY OUT LOAN

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide 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:	Cornerstone Village
Sponsors:	Sand Companies
Location of Development:	Saint Michael
Number of Units:	42
Amount of Mortgage: (not to exceed)	$560,000

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 financing 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 permanent mortgage loans to the sponsor or an affiliate thereof from the Housing Investment Fund (Pool 2) for the indicated development, upon the following terms and conditions:

1. This authorization shall expire on December 31, 2022; and

2. The amount of the amortizing loan shall not exceed $560,000; and

3. The interest rate on the loan shall be 4.50% per annum (subject to change, as set forth in the attached Agency term letter dated June 29, 2022), with monthly payments based on a 30-year amortization; and

4. The term of the permanent LMIR loan shall be approximately 6 years, to be coterminous with the existing Agency LMIR first mortgage; and

5. 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

6. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and

7. The sponsor 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 21st day of July, 2022

____

CHAIRMAN

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

June 29, 2022

Mr. Jamie Thelen
Sand Companies
St. Michael Housing Group, LLC
366 10th Avenue S
Waite Park, MN 56387

RE: Term Letter
Cornerstone Village, St. Michael
Development #6233, Project # 14780

Dear Jamie:

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: St. Michael Housing Group, LLC

Managing Member(s): SCI Associates, LLC

Development Description/Purpose: Pay off of Limited Partner and Subordinate Debt related to the 42-unit affordable housing development located in St. Michael, Minnesota

Minnesota Housing Loan Type/Terms

Program	Limited Partner Buy Out Loan
Loan Amount	$ 560,000
Interest Rate	4.50%
Mortgage Insurance Premium (%)	Not Applicable
Term	Approximately 6 years. Maturity coterminous with existing LMIR mortgage with due date October 2028.
Amortization / Repayment	30 years
Prepayment Provision	Prepay at any time without penalty.
Nonrecourse or Recourse	Nonrecourse

Construction to Permanent Loan, Construction Bridge Loan or End Loan	Immediate Delivery/End Loan
Lien Priority	4th Lien Position

*Subject to change. Loan closing must occur by September 30, 2022 for the quoted interest rate to be valid; interest rate may be subject to adjustment after this date at Minnesota Housing's sole discretion.

Origination Fee: Limited Partner Buy Out Loan: $25,000 (payable at the loan closing)

Inspection Fee: Not Applicable

Guaranty / Guarantor(s): Not Applicable

Operating Deficit Escrow Reserve Account: Not Applicable

Operating Cost Reserve Account: Not Applicable

Replacement Reserve Account: Not Applicable. Replacement reserves will continue to be held by the Agency with the existing LMIR mortgage loan.

Escrows: Not Applicable. Real estate tax escrow and property insurance escrow Replacement reserves will continue to be held by the Agency with the existing LMIR mortgage loan.

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: No rent and income restrictions are associated with this loan.

Property must continue to comply with all rent and income requirements associated with existing financing.

HAP or Other Subsidy Agreement: Not Applicable

Other Occupancy Requirements:	Not Applicable
Other Requirements:	Not Applicable
Closing Costs:	Borrower agrees to pay all closing and financing costs related to the specific financing referenced in this letter.
Expiration Date:	The Terms will expire six months from the date of this letter.
Additional Terms:	Not Applicable
Other Conditions:	Not Applicable
Board Approval:	Commitment of all 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 it to Tresa Larkin at tresa.larkin@state.mn.us on or before 10 business days from date of this letter. Additionally, if you have any questions related to this letter, please contact Tresa.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

ST. MICHAEL HOUSING GROUP, LLC

By: ______________________________
Secretary/Treasurer of Managing Member

Date Accepted: 7/1/22

MINNESOTA HOUSING

Board Agenda Item: 7.H
Date: 7/21/2022

Item: Final Loan Approval, Limited Partner Buy Out Loan
Maple Village, D5959, Maple Grove, MN

Staff Contact(s):
Tresa Larkin, 651.284.3177, tresa.larkin@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☒ Resolution	☐ Information

Summary of Request:
Staff has completed the underwriting and technical review of the proposed development and recommends the final approval and adoption of a resolution authorizing the issuance of a Limited Partner Buy Out Loan in the amount of up to $505,000, subject to the terms and conditions of the Agency term letter.

Fiscal Impact:
Limited Partner Buy Out loans are funded from Housing Investment Fund (Pool 2) resources. As such, Minnesota Housing will earn interest income on the loan without incurring financing expenses. Minnesota Housing will earn additional fee income from originating the loan for this project.

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

Attachment(s):
- Background
- Development Summary
- Resolution
- Resolution Attachment: Term Letter

BACKGROUND

At the October 19, 2017 meeting, the Minnesota Housing board reviewed a request for Concept Approval for Limited Partner Buy Out Loans and voted unanimously to approve the new lending option. The limited partner buy out loans were designed to be used by owners of affordable rental properties to buy out the interests of exiting investor limited partners in low-income housing tax credit projects, helping to position the property for long term preservation of affordability.

General terms that were approved in 2017 included the following:

- Funds would be available to facilitate the exit of an investor limited partner.
- Eligible borrowers must have an existing loan from Minnesota Housing and would be encouraged utilize a new Minnesota Housing first mortgage to pay off both the outstanding debt and the buy-out loan.

Loan Terms:

Term:	Up to 24 month balloon; interest payments due monthly
Interest:	Fixed rate, interest only
Security:	Mortgage recorded against the property in last lien position
Fees:	Origination fee of 1% of loan amount
Guaranty:	Personal guaranty from remaining investor partners for full loan amount
Loan Amount:	Capped at 87% LTV based on existing first mortgage payoff plus new loan amount
Prepayment:	Loan may be prepaid without penalty at any time

Following the approval in 2017, only two loans have closed using the limited partner buy out loan product as approved at that time. No owners have used the limited partner buy out loan product in the last three years.

Agency staff has now received three requests for limited partner buy out loan funds. Based on the nature of these specific transactions, current market conditions, and other factors considered during underwriting, the waiver or modification of several of the originally approved loan terms are recommended for these transactions. These waivers are detailed in the Development Summary with each agenda item.

The original loan terms that were presented in 2017 are generally more restrictive than the terms being utilized for underwriting of the current transactions. Given the small number of transactions, staff does not recommend changing the terms of the lending product at this time. Lending terms may be reassessed in the future depending on activity in this product line and future market conditions.

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information				
Development Name	Maple Village		**D#5959**	**M#20567**
Address	9220 Zanzibar Lane North			
City	Maple Grove	**County**	Hennepin	
Date of Selection	6/29/2022	**Region**	Metro	

A. Project Description and Population Served

- Maple Village has 54 units in two elevator buildings with 3 and 4 stories. Units range from one to three bedrooms located in White Bear Lake.
- The development provides general occupancy and workforce housing for family and single households.
- The project was built in 2008/2009 using housing tax credits (HTC), Agency Low and Moderate Income Rental (LMIR) first mortgage financing (non HUD Risk Sharing) with a 17-year term and 30-year amortization, Agency Economic Development Housing Challenge (EDHC) financing and other subordinate debt.
- The project owner has been negotiating with the HTC investor limited partner, WNC, to buy out the limited partner owner position. The parties have agreed to the purchase price of $355,000 if the payoff can occur by August 31, 2022.
- In addition to the limited partner buyout, Borrower has requested, and Agency staff recommends, the payoff of the existing $150,000 subordinate debt in favor of Family Housing Fund at this time.
- A LMIR refinance loan request is expected to follow in 2026 which will include pay off (refinance) of the existing LMIR first mortgage, pay off of the EDHC loan, pay off the City loan and pay off of the limited partner buy out loan request. We anticipate a refinanced loan amount of approximately $3.7MM which is sufficient to retire all existing debt and address capital needs with a vision toward long-term preservation.

B. Mortgagor Information

Ownership Entity:	Maple Village, LLC
Sponsor:	Sand Companies
Managing Member:	Maple Village Partners, LLC

C. Development Team Capacity Review

Sand Companies, Inc., has completed over 1,100 units of affordable housing that are of similar size and scope to the proposed development. Minnesota Housing staff has rated this developer as acceptable.

Sand Property Management, LLC was established in 2011. They are a subsidiary of Sand Companies, Inc., who has been managing properties since 1996. They currently have 38 developments, with a total of 1,666 units.

Sand Property Management, LLC is a woman-owned business enterprise. Their current portfolio consists of Section 8, housing tax credits, HOME, LMIR and supportive housing. The asset management average evaluation ratings were good to excellent and average occupancy has been 95%. Sand has the capacity to continue to manage this development.

D. Current Funding Request

Loan Type	Source	Amount	IR	Term	Amort	Recourse	Lien Priority	Const. or End Loan
Amortizing, Subordinate	Pool 2	$505,000	4.50%	Approx. 4yrs October 2026	30	N	4	End Loan/ Immediate

- Limited Partner and subordinate debt buyout loan of up to $505,000 to be funded with Housing Investment Funds (Pool 2) with a 4.50% fixed interest rate with a term of approximately 4 years, to be coterminous with the existing Agency debt due October 2026.
- This approval provides consent by the Agency to allow the additional debt to be added behind our existing debt to the borrower.
- The loan will be closed and funded immediately at the time of closing.

E. Waiver(s)

The concept for making limited partner buy out loans was approved by the Agency Board in October 2017. While no guide or handbook has been created to further specify the lending criteria for limited partner buy out loans, the following items differ from those originally presented to Board:

- Use of funds – this loan will pay off both the Limited Partner and subordinate debt.
- Term – the term of this loan will be approximately 5 years to be coterminous with the existing Agency debt rather than 24 months. This will make the future refinance at first mortgage maturity rather than forcing a premature refinance for the property.

- Repayment Term – this loan will make amortizing payments based on a 4-year term and 30-year amortization rather than be interest only. This brings the principal of the loan back to the Agency earlier than under the original program concept and earns interest income for the Agency.
- Origination Fee – the origination fee has been structured using the standard LMIR calculation rather than a flat 1% of the loan amount fee. Since this loan will be structured as an amortizing loan, adding a minimum fee per LMIR standards is appropriate.
- Guaranty – the strong operations of this project indicate that a guaranty is not necessary to secure this loan. Given the projected debt service coverage ratio and the cash flow, a guaranty would not significantly improve the Agency security.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Limited Partner Buy Out	$ 355,000	$ 6,574
Family Housing Fund Pay Off	$ 150,000	$ 2,778
Professional/Financing Fees	$ 45,000	$ 833
Total Development Cost	**$ 550,000**	**$ 10,185**

B. Permanent Capital Sources

Description	Amount	Per Unit
Buy Out Loan	$ 505,000	$ 9,352
General Partner Cash	$ 45,000	$ 833
Total Permanent Financing	**$ 550,000**	**$ 10,185**

C. Financing Structure

- This limited partner buy out loan will replace the exiting limited partner and pay off the existing Family Housing Fund loan.
- This new loan will be placed in last lien position behind only Agency and City debt with a clear path to refinance and pay off all subordinate debt when loans come due in 2026.
- Loan proceeds used to pay off limited partner and subordinate debt; general partner cash will cover all professional and financing fees.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (%, of MTSP or AMI)
1BR	3	$ 1,137	60% MTSP	60% MTSP
2BR	33	$ 1,360	60% MTSP	60% MTSP
3BR	18	$ 1,566	60% MTSP	60% MTSP

*Net Rents are the underwriting rents and are net of a utility allowance. The underwriting rents may not reflect the maximum rent limits.

- Subject rents are between $44 (1BR) and $70 (3BR) under the maximum allowable 60% rent limits.
- No rent and income restrictions are associated with this loan. The property must continue to comply with all rent and income requirements associated with existing financing.

B. Feasibility Summary

- Loan to value of the limited partner buy out loan is just 11% based on 2021 taxable value per the county tax records. Total loan to value of all debt that will remain post-closing of the limited partner buy out loan is 76%; leaving ample room for underwriting the refinance at maturity.
- The property demonstrates a 2.32 Debt Service Coverage Ratio (DSCR) including the existing LMIR loan as well as the payment of this new loan with strong cashflow at the project.
- Replacement reserves are currently being held by the Agency and will continue to be held by the Agency upon closing of this loan. Deposits are and will continue to be made at the standard amount of $450/Per Unit Per Annum (PUPA). All required maintenance and repairs are completed at the project in a timely manner, and the project has sufficient reserves to handle capital improvements.
- Vacancy is being underwritten at 5%. This is more than four times as high as the actual vacancy for 2021 but does match the vacancy factor used by Asset Management for the project budget.

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LIMITED PARTNER BUY OUT LOAN

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide 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:	Maple Village
Sponsors:	Sand Companies
Location of Development:	Maple Grove
Number of Units:	54
Amount of Mortgage: (not to exceed)	$505,000

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 financing 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 permanent mortgage loans to the sponsor or an affiliate thereof from the Housing Investment Fund (Pool 2) for the indicated development, upon the following terms and conditions:

1. This authorization shall expire on December 31, 2022; and

2. The amount of the amortizing loan shall not exceed $505,000; and

3. The interest rate on the loan shall be 4.50% per annum (subject to change, as set forth in the attached Agency term letter dated June 29, 2022), with monthly payments based on a 30-year amortization; and

4. The term of the permanent LMIR loan shall be approximately 4 years, to be coterminous with the existing Agency LMIR first mortgage; and

5. 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

6. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and

7. The sponsor 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 21st day of July, 2022

____

CHAIRMAN

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

June 29, 2022

Mr. Jamie Thelen
Sand Companies
Maple Village, LLC
366 10th Avenue S
Waite Park, MN 56387

RE: Term Letter
Maple Village, Maple Grove
Development # 5959, Project # 13646

Dear Jamie:

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: Maple Village, LLC

Managing Member(s): Maple Village Partners, LLC

Development Description/Purpose: Pay off of Limited Partner and Subordinate Debt related to the 54-unit affordable housing development located in Maple Grove, Minnesota

Minnesota Housing Loan Type/Terms

Program	Limited Partner Buy Out Loan
Loan Amount	$ 505,000
Interest Rate	4.50%
Mortgage Insurance Premium (%)	Not Applicable
Term	Approximately 4 years. Maturity coterminous with existing LMIR mortgage with due date September 2026.
Amortization / Repayment	30 years
Prepayment Provision	Prepay at any time without penalty.
Nonrecourse or Recourse	Nonrecourse

Construction to Permanent Loan, Construction Bridge Loan or End Loan	Immediate Delivery/End Loan
Lien Priority	4th Lien Position

*Subject to change. Loan closing must occur by September 30, 2022 for the quoted interest rate to be valid; interest rate may be subject to adjustment after this date at Minnesota Housing's sole discretion.

Origination Fee: Limited Partner Buy Out Loan: $25,000 (payable at the loan closing)

Inspection Fee: Not Applicable

Guaranty / Guarantor(s): Not Applicable

Operating Deficit Escrow Reserve Account: Not Applicable

Operating Cost Reserve Account: Not Applicable

Replacement Reserve Account: Not Applicable. Replacement reserves will continue to be held by the Agency with the existing LMIR mortgage loan.

Escrows: Not Applicable. Real estate tax escrow and property insurance escrow Replacement reserves will continue to be held by the Agency with the existing LMIR mortgage loan.

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: No rent and income restrictions are associated with this loan.

Property must continue to comply with all rent and income requirements associated with existing financing.

HAP or Other Subsidy Agreement: Not Applicable

Other Occupancy Requirements:	Not Applicable
Other Requirements:	Not Applicable
Closing Costs:	Borrower agrees to pay all closing and financing costs related to the specific financing referenced in this letter.
Expiration Date:	The Terms will expire six months from the date of this letter.
Additional Terms:	Not Applicable
Other Conditions:	Not Applicable
Board Approval:	Commitment of all 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 it to Tresa Larkin at tresa.larkin@state.mn.us on or before 10 business days from date of this letter. Additionally, if you have any questions related to this letter, please contact Tresa.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

MAPLE VILLAGE, LLC

By: ______________________________
Secretary/Treasurer of Managing Member

Date Accepted: 7/1/22

MINNESOTA HOUSING

Item: Adoption, Series Resolution authorizing the issuance and sale of Additional Series of State Appropriation Bonds (Housing Infrastructure)

Staff Contact(s):

Debbi Larson, 651.296.8183, debbi.larson@state.mn.us
Paula Rindels, 651.296.2293, paula.rindels@state.mn.us
Rachel Robinson, 651.297.3125, rachel.robinson@state.mn.us

Request Type:

☒ Approval
- ☐ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:

Agency staff is preparing to issue additional State Appropriation Bonds (Housing Infrastructure), the proceeds of which will be used to finance loans for eligible housing infrastructure projects. The attached resolution outlines the parameters under which the Agency can proceed to issue additional Series of Housing Infrastructure Bonds under legislative authority granted for Housing Infrastructure Bonds during the 2021 legislative session. The resolution also specifies the additional projects that may be financed by Housing Infrastructure Bonds. The Agency currently anticipates issuing approximately $100 million of Housing Infrastructure Bonds in September of 2022, which would use much of the existing legislative authority granted for Housing Infrastructure Bonds up to and through the 2021 legislative session. The attached Preliminary Official Statement describes the contemplated upcoming issuance of Housing Infrastructure Bonds.

Fiscal Impact:

As with all Housing Infrastructure Bonds, the debt service on these State Appropriation Bonds will be paid from an annual appropriation to the Agency's bond trustee from the State of Minnesota so there is no direct financial impact to the Agency from this bond issuance. The Agency will earn an origination fee at the closing of each loan financed from the proceeds of the Housing Infrastructure Bonds.

Meeting Agency Priorities:

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

Attachment(s):

- Preliminary Official Statement
- Resolution

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST ___, 2022

NEW ISSUE

RATINGS: Moody's: "___"
S&P: "___"
(See "Ratings" herein.)

This Official Statement has been prepared by the Minnesota Housing Finance Agency (the "Agency") to provide information about the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series Bonds, a prospective investor should read this Official Statement in its entirety. Unless indicated, terms used with initial capital letters on this cover page have the meanings given in this Official Statement.

MINNESOTA HOUSING

$110,000,000*
Minnesota Housing Finance Agency

$43,790,000* State Appropriation Bonds (Housing Infrastructure), 2022 Series A (Non-AMT)
$26,210,000* State Appropriation Bonds (Housing Infrastructure), 2022 Series B (Non-AMT)
$40,000,000* State Appropriation Bonds (Housing Infrastructure), 2022 Series C (Non-AMT)

Dated Date: Date of Delivery | **Due: As shown on inside front cover**

Tax Exemption Interest on the Series Bonds is not includable in gross income for federal income tax purposes or taxable net income of individuals, estates and trusts for Minnesota income tax purposes, provided interest on any 2022 Series C Bond is not excluded from gross income for federal income tax purposes of any holder of those Series Bonds who is a "substantial user" of a facility financed with the proceeds of those Series Bonds or a "related person" within the meaning of Section 147(a) of the Code. (For additional information, including further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations.")

Redemption The Agency may redeem all or a portion of the Series Bonds by optional redemption and must redeem a portion of the Series Bonds by mandatory sinking fund redemption, as described under "The Series Bonds."

Security THE SERIES BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AGENCY PAYABLE SOLELY, AND EQUALLY AND RATABLY, FROM SPECIFIED TRANSFERS EXPECTED TO BE MADE BY THE STATE OF MINNESOTA (THE "STATE") PURSUANT TO LEGISLATION PROVIDING FOR THE APPROPRIATION OF THOSE TRANSFERS FROM THE GENERAL FUND OF THE STATE TO THE AGENCY (THE "HOUSING INFRASTRUCTURE STATE APPROPRIATIONS"), AND MONEYS AND SECURITIES HELD FROM TIME TO TIME IN THE FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE (AS HEREIN DEFINED) AND PLEDGED TO THAT PAYMENT. THE AGENCY HAS NOT PLEDGED ANY OTHER REVENUES OR ASSETS, NOR THE FULL FAITH AND CREDIT OF THE AGENCY, TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES BONDS. THE AGENCY HAS NO TAXING POWER. THE SERIES BONDS ARE NOT INDEBTEDNESS OR ANOTHER OBLIGATION OF THE STATE AND ARE NOT PUBLIC DEBT OF THE STATE. THE STATE HAS NOT PLEDGED ITS FULL FAITH AND CREDIT AND TAXING POWER TO PAYMENT OF THE SERIES BONDS OR TO TRANSFERS TO THE AGENCY OF THE HOUSING INFRASTRUCTURE STATE APPROPRIATIONS. PURSUANT TO MINNESOTA LAW, THE MINNESOTA LEGISLATURE MAY REDUCE OR REPEAL THE HOUSING INFRASTRUCTURE STATE APPROPRIATIONS IN THEIR ENTIRETY. THE HOUSING INFRASTRUCTURE APPROPRIATIONS ARE ALSO SUBJECT TO REDUCTION THROUGH UNALLOTMENT. See "Nature of Obligation and Source of Payment."

Interest Payment Dates February 1 and August 1, commencing February 1, 2023, and, for any Series Bonds to be redeemed, the redemption date.

Denominations $5,000 or any multiple thereof.

Closing/Settlement September 8, 2022* through the facilities of DTC in New York, New York.

Bond Counsel Kutak Rock LLP.

Underwriters' Counsel Cozen O'Connor.

Trustee Computershare Trust Company, National Association, in Minneapolis, Minnesota.

Book-Entry-Only System The Depository Trust Company. See Appendix B hereto.

The Series Bonds are offered, when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Kutak Rock LLP, Bond Counsel, as to the validity of, and tax exemption of interest on, the Series Bonds.

RBC Capital Markets

J.P. Morgan **Piper Sandler & Co.** **Wells Fargo Securities**

The date of this Official Statement is __, 2022.

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*Preliminary; subject to change.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES AND YIELDS*

2022 Series A Bonds (Non-AMT)

Due (August 1)*	Principal Amount*	Interest Rate	Price	Yield	CUSIP**

$___,000* ___% Term Bonds Due August 1, ___,* Yield _____%, Price: ____% (CUSIP ________)**

2022 Series B Bonds (Non-AMT)

Due (August 1)*	Principal Amount*	Interest Rate	Price	Yield	CUSIP**

$____,000* ___% Term Bonds Due August 1, ___,* Yield _____%, Price: ____% (CUSIP ________)**

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*Preliminary, subject to change.

**CUSIP numbers have been assigned by an organization not affiliated with the Agency and are included for the convenience of the owners of the Series Bonds. The Agency is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series Bonds or as indicated above. A CUSIP number for a specific maturity may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES AND YIELDS*

2022 Series C Bonds (Non-AMT)

Due (August 1)*	Principal Amount*	Interest Rate	Price	Yield	CUSIP**

$_____,000* ___% Term Bonds Due August 1, ___,* Yield _____%, Price: _____% (CUSIP ________)**

*Preliminary, subject to change.

**CUSIP numbers have been assigned by an organization not affiliated with the Agency and are included for the convenience of the owners of the Series Bonds. The Agency is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series Bonds or as indicated above. A CUSIP number for a specific maturity may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

None of the Minnesota Housing Finance Agency, the State of Minnesota or the Underwriters has authorized any dealer, broker, salesman or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency since the date of this Official Statement.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, the State and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of the information.

In connection with this offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. This stabilizing, if commenced, may be discontinued.

NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT
relating to
$110,000,000*
MINNESOTA HOUSING FINANCE AGENCY
STATE APPROPRIATION BONDS (HOUSING INFRASTRUCTURE)
2022 SERIES A, 2022 SERIES B AND 2022 SERIES C

This Official Statement (which includes the cover page, inside front cover and Appendices) provides certain information concerning the Minnesota Housing Finance Agency (the "Agency"), created by Minnesota Statutes, Chapter 462A, as amended (the "Act"), the State of Minnesota (the "State"), and the State Appropriation Bonds (Housing Infrastructure), 2022 Series A (the "Series 2022A Bonds"), State Appropriation Bonds (Housing Infrastructure), 2022 Series B (the "Series 2022B Bonds," and collectively with the Series 2022A Bonds, the "Series 2022AB Bonds"), and State Appropriation Bonds (Housing Infrastructure), 2022 Series C (the "Series 2022C Bonds;" and collectively with the Series 2022B Bonds, the "Series 2022BC Bonds;" the Series 2022A Bonds, the Series 2022B Bonds and the Series 2022C Bonds are collectively referred to herein as the "Series Bonds"), in connection with the offering and sale of the Series Bonds by the Agency and for the information of all who may become initial Owners of the Series Bonds.

The Agency is issuing the Series Bonds pursuant to the Act, an Indenture of Trust, dated as of August 1, 2013, as supplemented by an Eleventh Supplemental Indenture of Trust, to be dated as of September 1, 2022 (as so supplemented, and as amended and supplemented from time to time in accordance with its terms, the "Indenture"), each between the Agency and Computershare Trust Company, National Association, as successor trustee (the "Trustee"). The Agency has issued 27 series of its State Appropriation Bonds (Housing Infrastructure), 2013 Series A and 2013 Series B (the "Series 2013 Bonds"), its State Appropriation Bonds (Housing Infrastructure), 2014 Series A and 2014 Series B (the "Series 2014 Bonds"), its State Appropriation Bonds (Housing Infrastructure), 2015 Series A, 2015 Series B and 2015 Series C (the "Series 2015 Bonds"), its State Appropriation Bonds (Housing Infrastructure), 2016 Series A and 2016 Series B (the "Series 2016AB Bonds") and 2016 Series C (the "Series 2016C Bonds"), its State Appropriation Bonds (Housing Infrastructure), 2017 Series A (the "Series 2017A Bonds"), its State Appropriation Bonds (Housing Infrastructure), 2018 Series A (the "Series 2018A Bonds"), 2018 Series B (the "Series 2018B Bonds"), 2018 Series C and 2018 Series D (the "Series 2018CD Bonds"), its State Appropriation Bonds (Housing Infrastructure) 2019 Series A and 2019 Series B (the "Series 2019AB Bonds"), and 2019 Series C and 2019 Series D (the "Series 2019CD Bonds"), its State Appropriation Bonds (Housing Infrastructure) 2020 Series A, 2020 Series B and 2020 Series C (the "Series 2020ABC Bonds") and 2020 Series D (the "Series 2020D Bonds") and its State Appropriation Bonds (Housing Infrastructure) 2021 Series A, 2021 Series B and 2021 Series C (the "Series 2021ABC Bonds") and 2021 Series D (the "Series 2021D Bonds")and collectively with the Series 2013 Bonds, the Series 2014 Bonds, the Series 2015 Bonds, the Series 2016AB Bonds, the 2016 Series C Bonds, the Series 2017A Bonds, the Series 2018A Bonds, the Series 2018B Bonds, the Series 2018CD Bonds, the Series 2019AB Bonds, the Series 2019CD Bonds, the Series 2020ABC Bonds, the Series 2020D Bonds, the Series 2021ABC Bonds and the Series 2021D Bonds, the "Prior Series Bonds") under the Indenture in the original aggregate principal amount of $367,300,000, of which $317,100,000 are outstanding. The Series Bonds, the Prior Series Bonds and any additional bonds (the "Additional Bonds") issued pursuant to the Indenture are equally and ratably secured thereunder and are herein called the "Bonds."

The Indenture includes definitions of capitalized terms used in this Official Statement, some of which are reproduced in Appendix A. The summaries and references in this Official Statement to the Act and the Indenture and other documents are only outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references in this Official Statement to the Act and the Indenture are qualified in their entirety by reference to the Act and Indenture, copies of which are available from the Agency, and all references to the Series Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto contained in the Indenture.

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* Preliminary; subject to change.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State, established in 1971 pursuant to the Act. Section 462A.37 of the Act authorizes the Agency to issue its bonds to fund loans, or grants with respect to manufactured home parks ("Housing Infrastructure Loans"), to pay for all or a portion of the costs of the construction, acquisition and rehabilitation of supportive housing for individuals and families who are without a permanent residence with a preference to be given for developments serving certain individuals and families; all or a portion of 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; all or a portion of the costs of acquisition, rehabilitation, adaptive reuse, or new construction of senior housing; all or a portion of 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; and all or a portion of 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.

The global outbreak of the coronavirus COVID-19 ("COVID-19") and measures taken by federal, state and local governments in response thereto are impacting individuals and businesses in a manner that to an unknown extent will have negative effects on economic activity across the country and the State. For descriptions of certain of these measures, their impacts on the Agency and the Agency's responses, see "The Agency—COVID-19 Economic Disruption" herein. For descriptions of certain measures taken by the State, their impacts on the State and the State's responses, see "COVID-19 Pandemic and Executive Peacetime Emergency Orders – COVID-19 Impact" in Appendix B to the Preliminary Official Statement of the State of Minnesota dated ____________, 2022 (the "____________, 2022 State Preliminary Official Statement") with respect to its $_______,000 General Obligation State Bonds, which is attached hereto as Appendix E.

The Agency is issuing the Series Bonds to provide money to fund Housing Infrastructure Loans and to pay costs of issuance of the Series Bonds. (See "Estimated Sources and Uses of Funds.") For a description of the developments expected to be financed with proceeds of the Series Bonds, see "The Developments" herein. The Series Bonds are secured, on parity with the Prior Series Bonds and Additional Bonds, if any, hereafter issued under the Indenture, by a pledge made by the Agency under the Indenture of all amounts appropriated to the Agency by the State pursuant to Section 462A.37 of the Act (the "Housing Infrastructure State Appropriations"). Section 462A.37 of the Act provides that amounts necessary to pay principal of and premium, if any, and interest on housing infrastructure bonds issued pursuant to Section 462A.37 of the Act, and the fees, charges and expenses related thereto, are appropriated annually from the State general fund (the "General Fund") to the Commissioner of Management and Budget for transfer to the Agency. The amount appropriated with respect to the Series 2013 Bonds and the Series 2014 Bonds, collectively, will not exceed $2,200,000 annually for transfer to the Agency through July 15, 2035. The amount appropriated with respect to Series 2015 Bonds, the Series 2016AB Bonds, the Series 2017A Bonds and the Series 2018A Bonds, collectively, will not exceed $6,400,000 annually for transfer to the Agency through July 15, 2037. The amount appropriated with respect to the Series 2016C Bonds and the Series 2018B Bonds, collectively, will not exceed $800,000 annually for transfer to the Agency through July 15, 2038. The amount appropriated with respect to the Series 2018CD Bonds and the Series 2019AB Bonds, collectively, will not exceed $2,800,000 annually for transfer to the Agency through July 15, 2040. The amount appropriated with respect to the Series 2019CD Bonds, the Series 2020ABC Bonds and the Series 2021A Bonds, collectively, in an aggregate principal amount up to $80,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest, and the fees, charges, and expenses related to, those Bonds for transfer to the Agency annually beginning July 15, 2020 through July 15, 2041. The amount appropriated with respect to the Series 2020D Bonds and the Series 2021B Bonds, collectively, in an aggregate principal amount up to $60,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest, and the fees, charges, and expenses related to, those Additional Bonds for transfer to the Agency annually beginning July 15, 2022 through July 15, 2043. The amount appropriated with respect to the Series 2021CD Bonds and the Series 2022A Bonds, collectively, in an aggregate principal amount up to $100,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest, and the fees, charges, and expenses related to, those Additional Bonds for transfer to the Agency annually beginning July 15, 2022 through July 15, 2043. The amount appropriated with respect to the Series 2022BC Bonds and Additional Bonds, collectively, in an aggregate principal amount up to $100,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest, and the fees, charges, and expenses related to, those Additional Bonds for transfer to the Agency annually beginning July 15, 2023 through July 15, 2044. Upon the issuance of the Series Bonds, there will be $_____,000* of authorized but unissued debt supported by the Housing Infrastructure State Appropriations ($3,910,000 of previously authorized but unissued debt having been either canceled or not supported by the remaining portion of the appropriation limit).

The Series Bonds are special, limited obligations of the Agency. The Series Bonds are not general obligations of the Agency and the Agency has not pledged its general funds to the payment of the Series Bonds or the interest thereon. The Agency will pay principal of, premium, if any, and interest on the Series Bonds solely from the Trust Estate established pursuant to the Indenture, consisting principally of the Housing Infrastructure State Appropriations. In no event will the Agency pay principal of, premium, if any, or interest on the Series Bonds from the general revenues or assets of the Agency. The Act provides that the Bonds are not public debt of the State. The State has not pledged its full faith and credit and taxing powers to payment of the Series Bonds or to payment of the Housing Infrastructure State Appropriations. Pursuant to Minnesota law, the Minnesota Legislature (the "Legislature") may reduce or repeal the Housing Infrastructure State Appropriations in their entirety. The Housing Infrastructure State Appropriations are also subject to unallotment under Minnesota Statutes, Section 16A.152. See "Nature of Obligation and Source of Payment" and "Appendix A – Summary of Certain Provisions of the Indenture."

THE AGENCY

Purpose

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building industry and the investment industry to produce that housing without assistance and resulted in a failure to provide sufficient long term mortgage financing for that housing.

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed and qualified. The Chairman of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

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* Preliminary; subject to change.

The present members of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

John DeCramer, Chair — Term expires January 2024, Marshall, Minnesota – Magnetics Engineer

The Honorable *Julie Blaha — Ex officio*, St. Paul, Minnesota – State Auditor

Melanie Benjamin, Member — Term expires January 2025, Onamia, Minnesota – Consultant

Craig Klausing, Member — Term expires January 2023, Roseville, Minnesota – Attorney

Stephanie Klinzing, Member — Term expires January 2023, Elk River, Minnesota – Writer and Publisher

Stephen Spears, Member — Term expires January 2026, Plymouth, Minnesota – Banker

Terri Thao, Vice Chair — Term expires January 2024, St. Paul, Minnesota – Program Director

Staff

The staff of the Agency presently consists of approximately 265 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint permanent and temporary employees as the Commissioner deems necessary subject to the approval of the Commissioner of Management and Budget.

The principal officers and staff related to the programs associated with the developments to be funded with Housing Infrastructure Loans are as follows:

Jennifer Ho — Commissioner-Designee, appointed effective January 2019. When Governor Tim Walz took office on January 7, 2019, Ms. Ho was appointed Commissioner and has all of the powers and will perform all of the duties of the office. The appointment of Ms. Ho as Commissioner may be confirmed or rejected by the advice and consent of the state of Minnesota Senate. Prior to her appointment, Ms. Ho was the Senior Policy Advisor for Housing and Services at the U.S. Department of Housing and Urban Development during the Obama Administration. Prior to that, she served as deputy director at the United States Interagency Council on Homelessness (USICH), shepherding the creation of Opening Doors, the nation’s first-ever comprehensive federal plan to prevent and end homelessness. Ms. Ho worked with former First Lady Michelle Obama to launch the Mayors Challenge to End Veteran Homelessness that resulted in reducing the number of veterans experiencing homelessness on any night by nearly half. In 1999, as Executive Director of Hearth Connection, a Minnesota non-profit, she began her work to end homelessness by managing a nationally-recognized demonstration project on supportive housing and long-term homelessness for single adults, youth and families in Ramsey and Blue Earth counties. Ms. Ho oversaw the replication of that project in 34 additional counties in partnership with the Fond du Lac, Bois Fort and Grand Portage Tribal Bands. She has served on the Boards of Directors for West Side Community Health Services in St. Paul, and nationally for the Corporation for Supportive Housing and the Melville Charitable Trust. Ms. Ho received a Bachelor of Arts Degree in philosophy from Bryn Mawr College.

Rachel Robinson — Deputy Commissioner, appointed March 2019. Prior to this position, Ms. Robinson was Fund Manager for the NOAH Impact Fund, a subsidiary of the Greater Minnesota Housing Fund, a certified Community Development Financial Institution, from 2016 to 2019, responsible for securing investment commitments, structuring transactions, developing investor and partner relations, and ensuring that social impact goals and compliance requirements were met. She has worked in affordable housing development and finance for over 15 years, including with CommonBond Communities from 2011 to 2015, where as Vice President she developed and led enterprise asset management systems, and as Senior Housing Development Manager from 2008 to 2011. Ms. Robinson was also Director of Property Development at Artspace Projects, Inc. from 2015 to 2016. She holds a Master’s degree in Urban and Regional Planning from the University of Minnesota Humphrey School of Public Affairs and a Bachelor of Arts degree in Urban Studies from Macalester College, St. Paul, Minnesota.

Michael Solomon — Chief Financial Officer, appointed effective August 2022. In this position, Mr. Solomon leads the finance and accounting teams of the Agency and provides strategic direction regarding the organization's financial resources. [to come].

Debbi Larson — Director of Finance appointed effective December 2019. Ms. Larson was Controller and Director of Financial Operations for the Agency from August 2015 to December 2019. Prior to that position, she was Director of Finance and Information Technology for a subsidiary of Taylor Corporation and responsible for domestic and international locations and, prior to that, was the Chief Financial Officer for a division of the Minnesota Department of Corrections. Ms. Larson previously held various accounting positions of increasing responsibility. Ms. Larson holds a Bachelor of Science degree with a concentration in Accounting from the University of Phoenix, and an MMBA (accelerated MBA program) Executive Leadership certification from the University of St. Thomas.

Anne Smetak — General Counsel, appointed effective June 2020. Ms. Smetak has been a member of the Agency's legal team since April 2016 and served as Deputy General Counsel for the Agency from July 2019 to June 2020. Her experience prior to joining the Agency includes corporate litigation, affordable housing preservation as a legal services attorney, and clinical teaching roles at the Washington College of Law and The George Washington University School of Law. Ms. Smetak earned a law degree and a Master of Laws degree from The George Washington University School of Law and holds a Bachelor of Arts degree in Political Science from Kenyon College.

James Lehnhoff – Assistant Commissioner, Multifamily, appointed effective March 2019. Mr. Lehnhoff was most recently the Director of Portfolio Strategy at CommonBond Communities. He has more than 16 years of local government, municipal finance, and real estate development experience, including extensive work in affordable housing development, Pro Forma analysis, land use planning, economic development, community engagement, and project management. Mr. Lehnhoff has successfully implemented complex and nationally recognized affordable housing development projects to advance community goals. Prior to joining CommonBond, he was a municipal advisor at Ehlers & Associates from October 2016 to September 2018, served as the Vice President of Real Estate at Aeon from August 2010 to October 2016, and was the Community Development Director for the City of Arden Hills from January 2006 to August 2010. Mr. Lehnhoff earned a Master's degree in Urban and Regional Planning from the University of Minnesota Hubert H. Humphrey School of Public Affairs and a Bachelor of Arts degree in Geography from the University of Minnesota Duluth.

Kayla Schuchman – Assistant Commissioner, Single Family, appointed effective January 2022. Prior to Ms. Schuchman's appointment to this role she was the Housing Director for the City of Saint Paul, and prior to that worked as a Project Manager at CommonBond Communities. Her previous experience includes nine years with the Agency, including as Multifamily Programs Middle Manager from December 2014 to December 2016, Low Income Housing Tax Credit Program Manager and RFP Coordinator from 2012 to 2014 and Multifamily Housing Development Officer from 2007 to 2012. Prior to that, Ms. Schuchman held positions as a Senior Financial Analyst and Budget Analyst at Minneapolis Public Housing Authority. She holds a Master's degree in Public Policy from the University of Minnesota's Humphrey School and a Bachelor of Arts Degree in Economics from Macalester College, Saint Paul, Minnesota. Ms. Schuchman holds a Housing Development Finance Professional certification through the National Development Council, has served as a director on several nonprofit boards and was named a "40 under 40" honoree by the Minneapolis/Saint Paul Business Journal in February 2021.

The Agency's offices are located at 400 Wabasha Street North, Saint Paul, Minnesota 55102, and its general telephone number is (651) 296-7608. The Agency's Investor Relations Representative may be reached at the Agency's general telephone number. The Agency's website address is http://www.mnhousing.gov. No portion of the Agency's website is incorporated into this Official Statement.

Agency Continuity of Operations Plan

Certain external events, such as pandemics, natural disasters, severe weather, technological emergencies, riots, acts of war or terrorism or other circumstances, could potentially disrupt the Agency's ability to conduct its business. A prolonged disruption in the Agency's operations could have an adverse effect on the Agency's financial condition and results of operations. To plan for and mitigate the impact such an event may have on its operations, the Agency has developed a Continuity of Operations Plan (the "Plan"). The Plan is designed to (i) provide for the continued execution of the mission-essential functions of the Agency and minimize disruption if an emergency threatens, interrupts or incapacitates the Agency's operations, (ii) provide Agency leadership with timely direction, control and coordination before, during and after an emergency or similar event, and (iii) facilitate the return to normal operating conditions as soon as practical based on the circumstances surrounding any given emergency or similar event. No assurances can be given that the Agency's efforts to mitigate the effects of an emergency or other event will be successful in preventing any and all disruptions to its operations.

Cybersecurity

The Agency relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the Agency faces multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware, phishing, business email compromise, and other attacks on computers and other sensitive digital networks, systems, and assets. Housing finance agencies and other public finance entities have been targeted by outside third parties, including technologically sophisticated and well-resourced actors, attempting to misappropriate assets or information or cause operational disruption and damage. Further, third parties, such as hosted solution providers, that provide services to the Agency, could also be a source of security risk in the event of a failure of their own security systems and infrastructure.

The Agency uses a layered approach that employs sound operational strategies and security technology solutions to secure against, detect, and mitigate the effects of cyber threats on its infrastructure and information assets. The Agency conducts regular information security and privacy awareness training that is mandatory for all Agency staff. The Agency's Business Technology Support group has management responsibility for all information technology and leads the efforts of the Agency to keep its cyber assets secure. The Agency's Business Technology Support group and contracted services from the Office of MN.IT Services, an agency of the executive branch of the State, regularly conduct risk assessments, audits and tests of the Agency's cybersecurity systems and infrastructure.

Despite its efforts, no assurances can be given that the Agency's security and operational control measures will be successful in guarding against any and each cyber threat and attack, especially because the techniques used by perpetrators are increasingly sophisticated, change frequently, are complex, and are often not recognized until launched. To date, cyber attacks have not had a material impact on the Agency's financial condition, results or business; however, the Agency is not able to predict future attacks or their severity. The results of any attack on the Agency's computer and information technology systems could impact its operations for an unknown period of time, damage the Agency's digital networks and systems, and damage the Agency's reputation, financial performance, and customer or vendor relationships. Such an attack also could result in litigation or regulatory investigations or actions, including regulatory actions by state and federal governmental authorities. The costs of remedying any such damage could be substantial and such damage to the Agency's reputation and relationships could adversely affect the Agency's ability to conduct its programs and operations in the future.

COVID-19 Economic Disruption

The global outbreak of COVID-19, a respiratory disease declared in March 2020 to be a pandemic (the "Pandemic") by the World Health Organization, was declared an emergency by federal and state governments. Since the start of the Pandemic, Presidential administrations, Congress, the Federal Reserve, HUD/FHA (including GNMA), the Federal Housing Finance Agency (including Fannie Mae and Freddie Mac), USDA Rural Development, the VA, the Centers for Disease Control, and the Consumer Financial Protection Bureau, along with the State, have enacted legislation and/or issued orders or directives (collectively, "Governmental Actions") to alleviate the effects of COVID-19 on homeowners, renters, landlords, servicers and lenders. Governmental Actions have included loan forbearance directives, moratoriums on foreclosures and/or evictions, loan modification directives, loan servicing assistance, rental assistance, and homeownership loan assistance. Such legislation and/or orders have been extended and/or modified, and others have expired or been enjoined. While it is generally expected that new legislation may be enacted, new orders may be issued, and existing and new orders may be extended, modified, litigated, or allowed to expire, no guarantee can be made with regards to the duration and/or effectiveness of any such legislation or orders.

The Agency's Housing Infrastructure Loans are not affected by the relief provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and do not provide security for the repayment of the Bonds, including the Series Bonds. (See "Nature of Obligation and Source of Payment" and "The Developments")

The Agency has provided loans under its other programs, some of which loans are covered by the relief provisions of the CARES Act, and has granted forbearance approvals.

On March 13, 2020, the Governor of the State declared a peacetime emergency with respect to the Pandemic. Through various executive orders, which have the force and effect of law during a peacetime emergency, the Governor directed various protective measures in response to the Pandemic, including the suspension of evictions and lease terminations. The peacetime emergency ended on July 1, 2021 and all executive orders made pursuant to the peacetime emergency have expired. However, legislation was enacted effective June 30, 2021 gradually phasing out eviction protections during the period ending October 12, 2021. While those protections have expired, certain tenants who were eligible for, had applied for, but had not yet received, federal emergency rental assistance payments had eviction protection extended through June 1, 2022.

During the peacetime emergency, an executive order of the Governor designated the operation of the Agency as a critical service and Agency personnel, though almost exclusively teleworking, continued all operations in order to provide the Agency's programs (see "Agency Continuity of Operations Plan" above). The Agency plans to re-open its offices with a portion of its personnel returning to the workplace later this year. At this time the Agency cannot predict (i) the duration or extent of the Pandemic; (ii) the duration or expansion of any foreclosure or eviction moratorium affecting the Agency's ability to foreclose and collect on delinquent mortgage loans; (iii) the number of mortgage loans that will be in forbearance or default as a result of the Pandemic and subsequent federal, state and local responses thereto, including the Government Actions; (iv) whether and to what extent the Pandemic may disrupt the local or global economy, real estate markets, manufacturing, or supply chain, or whether any of those types of disruption may adversely impact the Agency or its operations; (v) whether or to what extent the Agency or other government agencies may provide additional deferrals, forbearances, adjustments, or other changes to payments on mortgage loans; or (vi) the effect of the Pandemic on the State budget, or whether any such effect may adversely impact the Agency or its programs. The Agency continues to monitor and assess the impact of the Pandemic on its programs, operations and financial position. However, the continuation of the Pandemic and the resulting containment and mitigation efforts could have a material adverse effect on the Agency's programs, operations and finances.

THE SERIES BONDS

General

The Series Bonds will be fully registered bonds issued in the denominations of $5,000 or any integral multiple thereof of single maturities. The Series Bonds will initially be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for each series of the Series Bonds. Computershare Trust Company, National Association, Minneapolis, Minnesota, serves as successor Trustee under the Indenture. Interest on the Series Bonds will be paid by moneys wired by the Trustee to DTC, or its nominee, as registered owner of the Series Bonds, which interest is to be redistributed by DTC. Principal of the Series Bonds will be paid at maturity or earlier redemption upon surrender at the principal corporate trust office of the Trustee. (See "Appendix B — Book-Entry-Only System.")

For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to that exchange or transfer. The Series Bonds mature on the dates and in the amounts set forth on the inside front cover hereof, subject to prior redemption as hereinafter described.

The Series Bonds will bear interest from their dated date, payable semiannually on February 1 and August 1 of each year, commencing February 1, 2023, and, for any Series Bonds then to be redeemed, on any redemption date, at the respective annual rates set forth on the inside front cover hereof until payment of the principal or redemption price of the Series Bonds. Interest on the Series Bonds is calculated on the basis of a 360-day year composed of twelve 30-day months and will be payable to the Owners of record in the bond registration books maintained by the Trustee as of the Record Date.

Optional Redemption

The Agency may redeem Series Bonds maturing on or after August 1, 2033,* at its option, in whole or in part, on any date on or after August 1, 2032,* from the stated maturities and in the principal amounts selected by the Agency, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the date of redemption, without premium.

Mandatory Sinking Fund Redemption

The 2022 Series A Bonds with a stated maturity in ___* are subject to mandatory sinking fund redemption in part on August 1 in the years and in the principal amounts, plus accrued interest, without premium, respectively, as follows:

Year*	Principal Amount*	Year*	Principal Amount*

The 2022 Series B Bonds with a stated maturity in ____* are subject to mandatory sinking fund redemption in part on August 1 in the years and in the principal amounts, plus accrued interest, without premium, respectively, as follows:

Year*	Principal Amount*	Year*	Principal Amount*

The 2022 Series C Bonds with a stated maturity in ___* are subject to mandatory sinking fund redemption in part on August 1 in the years and in the principal amounts, plus accrued interest, without premium, respectively, as follows:

Year*	Principal Amount*	Year*	Principal Amount*

The principal amount of each series of the Series Bonds required to be redeemed on each sinking fund payment date set forth above will be reduced by the principal amount of those Series Bonds, accompanied by written instructions to that effect by an Authorized Officer of the Agency at least 45 days prior to the redemption date that have been either (i) purchased by and on behalf of the Agency and delivered to the Trustee for cancellation, or (ii) redeemed other than through mandatory sinking fund redemption, and that have not been previously made the basis for a reduction of the principal amount of that series of the Series Bonds to be redeemed on the sinking fund payment date; provided, however, that for any reduction, the Agency delivers to the Trustee an Agency Certificate certifying that the principal and interest payable on Outstanding Bonds in the current or any future Fiscal Year do not exceed the maximum amount of Housing Infrastructure State Appropriations authorized by the Act to be paid in that Fiscal Year.

General Redemption Provisions

The Trustee must mail notice of redemption, first-class postage prepaid, not less than 30 days before the Redemption Date, to each Owner of Series Bonds to be redeemed; but neither the failure to mail notice to the Owner of any particular Series Bond nor any defect in any notice so mailed will affect the validity of the proceedings for redemption of any Series Bond not affected by that failure or defect.

* Preliminary; subject to change.

If notice of redemption has been given and funds sufficient to pay the redemption price are on deposit with the Trustee, on the Redemption Date the Series Bonds to be redeemed become due and payable at the Redemption Price specified and on and after that date (unless the Agency defaults in the payment of the Redemption Price) those Bonds will cease to bear interest.

NATURE OF OBLIGATION AND SOURCE OF PAYMENT

General

The Bonds (including the Series Bonds) are special, limited obligations of the Agency. The Agency expects that the Housing Infrastructure State Appropriations will be transferred on July 15 of each year from the General Fund of the State to the Agency by the Commissioner of Management and Budget pursuant to Section 462A.37 of the Act and has pledged the Housing Infrastructure State Appropriations pursuant to the Indenture to the payment of the Bonds. The Bonds are not general obligations of the Agency and the Agency has not pledged its general revenues or assets to the payment of the Bonds or the interest thereon. The Agency will pay principal of, premium, if any, and interest on the Bonds solely from the Trust Estate established pursuant to the Indenture, consisting principally of the Housing Infrastructure State Appropriations. In no event will the Agency make payments with respect to the Bonds from the general revenues or assets of the Agency, which include appropriations from the State other than the Housing Infrastructure State Appropriations pursuant to Section 462A.37 of the Act. The Bonds will not constitute indebtedness or another obligation of the State and are not public debt of the State. The State will not pledge its full faith, credit and taxing power to payment of the Bonds or the interest thereon or to annual transfers of Housing Infrastructure State Appropriations to the Agency. The Agency does not expect that any revenues from the Housing Infrastructure Loans will be available to pay debt service on the Bonds, and has not pledged payments on the Housing Infrastructure Loans, if any, to pay principal of or interest on the Bonds.

In the opinion of Bond Counsel, Housing Infrastructure State Appropriations from the General Fund to the Agency do not require further State or other approval except as expressly provided in the Act. See "—The Housing Infrastructure State Appropriations" and "—Certain Risks With Respect to Payment of Housing Infrastructure State Appropriations" hereunder.

The Indenture provides that, as received each year, all Housing Infrastructure State Appropriations paid by the State to the Agency will be remitted by the Agency to the Trustee for deposit into the Bond Fund held under the Indenture and that amounts in the Bond Fund are irrevocably pledged to and must be used for the payment of principal of and premium (if any) and interest on the Bonds, as and when principal, premium and interest become due and payable. The Trustee may also use moneys in the Bond Fund in excess of the amount necessary to pay the principal of and interest on Outstanding Bonds in the current Fiscal Year to pay fees, charges and expenses with respect to the Bonds, except as otherwise required under the Indenture upon occurrence of Event of Default and with respect to advances, counsel fees and other expenses reasonably made or incurred by the Trustee (see "Appendix A — Summary of Certain Provisions of the Indenture — Application of Revenues and Other Moneys After Event of Default" and "—Compensation of Trustee"). Upon written direction of the Agency, the Trustee may use moneys in the Bond Fund to purchase Bonds maturing or subject to redemption on a sinking fund payment date on either of the next two interest payment dates after that purchase, provided that the Bonds are delivered to the Trustee for cancellation upon purchase.

The Indenture further provides that proceeds of the Series Bonds will be deposited by the Agency in the Program Fund (the "Program Fund"). The money in the Program Fund will be held in trust by the Trustee and applied to the funding of certain Housing Infrastructure Loans and payment of costs of issuance of the Series Bonds. The Trustee is to create specific accounts within the Program Fund, upon receipt of an Agency Certificate, to fund specific Housing Infrastructure Loans. See "Appendix A — Summary of Certain Provisions of the Indenture."

The Housing Infrastructure State Appropriations

Section 462A.37 of the Act provides that the Agency may issue up to $515 million of housing infrastructure bonds in one or more series to which Housing Infrastructure State Appropriations may be pledged. To qualify as housing infrastructure bonds, the Bonds must be "qualified 501(c)(3) bonds" (within the meaning of Section 145(a) of the Internal Revenue Code of 1986, as amended (the "Code")), finance qualified residential rental projects within the meaning of Section 142(d) of the Code, finance the construction or rehabilitation of single-family houses that qualify for mortgage financing within the meaning of Section 143 of the Internal Revenue Code or not be “private activity bonds” (within the meaning of Section 141(a) of the Code). The Bonds may be issued for the purpose of making loans, or grants with respect to manufactured home parks, on terms and conditions the Agency deems appropriate, to finance all or a portion of the costs of the construction, acquisition and rehabilitation of supportive housing for individuals and families who are without a permanent residence with a preference to be given for developments serving certain individuals and families; all or a portion of 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; all or a portion of the costs of acquisition, rehabilitation, adaptive reuse, or new construction of senior housing; all or a portion of 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; and all or a portion of the costs of acquisition, rehabilitation, adaptive reuse, or new construction of single-family housing; and for other authorized purposes under the Act. For a description of the developments expected to be financed with proceeds of the Series Bonds, see “The Developments” herein.

Section 462A.37 of the Act requires the Agency to annually certify to the Commissioner of Management and Budget the actual amount of principal of and premium, if any, and interest on each series of Bonds issued pursuant to the Act payable in that year and the fees, charges and expenses related to the Bonds. The amount so certified with respect to the Series 2013 Bonds and the Series 2014 Bonds, collectively, may not exceed $2,200,000 annually for appropriation on July 15 of each year until July 15, 2035. The amount so certified with respect to the Series 2015 Bonds, the Series 2016AB Bonds, the Series 2017A Bonds and the Series 2018A Bonds, collectively, may not exceed $6,400,000 annually, for appropriation on July 15 of each year until July 15, 2037. The amount so certified with respect to the Series 2016C Bonds and the Series 2018B Bonds, collectively, may not exceed $800,000 annually for appropriation on July 15 of each year until July 15, 2038. The amount so certified with respect to the Series 2018CD Bonds and the Series 2019AB Bonds, collectively, may not exceed $2,800,000 annually for appropriation on July 15 of each year until July 15, 2040. The amount so certified with respect to the Series 2019CD Bonds, the Series 2020ABC Bonds and the Series 2021A Bonds, collectively, in an aggregate principal amount up to $80,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest on, and the fees, charges, and expenses related to, those Bonds annually for appropriation on July 15 of each year beginning July 15, 2020 through July 15, 2041. The amount so certified with respect to the Series 2020D Bonds and the Series 2021B Bonds, collectively, in an aggregate principal amount up to $60,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest on, and the fees, charges, and expenses related to, those Bonds annually for appropriation on July 15 of each year beginning July 15, 2022 through July 15, 2043. The amount so certified with respect to the Series 2021CD Bonds and the Series 2022A Bonds, collectively, in an aggregate principal amount up to $100,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest on, and the fees, charges, and expenses related to, those Additional Bonds annually for appropriation on July 15 of each year beginning July 15, 2022 through July 15, 2043. The amount so certified with respect to the Series 2022BC Bonds and Additional Bonds, collectively, in an aggregate principal amount up to $100,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest on, and the fees, charges, and expenses related to, those Additional Bonds annually for appropriation on July 15 of each year beginning July 15, 2023 through July 15, 2044. Appropriations will be made from the General Fund to fund transfers by the Commissioner of Management and Budget to the Agency to pay debt service on the Outstanding Bonds and related fees, charges and expenses. The amounts appropriated to the Agency pursuant to Section 462A.37 of the Act are the “Housing Infrastructure State Appropriations.”

Under the Indenture, the Agency has covenanted to annually certify to the Commissioner of Management and Budget the actual amount of principal of and premium, if any, and interest on each series of Bonds issued pursuant to the Act payable in that year and the fees, charges and expenses related to the Bonds.

The Act contains no provision establishing any right of Owners of Outstanding Bonds to require the Commissioner of Management and Budget to make the specified Housing Infrastructure State Appropriations or limiting the ability of the State to amend or repeal Section 462A.37 of the Act or, by other legislative, executive or judicial action, to adversely affect the amount or timely transfer of Housing Infrastructure State Appropriations.

Certain Risks With Respect to Payment of Housing Infrastructure State Appropriations

Section 462A.37 of the Act provides for annual Housing Infrastructure State Appropriations of funds from the General Fund to the Agency for payment of Outstanding Bonds, conditioned upon certification by the Agency to the Commissioner of Management and Budget of the actual amount of annual debt service on each series of Outstanding Bonds. The Housing Infrastructure State Appropriations constitute an appropriation for future years that does not require any further action by the Legislature. However, pursuant to Minnesota law, the Legislature may reduce or repeal a standing appropriation in its entirety. The Legislature is prohibited from acting to bind any future Legislature. **Any of: (i) a legislative reduction or repeal of the Housing Infrastructure State Appropriations established by Section 462A.37 of the Act; (ii) an unallotment of, or other executive action affecting, the Housing Infrastructure State Appropriations established by Section 462A.37 of the Act; or (iii) a partial government shutdown affecting the practical ability of the Commissioner of Management and Budget to make transfers of Housing Infrastructure State Appropriations to the Agency could prevent the anticipated full and timely payment of interest and principal then due on the Series Bonds. In addition, prospective secondary market purchaser concerns that such an event might occur could materially and adversely affect the market price of the Outstanding Series Bonds even if the event does not in fact occur.**

Reduction or Repeal of Appropriation.

Housing Infrastructure State Appropriations. The Housing Infrastructure State Appropriations constitute a standing appropriation that does not require any further action by the Legislature for payments to be made in future years. However, as provided by Minnesota law, the Legislature may reduce or repeal a standing appropriation entirely. The State cannot give any assurance that the Legislature will not reduce or repeal the Housing Infrastructure State Appropriations.

Appropriations Other Than Housing Infrastructure State Appropriations. Certain State appropriations (other than the Housing Infrastructure State Appropriations) for limited payment obligations of the State are not standing appropriations and, thus, require action by the Legislature on an annual or biennial basis. The State's obligation to make payments on these State or other obligations is not a general or moral obligation indebtedness of the State; rather the State is obligated to make payments only to the extent moneys are appropriated from time to time for that purpose. In the past, the Legislature has failed to make appropriations as necessary to pay in full debt service on State or other obligations, including in 1980 and 1981, when an appropriation to the Minnesota State Zoological Board (the "Zoo Board") of net revenues of a zoo ride facility were insufficient to allow the Zoo Board to make payments pursuant to an installment purchase agreement, which payments had been assigned to holders of certificates of participation in that agreement. In 1989, the Legislature declined to appropriate funds to St. Cloud State University as necessary to make certain payments under an energy services agreement, which payments had been assigned to an indenture trustee as security for the payment of principal of and interest on industrial development revenue bonds issued by the City of St. Cloud, Minnesota. As previously stated, the limited payments obligations of the State described in this paragraph were not standing appropriations and, unlike the Series Bonds, required affirmative action by the Legislature on an annual or biennial basis for State payments to be made in respect of said obligations.

Unallotment. The Housing Infrastructure State Appropriations are subject to executive unallotment, in whole or in part, under Minnesota Statutes, Section 16A.152. Article XI, Section 6 of the Minnesota Constitution requires a balanced budget for the State. Pursuant to that requirement, Minnesota law requires the Governor to submit a proposed State budget to the Legislature by the end of January of each odd-numbered year for that year and the ensuing even-numbered year (those years together, the "biennium"). On July 1 of each odd-numbered year, the Commissioner of Management and Budget transfers to the Budget Reserve Account within the General Fund (the "Budget Reserve") any amounts specifically appropriated by law to the Budget Reserve. Pursuant to Minnesota Statutes, Section 16A.152, if the Commissioner of Management and Budget determines that probable receipts for the General Fund will be less than anticipated, and that the amount available for the remainder of the biennium will be less than needed, the Commissioner of Management and Budget, with the approval of the Governor, may use amounts in the Budget Reserve to balance the State budget. Section 16A.152 further permits the Commissioner of Management and Budget, with the approval of the Governor, to "unallot" funds as follows:

(a) An additional deficit shall, with the approval of the Governor, and after consulting the Legislative Advisory Commission, be made up by reducing unexpended allotments of any prior appropriation or transfer. Notwithstanding any other law to the contrary, the Commissioner of Management and Budget is empowered to defer or suspend prior statutorily created obligations which would prevent effecting such reductions.

(b) If the Commissioner of Management and Budget determines that probable receipts for any other fund, appropriation, or item will be less than anticipated, and that the amount available for the remainder of the term of the appropriation or for any allotment period will be less than needed, the Commissioner of Management and Budget shall notify the agency concerned and then reduce the amount allotted or to be allotted so as to prevent a deficit.

(c) In reducing allotments, the Commissioner of Management and Budget may consider other sources of revenue available to recipients of State appropriations and may apply allotment reductions based on all sources of revenue available.

During and after the legislative sessions, revenues are updated to reflect legislative actions that have a direct impact on State revenues and changes in economic conditions that may materially affect the results of previous revenue forecasts. If, during the course of the fiscal year, the Commissioner of Management and Budget discovers that probable revenues will be less than anticipated, the Commissioner, with the approval of the Governor, is required to reduce allotments as necessary to balance expenditures and revenues forecast for the then current biennium. The Governor also has the authority to request legislative actions to provide additional sources of revenue, but those requests do not relieve the Commissioner of Management and Budget of his obligation to reduce allotments to State agencies.

The executive branch has imposed unallotments in prior fiscal years, but not with respect to the payment of debt service. Over the past thirty years, the unallotment procedure has been used as follows: $195 million of unallotments in 1980; in 1981 local government aid payments were unallotted in November and December but were reallotted and paid by February 26, 1982; $109 million of unallotments in 1986; $281 million of unallotments in 2003; $271 million of unallotments in 2008; and $2.68 billion of unallotments in 2009. The 2009 unallotment was unique in that it resulted from the passage of appropriation bills for the fiscal biennium, but the then-Governor vetoed a tax bill that would have balanced the biennial budget by raising revenues and shifting payments. In litigation challenging the 2009 unallotments, the Minnesota Supreme Court concluded that unallotment could not be used to balance the budget for an entire biennium when balanced spending and revenue has not been agreed upon by the legislature and the Governor. The legislature and Governor subsequently agreed to a balanced budget for the biennium. While appropriations from the General Fund for payment of debt service have not previously been unallotted, the State cannot give any assurance that unallotment of the Housing Infrastructure State Appropriations will not be imposed in any future year.

Other Risks. There can be no assurance that other events outside the control of the Commissioner of Management and Budget, such as a temporary State government shutdown, will not affect the ability of the Commissioner of Management and Budget to make timely payments of principal of and interest on the Series Bonds.

The Bonds are not general obligations of the Agency and the Agency has not pledged its general funds or assets to the payment of the Bonds or the interest thereon. The Agency will pay principal of, premium, if any, and interest on the Bonds solely from the Trust Estate established pursuant to the Indenture, consisting principally of Housing Infrastructure State Appropriations. In no event will the Agency make payments with respect to the Bonds from its general revenues, which include appropriations from the State other than the Housing Infrastructure State Appropriations pursuant to Section 462A.37 of the Act. The Bonds will not constitute indebtedness or another obligation of the State and are not public debt of the State. The State will not pledge its full faith, credit and taxing power to payment of the Bonds or the interest thereon or to the annual transfers of Housing Infrastructure State Appropriations to the Agency.

Additional Bonds

In addition to the Series Bonds described herein, the Agency may in its discretion issue up to $_____,000* in principal amount of Additional Bonds to provide funds to make additional Housing Infrastructure Loans and pay costs of issuance of such Additional Bonds and other purposes authorized by Section 462A.37 of the Act. Any Additional Bonds are to be authorized by a resolution of the Agency and prescribed in a supplemental indenture (a "Supplemental Indenture") executed by the Agency and the Trustee and which, when so issued, authorized and prescribed, will be secured by the Indenture and the Trust Estate, consisting primarily of Housing Infrastructure State Appropriations, on a parity with the Bonds then Outstanding under the Indenture; provided that no Additional Bonds are to be issued under the Indenture or secured by the Trust Estate on a parity with the Outstanding Bonds unless there is delivered to the Trustee the following: (a) An Agency resolution authorizing the issuance of the Additional Bonds and the sale thereof to the purchaser or purchasers named therein; (b) an Agency order directing the authentication of a specified principal amount of Additional Bonds of a specified series and the delivery thereof to or upon the order of the purchaser or purchasers named therein upon payment of the purchase price set forth therein; (c) an Agency Certificate to the effect that the principal and interest required to be paid on the Outstanding Bonds, including the Additional Bonds to be issued, in the current and any future Fiscal Year, does not exceed the maximum amount of Housing Infrastructure State Appropriations authorized by the Act in any Fiscal Year; (d) an opinion of Bond Counsel (i) stating that all conditions precedent provided in the Indenture relating to the authentication and delivery of the Additional Bonds have been complied with, and (ii) stating that the Additional Bonds whose authentication and delivery are then applied for, when issued and executed by the Agency and authenticated and delivered by the Trustee, will be the valid and binding special, limited obligations of the Agency in accordance with their terms and entitled to the benefits of and secured by the lien of the Indenture, subject to customary qualifications and assumptions; (e) an executed counterpart of the Supplemental Indenture creating the Additional Bonds; and (f) written confirmation from each Rating Agency that issuance of the Additional Bonds will not impair the then existing rating on Outstanding Bonds.

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* Preliminary; subject to change.

DEBT SERVICE REQUIREMENTS ON OUTSTANDING BONDS

The following table sets forth, for each Fiscal Year of the State ending June 30, the amounts to be required for payment of interest on (net of capitalized interest) and principal at maturity or mandatory sinking fund redemption of the Prior Series Bonds and the Series Bonds (assuming no optional redemption of those Bonds) and which are required to be paid from the Housing Infrastructure State Appropriations:

Fiscal Year	Prior Series Bonds		Series Bonds		
Ending June 30	Principal	Interest	Principal*	Interest*	Total*
2023			$ --	$ --	
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					

Under the Indenture, Housing Infrastructure State Appropriations are to be credited to the Bond Fund and applied to the payment of principal of and interest on Outstanding Bonds before being applied to the payment of fees, charges and expenses with respect to the Bonds. (See "Appendix A—Summary of Certain Provisions of the Indenture—Bond Fund.")

STATE FINANCIAL INFORMATION

The Bonds (including the Series Bonds) are special, limited obligations of the Agency. Specified transfers expected to be made by the State pursuant to Section 462A.37 of the Act are pledged pursuant to the Indenture for the payment of the Outstanding Bonds. (See "Nature of Obligation and Source of Payment.") Potential purchasers and Owners of the Series Bonds are advised to consider the likelihood of their full and timely receipt of principal and interest payments on the Series Bonds when due on the basis of the financial condition of the State, rather than that of the Agency.

Basic financial statements for the State for the Fiscal Year ended June 30, 2021, as well as certain additional information concerning the State, are included in the ____________, 2022 State Preliminary Official Statement, which is attached hereto as Appendix E. The State most recently released certain revenue and

* Preliminary; subject to change. Assumes the Series Bonds mature as described herein and bear interest at an average annual interest rate of _____%.

expenditure forecasts prepared by the Department of Management and Budget in February 2022. Information concerning this forecast is included in the ____________, 2022 State Preliminary Official Statement in Appendix B thereto under the caption "Biennium Budgets—February 2022 Forecast—Current Biennium." The next official forecast of revenue and expenditures will be prepared in November 2022 and will be released in early December 2022.

The November 2022 forecast of revenue and expenditures will be available on the Minnesota Management and Budget website (www.mn.gov/mmb/) and on the Municipal Securities Rulemaking Board's internet repository named "Electronic Municipal Market Access" ("EMMA") filed with respect to the Series Bonds. Any amendment or supplement to the basic financial statements of the State, and any subsequent financial statements published by the State and made publicly available in a State official statement or revenue and expenditure forecast required by statute or an official quarterly economic update published by the State on the Minnesota Management and Budget website and also filed on EMMA with respect to the Series Bonds, to and including a date 25 days following the "end of the underwriting period" (as defined in Rule 15c2-12 of the Securities and Exchange Commission) applicable to the Series Bonds offered hereby, will be deemed to be incorporated by reference in this Official Statement from the date made publicly available. No other information on the Minnesota Management and Budget website or on EMMA is incorporated into this Official Statement. Any statement contained in any document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently publicly available document that also is, or is deemed to be, incorporated by reference herein modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

THE DEVELOPMENTS

The Series Bonds are being issued to provide money for the Agency to fund Housing Infrastructure Loans for the purposes permitted to be funded pursuant to Section 462A.37 of the Act.

A Housing Infrastructure Loan is expected to finance a portion of the cost of infrastructure redevelopment in each of seven manufactured home parks in Minnesota, including Woodlawn Terrace, located in Richfield, Twin Haven Estates, located in Detroit Lakes, Grandview, located in Red Wing, Riverview Terrace, located in Chaska, Paradise Park Neighborhood, located in Grand Rapids, Omland Court, located in Fosston, and Isanti Estates, located in Isanti. The ownership of Woodlawn Terrace is a resident owned cooperative and the ownership of Omland Court is the City of Fosston. Each of the other five manufactured home parks is privately owned.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Big Lake Station Senior, in Big Lake, Minnesota. The development will consist of a single multi-story elevator building multifamily apartment development for seniors with 74 residential units. The development will be acquired and constructed by Big Lake Railway Limited Partnership, a Minnesota limited partnership, as the initial owner thereof, or another single purpose entity affiliated with Aeon, a Minnesota nonprofit corporation, whose registered address is in Minneapolis, Minnesota.

A Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and adaptive reuse of a multifamily housing development, to be known as Kyle Garden Square, in Minneapolis, Minnesota. The development consists of a single multi-story elevator building multifamily apartment development with 55 residential units, with support services provided by Touchstone Mental Health, Minneapolis, Minnesota. The development will be acquired and adapted by Kyle Garden Square LLC, a Minnesota limited liability company, as its initial owner thereof, or another single purpose entity affiliated with Alliance Housing Incorporated, a Minnesota nonprofit corporation, whose registered address is in Minneapolis, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Emerson Village, in Minneapolis, Minnesota. The development will consist of a single building multi-story multifamily apartment development with 40 residential units, with support services provided by Project for Pride in Living, Minneapolis, Minnesota. The development will be acquired and constructed by Emerson Village Housing LLC, a Minnesota limited liability company, as the initial owner thereof, or another single purpose entity affiliated with Beacon Interfaith Housing Collaborative, a Minnesota nonprofit corporation, whose registered address is in Saint Paul, Minnesota.

A Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Lewis Lofts, in Mankato, Minnesota. The development will consist of a single multi-story elevator building multifamily apartment development for seniors with 64 residential units. The development will be acquired and constructed by Lewis Lofts Senior Apartments, LP, a Minnesota limited partnership, as the initial owner thereof, or another single purpose entity affiliated with PreservingUS, Inc., a Kansas nonprofit corporation, whose registered address is in Prairie Village, Kansas.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and substantial rehabilitation of a 100 percent project-based Section 8 multifamily housing development serving seniors and disabled individuals, known as Calvary Center Apartments in Golden Valley, Minnesota. The development consists of a single seven-story elevator building multifamily development with 80 residential units. The development will be acquired and rehabilitated by Calvary Center Apartments II, LP, a Minnesota limited partnership, as the initial owner thereof, or another single purpose entity affiliated with Calvary Community Services, Inc., a Minnesota nonprofit corporation, whose registered address is in Golden Valley, Minnesota.

A Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Phalen Village, in Saint Paul, Minnesota. The development will consist of a single multi-story elevator building multifamily apartment development for seniors with 76 residential units. The development will be acquired and constructed by Phalen Village Limited Partnership, a Minnesota limited partnership, as the initial owner thereof, or another single purpose entity affiliated with MWF Properties, LLC, a Minnesota corporation, whose registered address is in Minneapolis, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Rogers Main Street Senior, in Rogers, Minnesota. The development will consist of a single multi-story elevator building multifamily apartment development for seniors with 40 residential units. The development will be acquired and constructed by Rogers Senior of Rogers Limited Partnership, a Minnesota limited partnership, as the initial owner thereof, or another single purpose entity affiliated with Duffy Development Company, Inc., a Minnesota corporation, whose registered address is in Minnetonka, Minnesota.

A Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and historic rehabilitation and adaptive reuse of a multifamily housing development, to be known as Mary Hall, in Saint Paul, Minnesota. The development will consist of a single multi-story elevator building multifamily apartment development with 88 residential units, with support services provided by Touchstone Mental Health, Minneapolis, Minnesota. The development will be acquired and adapted by Aeon Mary Hall LLC, a Minnesota limited liability company, or another single purpose entity affiliated with Aeon, a Minnesota nonprofit corporation, whose registered address is in Minneapolis, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Settler Commons, in Buffalo, Minnesota. The development will consist of a single multi-story elevator building multifamily development for seniors with 40 residential units. The development will be acquired and constructed by Settler Commons Apartments, LLC, a Minnesota limited liability company, as the initial owner thereof, or another single purpose entity affiliated with Central Minnesota Housing Partnership, Inc., a Minnesota nonprofit corporation, whose registered address is in Saint Cloud, Minnesota.

A Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Simpson Community Shelter & Apartments, in Minneapolis, Minnesota. The development will consist of a single multi-story elevator building multifamily apartment development with 42 residential units, with support services provided by Simpson Housing Services, Inc., Minneapolis, Minnesota. The development will be acquired and constructed by a single purpose entity, as the initial owner thereof, affiliated with Project for Pride in Living, Inc., a Minnesota nonprofit corporation, whose registered address is in Minneapolis, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of construction of a multifamily housing development, to be known as Skyridge Flats, in Duluth, Minnesota. The development will consist of a single multi-story elevator building multifamily development for seniors, with a preference for veterans, with 70 residential units. The development will be acquired and constructed by a single purpose entity, as the initial owner thereof, affiliated with the Housing and Redevelopment Authority of Duluth, a Minnesota governmental entity, whose offices are in Duluth, Minnesota.

Housing Infrastructure Loans also are expected to be made to one or more borrowers, including Community Land Trusts, to finance the costs of acquisition, rehabilitation, adaptive reuse, or new construction of single-family housing. A Community Land Trust is a private nonprofit organization that is a Section 501(c)(3) tax-exempt organization that is authorized to acquire land to be leased as owner-occupied single-family housing to low- and moderate-income persons or families.

Each of the Housing Infrastructure Loans described above may be a 0 percent interest, non-amortizing, nonrecourse deferred loan. Certain of the Housing Infrastructure Loans may also be forgivable if the conditions for use are met. No revenues from the Housing Infrastructure Loans are expected to be available to pay debt service on the Series Bonds, and payments on the Housing Infrastructure Loans, if any, are not pledged to pay principal of or interest on the Series Bonds. Consequently, Owners of the Series Bonds should not regard the Housing Infrastructure Loans or the developments financed thereby as providing security for the Series Bonds.

If any one or more of these developments does not proceed for any reason, to the extent permitted by the Code, the Agency may use moneys in the Program Fund to make loans or grants for other developments eligible for funding under Section 462A.37 of the Act.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds related to the Series Bonds are as follows:

Sources:

Principal Amount of Series Bonds......................................
Net Original Issue Premium..
Total Sources of Funds

Uses:

Deposit to Program Fund for Housing Infrastructure Loans
Capitalized Interest ....
Costs of Issuance ....
Underwriters' Compensation ....
Total Uses of Funds

The Agency may reimburse itself from proceeds of the Series Bonds for Agency funds advanced to fund Housing Infrastructure Loans and related costs authorized by the Act before the date of issuance of the Series Bonds.

TAX EXEMPTION AND RELATED CONSIDERATIONS

General

The applicable federal tax law establishes certain requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). These requirements are generally described below. Noncompliance with these requirements may cause interest on the Series Bonds to become includable in gross income for purposes of federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which that noncompliance is ascertained or occurs.

The Indenture and the Bond Compliance Agreements and the Tax Exemption Agreements described in the Indenture contain provisions (the "Tax Covenants") pursuant to which, in the opinion of Bond Counsel, the current requirements of the Code can be satisfied.

Opinion of Bond Counsel

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered, with respect to the Series Bonds, on the date of issuance of the Series Bonds, assuming the accuracy of certain representations and continuing compliance by the Agency and, where applicable, the recipients of the Housing Infrastructure Loans with the Tax Covenants, under existing laws, regulations, rulings and judicial decisions, interest payable on the Series Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, provided interest on any Series 2022C Bond is not excluded from gross income for federal income tax purposes of any holder of a Series 2022C Bond who is a "substantial user" of a facility financed with the proceeds of the Series 2022C Bonds or a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the Series Bonds is not a specific preference item for purposes of the federal alternative minimum tax under the Code.

In addition, in the opinion of Bond Counsel, interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Interest on the Series Bonds is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Interest on the Series Bonds is not includable in the Minnesota alternative minimum taxable income of individuals, estates and trusts.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Series Bonds, and renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series Bonds, or under state and local tax law.

A form of the Bond Counsel opinion with respect to the Series Bonds is attached hereto as Appendix D.

Prospective owners of the Series Bonds should be aware that the ownership of obligations such as the Series Bonds may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. The extent of these collateral tax consequences will depend upon that owner's particular tax status and other items of income or deduction, and Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series Bonds should consult their tax advisors as to the tax consequences of purchasing or owning the Series Bonds.

The foregoing is a brief discussion of certain collateral federal income tax matters with respect to the Series Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series Bonds.

Certain Ongoing Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with those requirements may cause interest on the Series Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which the noncompliance occurs or is discovered. The Agency will covenant that it shall do and perform all acts necessary or desirable to assure the exclusion of interest on the Series Bonds from gross income under Section 103 of the Code. The Agency will deliver a certificate with respect to ongoing federal tax requirements with the issuance of the Series Bonds which will contain provisions relating to compliance with the requirements of the Code. The Agency also has required or will require recipients of the Housing Infrastructure Loans to make certain covenants relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any such covenant, the remedies available to the Agency or the owners of the Series Bonds can be enforced judicially in a manner to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income of the interest on the Series Bonds for federal income tax purposes.

Certain Considerations with Respect to the Series 2022AB Bonds

Assuming compliance with the following covenants, the Series 2022AB Bonds will not be treated as private activity bonds within the meaning of Section 141 of the Code.

(1) If either (a) or (b) below is true with respect to the Series 2022AB Bonds:

(a) No more than 10 percent of the proceeds of the Series 2022AB Bonds (net of costs of issuing the Series 2022AB Bonds and any reserve funds established with proceeds of the Series 2022AB Bonds) will be used for any private business use (as contemplated by Section 141(b)(1) of the Code). For this purpose, use of the proceeds by a Section 501(c)(3) entity is considered private business use.

(b) Payment of the principal of or interest on no more than 10 percent of the proceeds of the Series 2022AB Bonds (net of costs of issuing the Series 2022AB Bonds and any reserve fund established with the proceeds of the Series 2022AB Bonds) is (under the terms of the Series 2022AB Bonds or any underlying arrangement) directly or indirectly (i) secured by any interest in (A) property used or to be used for a private business use (as contemplated by Section 141(b)(1) of the Code) or (B) payments in respect of that property or (ii) to be derived from payments (whether or not to the Agency) in respect of property or borrowed money used or to be used for a private business use (as contemplated by Section 141(b)(1) of the Code). For this purpose, the loan of the proceeds to, or the use of the property by, a Section 501(c)(3) organization is considered property or borrower money used for a private business use.

(2) The proceeds of the Series 2022AB Bonds, if any, that are to be used for any private business use (as contemplated by Section 141(b)(1) of the Code) that is not related to any government use, plus the proceeds of the Series 2022AB Bonds, if any, that are to be used for any private business use (as contemplated by Section 141(b)(1) of the Code) that is related to any government use but disproportionate to the related government use that is financed by the proceeds of the Series 2022AB Bonds, will not exceed five percent of the proceeds of the Series 2022AB Bonds (net of costs of issuing the Series 2022AB Bonds and any reasonably required reserve funds established with the proceeds of the Series 2022AB Bonds).

(3) No portion of the proceeds of the Series 2022AB Bonds will be used by the Agency with respect to any output facility within the meaning of Section 141(b)(4) of the Code unless, in the opinion of nationally recognized bond counsel, that use will not result in the inclusion in gross income of interest on the Series 2022AB Bonds for federal income tax purposes.

(4) No more than the lesser of $5,000,000 or five percent of the net proceeds of the Series 2022AB Bonds will be used (directly or indirectly) to make or finance loans to any person, other than persons that are governmental units.

A portion of the Housing Infrastructure Loans will substantively be grants, and a portion of the Housing Infrastructure Loans will be loans for tax purposes. To the extent that the Housing Infrastructure Loans are loans to 501(c)(3) organizations, those properties may be subject to low income occupancy requirements as well as restrictions on the level of rents charged. See the discussion below under "—Certain Considerations With Respect to the Series 2022C Bonds—Low Income Set-Aside Requirements under the Code."

Notwithstanding the foregoing, the Agency may make repayable loans to organizations of the type described in Section 501(c)(3) of the Code (the "Nonprofit Organizations"). To the extent that more than five percent of the net proceeds of the Series 2022AB Bonds (or $5,000,000, whichever is less) are used to make repayable loans to Nonprofit Organizations, and not used in an unrelated trade or business of such Nonprofit Organizations (as defined in Section 513 of the Code), such Series 2022AB Bonds will be classified for federal income tax purposes as qualified 501(c)(3) bonds within the meaning of Section 145 of the Code. If the Series 2022AB Bonds are qualified 501(c)(3) bonds as described above, then, as a condition to the exclusion from gross income of interest on the Series 2022AB Bonds for federal income tax purposes, all of the following must be satisfied:

(1) Either:

(a) No more than five percent of the proceeds of the Series 2022AB Bonds (net of the costs of issuing the Series 2022AB Bonds and any reserve fund that is funded with proceeds of the Series 2022AB Bonds) will be used for any private business use (as contemplated by Section 141(b)(1) of the Code; or

(b) Payment of the principal of or interest on no more than five percent of the proceeds of the Series 2022AB Bonds (net of the costs of issuing the Series 2022AB Bonds and any reserve fund that is funded with proceeds of the Series 2022AB Bonds) is (under the terms of the Series 2022AB Bonds or any underlying arrangement) directly or indirectly (1) secured by any interest in (i) property used or to be used for a private business use (as contemplated by Section 141(b)(1) of the Code) or (ii) payments in respect of such property or (2) derived from payments (whether or not to the Agency) in respect of property or borrowed money used or to be used for a private business use (as contemplated by Section 141(b)(1) of the Code.

Solely for purposes of (a) and (b) above, a 501(c)(3) entity will not be treated as using proceeds of property in a private trade or business.

(2) No more than five percent of the proceeds of the Series 2022AB Bonds (net of the costs of issuing the Series 2022AB Bonds and any reserve fund that is funded with proceeds of the Series 2022AB Bonds) are used to make loans to entities that are neither a state or local governmental entity nor a Nonprofit Organization.

No portion of the proceeds of the Series 2022AB Bonds will be used by the Agency with respect to an output facility within the meaning of Section 141(b)(4) of the Code, unless, in the opinion of nationally recognized bond counsel, such use will not result in the inclusion in gross income of the interest on the Series 2022AB Bonds for federal income tax purposes.

Certain Considerations with Respect to the Series 2022C Bonds

Low Income Set-Aside Requirements under the Code. The Series 2022C Bonds are "exempt facility bonds" that are subject to certain low income set-aside requirements of the Code. This section includes brief summaries of the low income set-aside requirements and certain other requirements for qualified residential rental projects under the Code.

The Code requires that at least 95 percent of the net proceeds of exempt facility bonds under Section 142(a)(7) (after reduction for amounts applied to fund a reasonably required reserve fund) be used to provide "qualified residential rental projects." The Code defines a residential rental project as a project containing units with separate and complete facilities for living, sleeping, eating, cooking, and sanitation, or containing single room occupancy units, that are available to the general public (subject to preferences for homeless, disabled and similar classes of tenants that do not violate United States Department of Housing and Urban Development policies respecting non-discrimination and applicable Fair Housing requirements) and are to be used on other than a transient basis. Section 142(d) of the Code requires that either (i) at least 20 percent of the completed units in a project to be financed with the proceeds of the Series 2022C Bonds be continuously occupied during the "qualified project period" by individuals and families whose annual adjusted income does not exceed 50 percent of the area median income (with adjustments for family size), or (ii) at least 40 percent of the completed units in a project to be financed with the proceeds of the Series 2022C Bonds be continuously occupied during the qualified project period by individuals and families whose annual adjusted income does not exceed 60 percent of the area median income (with adjustments for family size). The Agency will make elections on the applicable low-income set-aside requirements with respect to each development expected to be financed with the proceeds of the Series 2022C Bonds. In addition, all of the units in a development must be rented or available for rental on a continuous basis throughout the applicable qualified project period. The Code defines the "qualified project period" as the period beginning on the first day upon which 10 percent of the units in a project are occupied and ending on the latest of (i) the date that is 15 years after the date upon which 50 percent of the residential units in the project are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to the project is outstanding, or (iii) the date upon which any assistance provided with respect to the project under Section 8 of the United States Housing Act of 1937, as amended, terminates. A development generally will meet the continuing low income set aside requirement so long as a tenant's income does not increase to more than 140 percent of the applicable income limitation. Generally, upon an increase of a tenant's income over 140 percent of the applicable income limitation, the next available unit of comparable or smaller size in the applicable development must be rented to a tenant whose income does not exceed the applicable income limitation; provided however, that if tax credits under Section 42 of the Code are allowed with respect to the applicable development, the next available unit of a comparable or smaller size in the same building as the tenant whose income has increased over 140 percent of the applicable income limitation must be rented to a tenant whose income does not exceed the applicable income limitation. The Code requires annual certifications to be made by the operator of the development to the Secretary of the Treasury regarding compliance with the applicable income limitations.

Expenditures for Rehabilitation. The Code requires that the owner of an existing development spend a minimum sum of money for rehabilitation expenditures with regard to the development. The minimum amount of rehabilitation expenditures that must be incurred is equal to 15 percent of the amount of Series 2022C Bond proceeds, if any, applied to pay for the cost of acquiring an existing building (including the building fixtures and equipment within, but not including the cost of land). That minimum amount of rehabilitation expenditures must be incurred no later than two years after the later of the date of issuance of those Series Bonds or the date that the building is acquired by the owner. The Code also requires that less than 25 percent of the net proceeds of the Series 2022C Bonds be used to acquire land.

Certain State Tax Legislation. Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota's exemption of that interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued.

On May 19, 2008 the U.S. Supreme Court held in Department of Revenue of Kentucky v. Davis that Kentucky's taxation of interest on bonds issued by other states and their political subdivisions, while exempting from taxation interest on bonds issued by the Commonwealth of Kentucky or its political subdivision, does not impermissibly discriminate against interstate commerce under the Commerce Clause of the U.S. Constitution. In a footnote, however, the Court stated that it had not addressed whether differential treatment of "so called 'private activity,' 'industrial revenue,' or 'conduit' bonds . . . used to finance projects by private entities" violate the Commerce Clause, adding that "we cannot tell with certainty what the consequences would be of holding that Kentucky violates the Commerce Clause by exempting such bonds; we must assume that it could disrupt important projects that the States have deemed to have public purposes. Accordingly, it is best to set this argument aside and leave for another day any claim that differential treatment of interest on private-activity bonds should be evaluated differently from the treatment of municipal bond interest generally."

Since the Series 2022C Bonds are "private activity bonds" and the Supreme Court's opinion left open the possibility of a challenge to Minnesota's differential treatment of the interest on private activity bonds issued in other states, the Agency cannot predict the outcome of any challenge. If Minnesota's treatment of those bonds were held to unlawfully discriminate against interstate commerce, the court making such a finding would have to decide upon a remedy for the tax years at issue in the case. Even if the remedy applied to those years preceding the decision were to exempt other states' bond interest rather than to tax Minnesota bond interest, application of the 1995 statute to subsequent years could cause interest on the Series 2022C Bonds to become taxable by Minnesota and the market value of the Series 2022C Bonds to decline.

Bond Premium

Certain of the Series Bonds may be sold at a premium. An amount equal to the excess of the issue price of a Series Bond over its stated redemption price at maturity constitutes premium on that Series Bond. An initial or subsequent purchaser of a Series Bond must amortize any premium over that Series Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Series Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in that Series Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes, upon a sale or disposition of that Series Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Series Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Series Bond.

Original Issue Discount

Any Series Bonds that are sold at an initial public offering price that is less than the stated amount to be paid at maturity will constitute "Discount Bonds." The difference between the initial public offering prices of any such Discount Bond and the stated amount to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes to the same extent as interest on such Discount Bond.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

Changes in Federal Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above, prevent owners of the Series Bonds from realizing the full current benefit of the tax treatment of the Series Bonds or adversely affect the market value of the Series

Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced that, if implemented or concluded in a particular manner, could adversely affect the market value of the Series Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

CONTINUING DISCLOSURE

The Agency will covenant in a continuing disclosure undertaking for the benefit of the Owners and Beneficial Owners (as defined in Appendix C hereto) of the Series Bonds to provide annually certain financial information and operating data relating to the State and to provide notices of the occurrence of certain enumerated events. That information and notices are to be filed by the Agency with the Municipal Securities Rulemaking Board through its internet repository named "Electronic Municipal Market Access" (EMMA). (See "Appendix C — Summary of Continuing Disclosure Undertakings.") The Agency and the State will enter into a separate agreement pursuant to which the State will agree to provide to the Agency the information needed for the Annual Report described in Appendix C. (See "Appendix C — Summary of Continuing Disclosure Undertakings.")

These covenants have been made in order to assist the Underwriters in complying with the Rule (as defined in Appendix C hereto). Breach of the covenants will not constitute a default or an "Event of Default" under the Series Bonds or the Indenture. A broker or dealer is to consider a known breach of the covenants, however, before recommending the purchase or sale of the Series Bonds in the secondary market. Thus, a failure on the part of the Agency or the State to observe the covenants may adversely affect the marketability and liquidity of the Series Bonds and their market price. During the prior five years, one disclosure report timely filed with EMMA was not timely linked to all outstanding CUSIPs for the associated Bonds of the Agency. The Agency timely filed the Agency Annual Report for its fiscal year ended June 30, 2019 with EMMA; however, that Agency Annual Report was not specifically linked to two CUSIPs for the Agency's Residential Housing Finance Bonds, 2014 Series C, and three CUSIPs for the Agency's Residential Housing Finance Bonds, 2014 Series E. The Agency posted that Annual Report to CUSIP 60416SHP8, the only one of the five omitted CUSIPs with respect to bonds still outstanding, on February 1, 2021. Where the Agency undertakes to provide annual financial information and operating data of the State, the Agency cannot provide annual financial information and operating data of the State until received from the State. For information on the State's covenants and agreements to comply with its continuing disclosure obligations, see the disclosure under the section heading "CONTINUING DISCLOSURE" in the ____________, 2022 State Preliminary Official Statement included as Appendix E hereto.

LITIGATION

There is not now pending or, to the best knowledge of the officers of the Agency or the State, overtly threatened any litigation against the Agency or the State seeking to restrain or enjoin the sale, issuance, execution or delivery of the Series Bonds, or in any manner questioning or affecting the validity of the Series Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

While at any given time, including the present, there are numerous civil actions pending against the State, that could, if determined adversely to the State, affect the State's expenditures, and, in some cases, its revenues, the State Attorney General is of the opinion that, except for the actions described in Note 19 to the State Financial Statements for Fiscal Year Ended June 30, 2021, set forth in Appendix F of the ____________, 2022 State Preliminary Official Statement included as Appendix E hereto, and additional actions, if any, discussed in the section entitled "LITIGATION" in the ____________, 2022 State Preliminary Official Statement, no pending actions are likely to have a material adverse effect in excess of $15 million on the State's expenditures or revenues during the current biennium.

CERTAIN LEGAL MATTERS

The validity of, and the tax exemption of interest on, the Series Bonds are subject to the opinion of Kutak Rock LLP, Bond Counsel. The opinion of Bond Counsel will be provided in substantially the form set forth in Appendix D attached hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Cozen O'Connor.

RATINGS

The Series Bonds are rated "___" by Moody's Investors Service, Inc. and "___" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC. The ratings reflect only the views of these rating agencies. For an explanation of the ratings as described by those rating agencies, please contact the rating agencies. The ratings are subject to change or withdrawal by either of the rating agencies at any time. Therefore, after the date hereof, investors should not assume that those ratings are still in effect. A downward revision or withdrawal or suspension of either rating is likely to have an adverse effect on the market price and marketability of the Series Bonds.

TRUSTEE

Computershare Trust Company, National Association (the "Trustee"), a national banking association, serves as successor Trustee under the Indenture to Wells Fargo Bank, National Association ("WFBNA"). The Trustee also serves as bond trustee for other outstanding bonds of the Agency. As part of the sale of WFBNA's corporate trust services to the Trustee in 2021, virtually all corporate trust services employees of WFBNA along with most existing corporate trust services systems, technology and offices, transferred to the Trustee, together with all duties, obligations and rights of WFBNA under the Indenture.

Pursuant to the Indenture, any successor Trustee, including a successor by sale or transfer of the corporate trust business, must be a bank or trust company or national banking association having trust powers and combined capital and surplus aggregating at least $75,000,000.

FINANCIAL ADVISOR

CSG Advisors Incorporated (the "Financial Advisor") is serving as financial advisor to the Agency with respect to the planning, structuring and sale of the Series Bonds. The Financial Advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series Bonds and provided other advice to the Agency. The Financial Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the issuance and sale of the Series Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

UNDERWRITING

RBC Capital Markets, LLC, Piper Sandler & Co., Wells Fargo Bank, National Association and J.P. Morgan Securities LLC (collectively, the "Underwriters") will purchase from the Agency, and the Agency will sell to the Underwriters, all of the Series Bonds at an aggregate purchase price of $__________ (which price reflects an underwriting discount of $_______ and net original issue premium of $______). The Underwriters may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

Each of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Each of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Agency, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, each of the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in those securities and instruments. Those investment and securities activities may involve securities and instruments of Agency.

Wells Fargo Bank, National Association ("WFBNA"), acting through its Municipal Finance Group, one of the underwriters of the Series Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Series Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing compensation, as applicable with respect to the Series Bonds with WFA. WFBNA also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate, Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company ("WFC").

Wells Fargo Corporate & Investment Banking (which may be referred to elsewhere as "CIB," "Wells Fargo Securities" or "WFS") is the trade name used for the corporate banking, capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including WFBNA, a member of the National Futures Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, N.A. Municipal Finance Group, a separately identifiable department of WFBNA, registered with the U.S. Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series Bonds that that firm sells.

MISCELLANEOUS

This Official Statement is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purposes. Any statement made or incorporated in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or owners of any of the Series Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

MINNESOTA HOUSING FINANCE AGENCY

By ___________________________________
Commissioner

Dated: _______________, 2022.

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The Indenture contains various definitions, covenants, security provisions, terms and conditions, certain of which are summarized below. Reference is made to the Indenture for a full and complete statement of its provisions.

Certain Defined Terms

Agency Certificate: As the case may be, a document signed by an Authorized Officer either (i) attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth, (ii) setting forth matters to be determined by the Agency or an Authorized Officer pursuant to the Indenture, or (iii) requesting or directing the Trustee or other party to take action pursuant to the Indenture.

Agency Resolution: A copy of a resolution certified by an Authorized Officer to have been duly adopted by the members of the Agency and to be in full force and effect on the date of such certification, and delivered to the Trustee.

Authorized Officer: The Chairperson, Vice Chairperson, Commissioner or Deputy Commissioner of the Agency or any other person authorized by resolution of the Agency to perform an act or sign a document.

Bond Compliance Agreement: A Bond Compliance Agreement, if any, entered into by the Agency and a borrower with respect to a loan funded with proceeds of Bonds deemed to be "private activity bonds" under the Code.

Bond Counsel: Any attorney or firm of attorneys of nationally recognized standing in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds selected by the Agency.

Bond Fund: The Bond Fund created under the Indenture within the Agency's Housing Development Fund.

Bondowner: A Person in whose name a Bond is registered in the Bond Register.

Business Day: Any day (a) other than a Saturday, Sunday or other day that is a legal holiday in the State, and (b) on which banks in the city in which the designated principal corporate trust office of the Trustee are located are not required or authorized by law to be closed.

Code: The Internal Revenue Code of 1986, as amended and the applicable temporary, proposed and final Treasury regulations promulgated thereunder or applicable thereto.

Default: An Event of Default and an event or condition, the occurrence of which would, with the lapse of time or the giving of notice or both, became an Event of Default.

Fiscal Year: The 12-month period commencing July 1 and concluding on June 30 in the next succeeding calendar year, or any other 12-month period designated by the State as its fiscal year.

Government Obligations: Direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury).

Interest Payment Date: The date on which interest is payable on any Bonds (other than upon redemption of a Bond on a date other than a regularly schedule interest payment date).

Investment Obligations: Any of the following securities and other investments, if and to the extent the same are at the time legal for the investment of the Agency's moneys:

(a) Government Obligations;

(b) Obligations (i) that are backed by the full faith and credit of any state of the United States of America, (ii) of any agency of the United States of America, or (iii) of any public corporation sponsored by the United States of America, provided that, at the time of purchase, such obligations shall not adversely affect the Rating of the Bonds;

(c) Interest bearing time or demand deposits, certificates of deposit or other similar banking arrangements with any bank, trust company, national banking association or other savings institution (including the Trustee) provided that (i) such deposits, certificates and other arrangements are fully insured by the Federal Deposit Insurance Corporation or guaranteed by the State, the proceeds of which insurance are timely available, or (ii) such depository has combined capital and surplus of at least $75,000,000 and such deposits, certificates and other arrangements are fully secured by obligations described in clause (a) or (b) of this definition, or a combination thereof, at such levels and valuation frequency as shall not adversely affect the Rating of the Bonds or (iii) the deposit of funds with such depository will not adversely affect the Rating of the Bonds;

(d) Repurchase agreements and reverse repurchase agreements with banks that are members of the Federal Deposit Insurance Corporation, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (a) and (b) of this definition;

(e) Shares of (i) an investment company registered under the federal investment company act of 1940, whose shares are registered under the federal securities act of 1933, whose only investments are in securities described in clause (a), (b) or (d) above, or (ii) a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least $75,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, whose only investments are in securities described in clause (a), (b) or (d) above;

(f) Any investment contract with any provider as long as such investment contract does not adversely affect the Rating of the Bonds; and

(g) Any other investment that will not adversely affect the Rating of the Outstanding Bonds.

<u>Opinion of Counsel</u>: A written opinion of counsel selected by the Agency and acceptable to the Trustee or selected by the Trustee.

<u>Outstanding</u>: When used with respect to Bonds, as of the date of determination, all Bonds theretofore authenticated and delivered under the Indenture *except*:

(i) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Bonds for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee in trust for the Owners of such Bonds; *provided* that if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) Bonds which have been defeased within the meaning of the Indenture; and

(iv) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture;

provided, however, that in determining whether the Owners of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Bonds owned by the Agency shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded.

<u>Owner</u>: With respect to any Bond, the Bondowner.

Person: Any individual, corporation, limited liability company, partnership, limited liability partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Program Fund: The Program Fund created under the Indenture.

Rating: With respect to any Bonds, the rating issued by a Rating Agency in force immediately prior to the proposed action to be taken by the Agency under the Indenture, and an action that does not “impair” the Rating with respect to any Bonds shall be an action that will not cause the Rating Agency to lower, suspend or withdraw the rating it has assigned to the Bonds.

Rating Agency: Any nationally recognized entity that, upon the request of the Agency, has issued a credit rating on any Bonds issued pursuant to the Indenture.

Rebate Fund: The Rebate Fund created under the Indenture.

Record Date: The 15th day, whether or not a Business Day, of the month immediately preceding the month in which each Interest Payment Date, or any Redemption Date, occurs.

Redemption Date: When used with respect to any Bond to be redeemed, the date fixed for such redemption by or pursuant to the Indenture.

Redemption Price: When used with respect to any Bond to be redeemed, the price at which it is to be redeemed pursuant to the Indenture.

Sinking Fund Payment Date: A date set forth in any applicable provision of the Indenture or a Supplemental Indenture for the making of a mandatory principal payment for the redemption of a Term Bond.

Special Record Date: A date fixed by the Trustee pursuant to the Indenture for the payment of any interest not paid at its Stated Maturity.

Stated Maturity: When used with respect to any Bond or any installment of interest thereon means the date specified in such Bond as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

Tax Exemption Agreement: A Tax Exemption Agreement, if any, entered into by the Agency and a borrower with respect to a Loan funded with proceeds of Bonds not deemed to be “private activity bonds” under the Code.

Term Bonds: Any Bond for the payment of the principal of which mandatory payments are required by a Supplemental Indenture to be made at times and in amounts sufficient to redeem all or a portion of such Bond prior to its Stated Maturity.

Trust Estate: The assets, revenues and other property pledged pursuant to the Granting Clauses of the Indenture.

Program Fund

The Agency by the Indenture establishes an account with the Trustee to be designated the “Program Fund,” as a subaccount of the housing infrastructure bond account established by the Act, and is required to deposit with the Trustee to the credit thereof proceeds of the Series Bonds as provided in the Indenture. Income and profit from the investment of moneys in the Program Fund shall be credited to such Fund. The moneys in the Program Fund shall be held in trust by the Trustee and applied to the funding of the Housing Infrastructure Loans and payment of costs of issuance of the Series Bonds. The Trustee shall create specific accounts within the Program Fund, upon receipt of an Agency Certificate, to fund specific Housing Infrastructure Loans. The Trustee shall pay each item payable from the applicable account in the Program Fund to the Agency or at the Agency’s direction, or shall make arrangements for the transfer and deposit of the amount for such payment, as the Agency shall request. Upon receipt by the Trustee of an Agency Certificate stating that all amounts to be paid with respect to Housing Infrastructure Loans financed by

Bonds of such series has been paid, any balance remaining in the Program Fund with respect to such Bonds shall be transferred to the Bond Fund.

Bond Fund

The Agency by the Indenture establishes, and is required to maintain, so long as any of the Bonds are outstanding, with the Trustee, a separate account within the Agency's Housing Development Fund to be designated the "Housing Infrastructure State Appropriation Bond Fund," as a subaccount of the housing infrastructure bond account established by the Act, into which the Agency and Trustee shall make certain deposits pursuant to the Indenture, including, as received each year, all Housing Infrastructure State Appropriations paid by the State. The moneys and investments in the Bond Fund are irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of, premium (if any) on and interest on the Bonds, as and when such principal, premium and interest shall become due and payable. Except as otherwise provided in the Indenture (see "Compensation of Trustee" and "Application of Revenues and Other Moneys After Event of Default" hereinafter), so long as all principal, premium and interest on the Bonds have been paid when due, and the amount in the Bond Fund is sufficient to pay the principal of and interest on Outstanding Bonds in the current Fiscal Year, upon the written direction of the Agency pursuant to an Agency Certificate, the Trustee may use moneys in the Bond Fund in excess of such amount to pay fees, charges and expenses with respect to the Bonds. Upon the written direction of the Agency, the Trustee may use moneys in the Bond Fund to purchase Bonds maturing or subject to redemption on a Sinking Fund Payment Date on either of the next two Interest Payment Dates after such purchase, provided that such Bonds are delivered to the Trustee for cancellation upon such purchase.

Investment of Moneys in Program Fund and Bond Fund

The Trustee shall invest the moneys on deposit in the Program Fund or held as a part of the Bond Fund, respectively, at the written request and direction of an Authorized Officer in Investment Obligations. The type, amount and maturity of Investment Obligations shall conform to any instructions of the Authorized Officer. The Trustee may, from time to time, cause any such investments to be sold or otherwise be converted into cash, whereupon the proceeds derived from such sale or conversion shall be credited to the respective Fund. Any interest or profit derived from investments shall be credited to the respective Fund. Investments permitted under the Indenture may be purchased from the Trustee or from any of its affiliates. No portion of the Program Fund or the Bond Fund representing proceeds of the Bonds shall be invested or used in such manner that no part of a series of Bonds would be "arbitrage bonds" under the Code; the Trustee may conclusively rely on the written direction of an Authorized Officer as to compliance with the Code. The Trustee shall be entitled to assume that any investment that at the time of purchase is an Investment Obligation remains an Investment Obligation thereafter, absent receipt of written notice or information to the contrary. If no investment direction is received for a Fund, the funds shall be held uninvested. The Trustee shall have no liability or responsibility for any loss or for failure to maximize earnings resulting from any investment for a Fund made in accordance with the Indenture.

Rebate Fund

The Trustee shall establish a special fund designated as the "Rebate Fund." The Rebate Fund is not a trust fund, is not part of the Trust Estate and is not subject to the lien of the Indenture. For each series of Bonds that is subject to the rebate requirements of Section 148(f) of the Code, or its equivalent, a separate account shall be established in the Rebate Fund. The Trustee shall make information regarding the investments thereunder available to the Agency and shall make deposits in and disbursements from the Rebate Fund in accordance with written instructions in an Agency Certificate delivered from time to time, shall invest the Rebate Fund pursuant to said written instructions, and shall deposit income from such investments immediately upon receipt thereof in the Rebate Fund. The Trustee shall upon receipt of an Agency Certificate transfer moneys from the Bond Fund or moneys representing interest income from the Program Fund, as directed by the Agency Certificate, to the Rebate Fund in the amount of any required deposit. Records of transactions with respect to the separate account within the Rebate Fund for a series of Bonds shall be retained by the Trustee until six years after the Bonds of such series are no longer outstanding.

Payment of Bonds

The Agency covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture and in each and every Bond executed, authenticated and delivered thereunder; will pay or cause to be paid, solely from the Trust Estate, including Housing Infrastructure State Appropriations, the principal of, premium (if any) on and interest on every Bond issued thereunder on the dates, at the places and in the manner prescribed in the Bonds in any coin or currency that, on the respective dates of payment of such principal and interest, is legal tender for the payment of public and private debts; and will cause such amounts received to be deposited with the Trustee prior to the due date of each installment of principal and interest and prior to the maturity of any Bond in amounts sufficient to pay such installment; provided, however, that the principal of and interest on any Bond are not and shall not be an indebtedness or other obligation of the State and the Bonds are not public debt of the State, and the full faith and credit of the State are not pledged to their payment or for any annual transfers of Housing Infrastructure State Appropriations to the Agency. The Agency covenants that it will take all actions required by the Act to cause the Housing Infrastructure State Appropriations to be received on or prior to the dates such amounts are required to pay, with other amounts available in the Bond Fund, principal of and interest of Outstanding Bonds and will deposit all Housing Infrastructure State Appropriations as received in the Bond Fund.

Covenant to Request Housing Infrastructure State Appropriations

On or prior to each June 30 while any Bonds remain Outstanding, the Agency covenants that it will certify to the Commissioner of Management and Budget of the State the amount of principal, premium, if any, and interest on each series of the Bonds, and the fees, charges, and expenses related to each series of the Bonds, payable in the next succeeding Fiscal Year, less the amount on hand in the Bond Fund and available to pay such amounts.

Covenants Relating to Housing Infrastructure Loans

The Agency covenants that the proceeds of the Bonds will be used solely to pay costs of issuance of the Bonds, to pay interest on the Bonds prior to the first date Housing Infrastructure State Appropriations are received and to fund Housing Infrastructure Loans meeting such criteria for Housing Infrastructure State Appropriations as shall be set forth in Section 462A.37 of the Act. Proceeds of the Bonds may also be used for other purposes authorized by the Act as amended from time to time.

Tax Covenants with Respect to Series Bonds

The Agency shall not take any action or fail to take any action or permit any action to be taken on its behalf or cause, or permit any circumstance within its control to arise or continue, if such action or inaction would adversely affect the exclusion from gross income for federal income purposes of the interest on the Series Bonds. These covenants will survive the payment of the Series Bonds.

The Agency shall not use or permit the use of any proceeds of the Series Bonds or any other funds of the Agency, directly or indirectly, to acquire any securities, obligations, or other investment property, and shall not use or permit the use of any amounts received by the Agency or the Trustee with respect to the Series Bonds in any manner, and shall not take or permit to be taken any other action or actions, that would cause the Series Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. 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.

The Agency shall not use or permit the use of any proceeds of the Series Bonds or any other funds of the Agency, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, that would result in any Development financed with proceeds of the Series Bonds not being treated as a "qualified residential rental project" as such phrase is used in Sections 147(a)(7) and 142(d) of the Code. In furtherance of this covenant the Agency will enter into a Bond Compliance Agreement with respect to each Housing Infrastructure

Loan to be funded with the proceeds of the Series Bonds in order for the interest on the Series Bonds to be excluded from gross income of the owners for purposes of federal income taxation.

Events of Default

Each of the following events is defined as, and is declared to be and to constitute, an "Event of Default" under the Indenture:

(a) If payment of the principal of, or premium, if any, on any of the Bonds, when the same shall become due and payable, whether at Stated Maturity or upon a Sinking Fund Payment Date, or otherwise, shall not be made.

(b) If payment of any interest on the Bonds when the same shall become due and payable shall not be made.

(c) If default shall be made in the performance or observance of any other of the covenants, agreement or conditions on the part of the Agency in the Indenture, or in the Bonds contained, and such failure shall continue for a period of 60 days after written notice thereof to the Agency by the Trustee or to the Agency and to the Trustee by the Bondowners of not less than 10% in principal amount of the Bonds Outstanding, provided that if (i) the Agency is proceeding with due diligence to remedy the same, (ii) the default is able to be remedied, and (iii) the Agency has commenced action during the 60-day period necessary to remedy such default, such 60-day period shall be increased to such extent, but not more than an additional 180 days, as shall be necessary to enable the Agency to cure the default through the exercise of due diligence.

(d) The Agency shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State.

(e) The State has limited or altered the rights of the Agency pursuant to the Act, as in force on the date of adoption of the Indenture, to fulfill the terms of any agreements made with the Owners of the Bonds or in any way impaired the rights and remedies of Owners of Bonds while any Bonds are Outstanding.

Remedies

Upon the occurrence and continuation of any Event of Default, the Trustee may, and upon the written request of the Bondowners of not less than a majority in aggregate principal amount of the Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Bondowners under the Act, the Bonds and the Indenture by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(a) Suit upon all or any part of the Bonds;

(b) Suit to require the Agency to account as if it were the trustee of an express trust for the Bondowners;

(c) Suit to enjoin any acts or things that may be unlawful or in violation of the rights of the Bondowners; and

(d) Enforcement of any other right of the Bondowners conferred by law or by the Indenture.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Bondowners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Indenture by any acts that may be unlawful or in violation of the Indenture, or (ii) to preserve or protect the interests of the Bondowners, provided that such request is in accordance with law and the provisions of the Indenture.

Application of Revenues and Other Moneys After Event of Default

The Agency covenants that if an Event of Default shall happen and shall not have been remedied, the Agency, upon demand of the Trustee, shall pay or cause to be paid over to the Trustee, as promptly as practicable after receipt thereof, any Housing Infrastructure State Appropriations and other payments or receipts pledged under the Indenture. During the continuation of an Event of Default the Trustee shall apply such moneys, securities, revenues, payments and receipts and the income therefrom as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Owners of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of duties under the Indenture;

(b) To the payment of the interest and principal or Redemption Price then due and payable on Outstanding Bonds, as follows:

> *First*: To the payment to the Persons entitled thereto of all installments of interest then due and payable in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference; and
>
> *Second*: To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price of any Outstanding Bonds that shall have become due and payable, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Outstanding Bonds due and payable on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

Whenever all principal amounts of and interest on all Bonds have been paid under the above provisions, and any required arbitrage rebate and all fees, expenses and charges of the Trustee have been paid, any balance remaining under the Indenture shall be paid to the Agency.

Majority of Bondowners Control Proceedings

If an Event of Default shall have occurred and be continuing, notwithstanding anything in the Indenture to the contrary, the Bondowners of at least a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the appointment of a receiver or any other proceedings under the Indenture, provided that such direction is in accordance with law and the provisions of the Indenture and provided that nothing in the Indenture shall impair the right of the Trustee in its discretion to take any other action under the Indenture that it may deem proper.

Individual Bondowner Action Restricted

No Bondowner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for any remedy under the Indenture unless:

(1) an Event of Default has occurred (a) under section (a) or (b) of the Events of Default subheading above, (b) as to which the Trustee has actual notice, or (c) as to which the Trustee has been notified in writing, and

(2) the Bondowners of at least a majority in aggregate principal amount of Bonds Outstanding shall have made written request to the Trustee to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, and

(3) such Bondowners shall have offered the Trustee indemnity, and

(4) the Trustee shall have failed or refused to exercise the powers in the Indenture granted or to institute such action, suit or proceedings in its own name for a period of 60 days after receipt by it of such request and offer of indemnity.

No one or more Bondowners shall have any right in any manner whatsoever to affect, disturb or prejudice the security of the Indenture or to enforce any right under the Indenture except in the manner in the Indenture provided and for the equal benefit of the Bondowners of all Bonds Outstanding appertaining thereto.

Nothing contained in the Indenture shall affect or impair, or be construed to affect or impair, the right of a Bondowner (i) to receive payment of the principal of or interest on such Bond, as the case may be, on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Bondowner may institute or prosecute any such suit or enter judgment therein, if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein, under applicable law, would result in the surrender, impairment, waiver or loss of the lien of the Indenture on the moneys, accounts and properties pledged under the Indenture for the equal and ratable benefit of all Bondowners.

Waiver and Non-Waiver of Event of Default

No delay or omission of the Trustee or of any Bondowner to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein. Every power and remedy given by the Indenture with respect to remedies to the Trustee and the Bondowners, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may waive any Event of Default that in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Indenture, or before the completion of the enforcement of any other remedy under the Indenture.

Notwithstanding anything contained in the Indenture to the contrary, the Trustee, upon the written request of the Bondowners of at least a majority of the aggregate principal amount of Bonds then Outstanding (including, if more than one series of Bonds shall at the time be Outstanding, the Bondowners of a majority in principal amount of the Bonds of each such Series), shall waive any Event of Default under the Indenture and its consequences; provided, however, that except under the circumstances set forth in the paragraph above, a default in the payment of the principal, or Redemption Price, if any, of or interest on any Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Owner of such Bond.

In case of any waiver by the Trustee of an Event of Default under the Indenture, the Agency, the Trustee and the Bondowners shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Event of Default in accordance with these provisions.

Notices of Defaults

Within 10 Business Days after the receipt of notice of an Event of Default or the occurrence of an Event of Default of which the Trustee has actual notice or is deemed to have notice, the Trustee, unless such Event of Default shall have theretofore been cured, shall give written notice thereof by first class mail to each Owner of Bonds then Outstanding, provided that, except in the case of a default in the payment of principal or the Redemption Price of or interest on any of the Bonds, the Trustee may withhold such notice if, in its sole judgment, it determines that the withholding of such notice is in the best interests of the Bondowners. The Trustee shall immediately notify the Agency of any Default or Event of Default known to the Trustee.

Trustee May Rely Upon Certain Documents and Opinions

Except as otherwise specifically provided in the Indenture, the Trustee may rely and shall be protected in acting upon certain resolutions, certificates, statements, instruments, opinions, reports, notices, requests, consents, orders, bonds or other papers or documents and may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance with the opinion of such counsel. Before being required to take any remedial action, the Trustee may require an opinion of counsel reasonably acceptable to it, which opinion of counsel shall be made available to the other parties to the Indenture upon request, or a verified certificate of any such party, or both concerning proposed actions.

Compensation of Trustee

All advances, counsel fees and other expenses reasonably made or incurred by the Trustee in and about the execution of the trust created by the Indenture and reasonable compensation to the Trustee for its services in the premises, including extraordinary fees such as default fees, if any, shall be paid by the Agency from the Trust Estate. The compensation of the Trustee shall not be limited to or by any provision of law in regard to the compensation of trustees of an express trust. The Trustee shall have a first lien, with right of payment prior to payment on account of interest or principal of any Bond issued under the Indenture, for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created thereby and exercise and performance of the powers and duties of the Trustee thereunder and the cost and expense incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful default of the Trustee). The Trustee's right to receive compensation, reimbursement, indemnification of money due and owing under the Indenture shall survive the Trustee's resignation or removal.

Resignation or Removal of Trustee

The Trustee may resign and be discharged from the trusts created by the Indenture by giving to the Agency 30 days' notice in writing, and to the Bondowners 30 days' notice by certified mail at its or his address as set forth on the registration books of such resignation, specifying a date when such resignation shall take effect. Such resignation shall take effect on the day specified in such notice, if a successor Trustee has been appointed, or upon such later date as a successor is appointed. If no successor Trustee shall have been appointed and have accepted appointment within 90 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee may petition a court of competent jurisdiction to appoint a successor Trustee. The court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee may be removed at any time by an instrument or instruments in writing, appointing a successor to the Trustee so removed, filed with the Trustee and executed by either (i) the Agency, if it is not then in Default under the Indenture; or (ii) the Owners of a majority in principal amount of the Bonds secured by the Indenture and then Outstanding.

Appointment of Successor Trustee

In case at any time the Trustee shall resign or shall be removed or otherwise shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its property shall be appointed, or if a public supervisory office shall take charge or control of the Trustee or of its property or affairs, a vacancy shall forthwith and ipso facto be created in the office of such Trustee, and a successor may be appointed by either (i) the Agency, if it is not then in Default under the Indenture; or (ii) the Owners of a majority in principal amount of the Bonds then Outstanding, by an instrument or instruments in writing filed with the Trustee and notification thereof being given to the Agency. In the event the Trustee has been removed by action of the Bondowners, until a new Trustee shall be appointed by the Bondowners as authorized in the Indenture, the Agency may, subject to the provisions thereof, appoint a Trustee to fill such vacancy. After any such appointment by the Agency, the Trustee so appointed shall cause notice of its appointment to be mailed within 30 days of such appointment to the Owners of the Bonds, and any new Trustee so appointed by the Agency shall immediately and without further act be superseded by a Trustee appointed in the manner above provided by the Owners of a majority in principal amount of said Bonds whenever such appointment by said Bondowners shall be made.

If, in a proper case, no timely appointment of a successor Trustee shall be made pursuant to the foregoing provisions the Owner of any Bond may apply to any court of competent jurisdiction to appoint a successor trustee. The court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor trustee.

Payment and Discharge of Indenture

If the Agency, its successors or assigns, shall

(a) pay or cause to be paid the principal of and premium, if any, and interest on the Bonds at the time and in the manner stipulated therein and in the Indenture, or

(b) provide for the payment of principal and premium, if any, of the Bonds and interest thereon by depositing with the Trustee at or at any time before maturity amounts sufficient in cash and/or in Government Obligations (the principal and interest on which when due and payable or redeemable at the option of the holder thereof) and without consideration of any reinvestment thereof shall be sufficient to pay the entire amount due or to become due thereon for principal and premium, if any, and interest to maturity of all said Bonds Outstanding, or

(c) deliver to the Trustee (1) proof satisfactory to the Trustee that notice of redemption of all of the Outstanding Bonds to be called for redemption not surrendered or to be surrendered to it for cancellation has been given or waived as provided in the Indenture, or that arrangements satisfactory to the Trustee have been made ensuring that such notice will be given or waived, or (2) a written instrument executed by the Agency and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Agency, or (3) file with the Trustee a waiver of such notice of redemption signed by the Owners of all of such Outstanding Bonds, and in any such case, deposit with the Trustee before the date on which such Bonds are to be redeemed, as provided in the Indenture, the entire amount of the Redemption Price, in cash and/or Government Obligation (which do not permit the redemption thereof at the option of the issuer) in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of such Redemption Price on the date such Bonds are to be redeemed, and on such prior dates when principal of and interest on the Outstanding Bonds is due and payable, or

(d) surrender to the Trustee for cancellation all Outstanding Bonds for which payment is not so provided, and shall also pay all other sums due and payable under the Indenture by the Agency,

then and in that case, if all required arbitrage rebate has been paid in respect of the Bonds, all the Trust Estate shall revert to the Agency, and the entire estate, right, title and interest of the Trustee and of the Owners of the Bonds shall thereupon cease, determine and become void; and the Trustee in such case, upon the cancellation of all Bonds for the payment of which cash or securities shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Agency, and at its cost and expense, execute to the Agency, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Agency all cash and deposited securities, if any (other than cash or securities for the payment of the Bonds and interest thereon), which shall then be held under the Indenture as a part of the Trust Estate.

In case of any discharge of the lien of the Indenture pursuant to paragraphs (b) or (c) above, there shall be submitted to the Trustee an opinion of Bond Counsel to the effect that the interest on the Bonds being discharged will not become includable in gross income for federal income tax purposes.

Bonds Deemed Not Outstanding After Deposits

When there shall have been deposited at any time with the Trustee in trust for the purpose, cash or Government Obligations the principal and interest on which shall be sufficient to pay the principal of any Bonds (and premium, if any) when the same become due, either at maturity or otherwise, or at the date fixed for the redemption thereof and to pay all interest with respect thereto at the due dates for such interest or to the date fixed for redemption, then upon such deposit all such Bonds shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be Outstanding thereunder; and it shall be the duty of the Trustee to hold the cash and securities so deposited for the benefit of the Owners of such Bonds.

Purposes for Which Supplemental Indentures May be Executed

The Agency, by Agency Resolution, and the Trustee from time to time and at any time, subject to the conditions and restrictions contained in the Indenture, may enter into such indentures supplemental thereto as the

Agency may or shall deem necessary or desirable without notice to or consent of any Bondowner for any one or more of the following purposes:

(a) To add to the covenants and agreements of the Agency in the Indenture or any Supplemental Indenture other covenants and agreements to be observed by the Agency that are not contrary to or inconsistent with the Indenture or the applicable Supplemental Indenture as theretofore in effect;

(b) To add to the limitations and restrictions in the Indenture or any Supplemental Indenture other limitations and restrictions to be observed by the Agency that are not contrary to or inconsistent with the Indenture or the applicable Supplemental Indenture as theretofore in effect;

(c) To surrender any right, power or privilege reserved to or conferred upon the Agency by the terms of the Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Agency contained in the Indenture;

(d) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture or any Supplemental Indenture, of the Housing Infrastructure State Appropriations or of any other part of the Trust Estate;

(e) To cure any ambiguity or to correct or supplement any provision contained in the Indenture or in any Supplemental Indentures that may be defective or inconsistent with any other provision contained in the Indenture or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under the Indenture or any Supplemental Indenture as the Agency may deem necessary or desirable and which shall not be inconsistent with the provisions of the Indenture or any Supplemental Indenture and which shall not impair the security of the same;

(f) To modify, eliminate and/or add to the provisions of the Indenture to such extent as shall be necessary to effect the qualification of the Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter enacted, and to add to the Indenture such other provisions as may be expressly permitted by said Trust Indenture Act of 1939, excluding, however, the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939;

(g) To provide for the issuance of Bonds pursuant to the Indenture;

(h) To make any other change in the Indenture as shall not be, in the opinion of the Trustee, materially adverse to the security or other interests of the Bondowners. With respect to the foregoing, the Trustee may rely upon the opinion of the Rating Agency with respect to whether the Rating of the Bonds has been adversely affected as conclusively establishing whether the change is materially adverse to the security or other interests of the Bondowners.

The Trustee shall not enter into a Supplemental Indenture under these provisions unless it obtains an Opinion of Counsel stating that such Supplemental Indenture has been duly and lawfully adopted in accordance with the provisions of the Indenture and is authorized or permitted by the Indenture.

Modification of Indenture with Consent of Bondowners

Subject to the terms and provisions below, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Agency and the Trustee of such indenture or indentures supplemental thereto as shall be deemed necessary or desirable by the Agency for the purpose of modifying, altering, amending, adding to or deleting in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that, notwithstanding any other provision of the Indenture, nothing therein contained shall permit or be construed as permitting, without the consent of the Owners of all Outstanding Bonds affected thereby, (i) an extension of the maturity of any Bond issued under the Indenture, or (ii) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (iii) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture, or (iv) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (v) a reduction in the aggregate principal amount of the Bonds required to consent to Supplemental Indentures, or (vi) a reduction in the aggregate principal amount of the Bonds required to waive an Event of Default.

If the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of such Supplemental Indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond shall have any right to object to the execution of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Agency from executing the same or from taking any action pursuant to the provisions thereof.

APPENDIX B

BOOK-ENTRY-ONLY SYSTEM

General

The Depository Trust Company, New York, New York ("DTC"), is to act as securities depository for each series of the Series Bonds. The ownership of one fully registered Series Bond of each series for each maturity in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., DTC's partnership nominee. *So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Series Bonds of a series, references herein to the Bondowners, Owners or registered owners of the Series Bonds mean Cede & Co. or such other nominee and do not mean the Beneficial Owners(as hereinafter defined) of the Series Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of beneficial ownership interests in the Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC's records. The ownership interest of each actual purchaser of each Series Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Bonds, except in the event that use of the Book-Entry System for Series Bonds of a series is discontinued as described below.

To facilitate subsequent transfers, all Series Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts those Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. For every transfer and exchange of beneficial ownership in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series Bonds of a series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series Bonds of the series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor other DTC nominee) will consent or vote with respect to any Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the bond issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of the principal and redemption price of and interest on the Series Bonds will be made to Cede & Co., or other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the bond issuer or trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to Cede & Co. (or other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of the payments to Direct Participants will be the responsibility of DTC, and disbursement of the payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under the Indenture, payments made by or on behalf of the Agency to DTC or its nominee will satisfy the Agency's obligations to the extent of the payments so made.

The above information contained in this Appendix B is based solely on information provided by DTC. No representation is made by the Agency, the State or the Underwriters as to the completeness or the accuracy of that information or as to the absence of material adverse changes in that information subsequent to the date hereof.

The Agency, the State, the Underwriters and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Agency, the State, the Underwriters nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of, or interest on the Series Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Indenture to be given to Owners of Series Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (6) any consent given or other action taken by DTC as a Bondowner.

Discontinuation of Book-Entry System

DTC may discontinue its book-entry services with respect to all or any series of the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under those circumstances, that series of Series Bonds are required to be delivered as described in the Indenture. The Beneficial Owner, upon registration of those Series Bonds held in the Beneficial Owner's name, will become the Bondowner.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for all or any series of the Series Bonds. In that event, the Series Bonds of that series are to be delivered as described in the Indenture.

APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS

The following statements are extracted provisions of the Continuing Disclosure Undertaking (the “Disclosure Undertaking”) to be executed by the Agency in connection with the issuance of the Series Bonds. The Agency and the Minnesota Department of Management and Budget (“MMB”) have entered into a separate Continuing Disclosure Agreement (the “State Agreement”) under which MMB has agreed to undertake the Annual Financial Information Disclosure in order that the Agency can satisfy the Annual Financial Information Disclosure obligation described below.

Purpose

This Disclosure Undertaking is executed and delivered by the Agency for the benefit of the holders and owners (the “Bondowners”) and the Beneficial Owners of the Series Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. There is no obligated person other than the Agency that is a party to the Disclosure Undertaking.

Definitions

In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

(a) “*Annual Financial Information*” means the following financial information and operating data (to the extent not included in Audited Financial Statements): the information in Appendix B to the State of Minnesota Official Statement dated August [ ], 2022 included as Appendix E to the Official Statement of the Agency relating to the Series Bonds, Appendix C to such State Official Statement and Appendix F to such State Official Statement.

(b) “*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under “Annual Financial Information Disclosure” herein.

(c) “*Annual Financial Information Disclosure Date*” means December 31 of each year, beginning December 31, 2022.

(d) “*Audited Financial Statements*” means the audited financial statements of the State, prepared pursuant to the standards and as described under the caption “Annual Financial Information Disclosure.”

(e) “*Beneficial Owners*” means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

(f) “*Commission*” means the Securities and Exchange Commission.

(g) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

(h) “*Financial Obligation*” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

(i) "*Listed Event*" means the occurrence of any of the events with respect to the Series Bonds set forth below:

1. Principal and interest payment delinquencies;

2. Nonpayment-related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);

13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a Financial Obligation of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Agency, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Agency, any of which reflect financial difficulties.

(j) "*Listed Events Disclosure*" means dissemination of a notice of a Listed Event as described under the heading "Listed Events Disclosure" in this Appendix C.

(k) "*MSRB*" means the Municipal Securities Rulemaking Board.

(l) “*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

(m) “*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

(n) “*Rule*” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

(o) “*Undertaking*” means the obligations of the Agency described under the headings “Annual Financial Information Disclosure” and “Listed Events Disclosure” in this Appendix C.

Annual Financial Information Disclosure

The Agency shall disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below), on or before each Annual Financial Information Disclosure Date, to the MSRB.

The Agency shall deliver such information in Prescribed Form and by such time so that the MSRB receives the information by the Annual Financial Information Disclosure Date.

If any part of the Annual Financial Information can no longer be generated because the operations of the State to which it is related have been materially changed or discontinued, the Agency shall disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents, including official statements of debt issues of the State or related public entities, which have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB by the Annual Financial Information Disclosure Date. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the State, the Agency will disseminate a notice to the MSRB of such change in Prescribed Form.

Listed Events Disclosure

The Agency shall disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Indenture.

Consequences of Failure of the Agency to Provide Information

The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondowner or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Series Bonds or the Indenture or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance. None of the agreements or obligations of the Agency or of the State shall be construed to constitute a waiver of the State's sovereign immunity or a waiver of any of the limitations contained in Minnesota Statutes, Section 3.736, except as provided under the laws of the State. Neither a default by the Agency under the Disclosure Undertaking nor a default by the State under the State Agreement shall constitute a default or an Event of Default under the Series Bonds or the Indenture.

Amendment; Waiver

Notwithstanding any other provision of this Disclosure Undertaking, the Agency may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Agency or type of business conducted;

(ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondowners of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondowners of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Indenture at the time of the amendment; or

(iv) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

This Disclosure Undertaking shall terminate when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if the Undertaking is so terminated before the final stated maturity of the Series Bonds.

Additional Information

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

Beneficiaries

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondowners and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

Recordkeeping

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

The State Agreement

Under the State Agreement the State agrees to provide the information needed for the Annual Financial Information which the Agency is required to provide under the Disclosure Undertaking. The State may satisfy this obligation either by providing the Annual Financial Information to the Agency or by identifying any other disclosure document which may be included or incorporated by reference in order to satisfy the Annual Financial Information requirement.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[To be dated the date of issuance of the Series Bonds]

Minnesota Housing Finance Agency
St. Paul, Minnesota 55101

Re: Minnesota Housing Finance Agency
State Appropriation Bonds (Housing Infrastructure), 2022 Series A, 2022 Series B and 2022 Series C

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the "Agency") in connection with the authorization, issuance and delivery by the Agency of its State Appropriation Bonds (Housing Infrastructure), 2022 Series A, in the aggregate principal amount of $_______ (the "2022 Series A Bonds"), its State Appropriation Bonds (Housing Infrastructure), 2022 Series B, in the aggregate principal amount of $_______ (the "2022 Series B Bonds"), and its State Appropriation Bonds (Housing Infrastructure), 2022 Series C, in the aggregate principal amount of $_______ (the "2022 Series C Bonds" and, together with the 2022 Series A Bonds and the 2022 Series B Bonds, the "Series Bonds"). The Series Bonds are being issued in accordance with Minnesota Statutes, Chapter 462A, as amended (the "Act"), an Indenture of Trust, dated as of August 1, 2013, as heretofore and hereafter amended and supplemented (the "General Indenture"), by and between the Agency and Computershare Trust Company, National Association, as successor trustee (the "Trustee"), and an Eleventh Supplemental Indenture of Trust, dated as of September 1, 2022 (the "Supplemental Indenture"), by and between the Agency and the Trustee. The General Indenture and the Supplemental Indenture are referred to herein, collectively, as the "Indenture."

The Series Bonds are dated, mature on the dates, bear interest at the rates and are payable as provided in the Indenture. The Series Bonds are subject to redemption prior to maturity, as provided in the Indenture.

The Series Bonds are being issued to make loans to certain recipients (the "Housing Infrastructure Loans") to pay for all or a portion of the costs of acquisition, construction, rehabilitation and equipping, as applicable, of related developments, including facilities related and subordinate thereto, with respect to abandoned or foreclosed properties or for supportive housing, all as defined in the Act, or to finance or refinance the costs of acquisition and rehabilitation of federally assisted rental housing, and other authorized purposes under the Act; provided, however, that a portion of the Housing Infrastructure Loans financed with proceeds of the 2022 Series A Bonds and the 2022 Series B Bonds will represent "grants" for federal income tax purposes, and the balance of the Housing Infrastructure Loans made with proceeds of the 2022 Series A Bonds and the 2022 Series B Bonds will represent loans to finance projects owned, directly or indirectly, by either Section 501(c)(3) organizations or state or local government entities.

As bond counsel, we have examined certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency's Resolution No. MHFA 21-039, adopted July 22, 2021, and Resolution No. MHFA 22-___, adopted July 21, 2022 (together, the "Bond Resolution"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

From such examination, and assuming continuing compliance by the Agency and the recipients of the Housing Infrastructure Loans with the covenants contained in the Indenture and the loan documentation relating to each development, it is our opinion that, under existing law as of the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution has been duly and validly adopted by the Agency; (3) the Indenture has been duly authorized and executed and is valid and binding upon the Agency in accordance with its terms, and creates the valid pledge and security interest it purports to create with respect to the Revenues, moneys, securities and other Funds held and to be set aside under the Indenture; (4) the Series Bonds are duly and lawfully authorized to be issued and are valid and binding special, limited obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Indenture, and are payable solely, and equally and ratably, from specified transfers expected to be made by the State of Minnesota (the "State") pursuant to legislation providing for the appropriation of such transfers from the general fund of the State to the Agency and moneys and securities held from time to time in the funds and accounts established and pledged thereto under the Indenture; and (5) the interest payable on the Series Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; provided, however, interest on any 2022 Series C Bond is not excluded from gross income for federal income tax purposes of any holder of such bonds who is a "substantial user" of a development financed by such 2022 Series C Bonds or a "related person" thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code").

Interest on the Series Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals. Interest on the Series Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the Series Bonds. All owners of Series Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the Series Bonds.

Noncompliance by the Agency or the recipient of a Housing Infrastructure Loan financed by the Series Bonds with their covenants in the Indenture or applicable loan documentation relating to a development may result in inclusion of interest in federal gross income and Minnesota taxable net income retroactive to the date of issuance of the Series Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the Series Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Dated: ___, 2022.

Respectfully yours

APPENDIX E

PRELIMINARY OFFICIAL STATEMENT OF THE STATE OF MINNESOTA

DATED ____________, 2022

RESOLUTION NO. MHFA 22-062

RESOLUTION RELATING TO STATE APPROPRIATION BONDS (HOUSING INFRASTRUCTURE); AUTHORIZING THE ISSUANCE AND SALE OF ADDITIONAL SERIES AND APPROVING THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS; AUTHORIZATION OF ADDITIONAL DEVELOPMENTS TO BE FUNDED WITH PROCEEDS OF PRIOR AUTHORIZED SERIES

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY (the "Agency"), as follows:

Section 1. Recitals.

1.01. State Appropriation Bonds; Authority; Purpose. The Agency is authorized under Minnesota Statutes, Chapter 462A, including, without limitation, Sections 462A.37 and 462A.375 thereof, as amended (the "Act") to issue bonds from time to time (the "State Appropriation Bonds") secured by standing appropriations of the State of Minnesota (the "State") for the purpose of financing grants with respect to manufactured home parks and loans to borrowers (the "Borrowers") to pay for all or a portion of the costs of acquisition, construction, rehabilitation and equipping, as applicable, of related developments, including facilities related and subordinate thereto (the "Developments"), with respect to abandoned or foreclosed properties or for supportive housing, all as defined in the Act, or to finance or refinance the costs of acquisition and rehabilitation of federally assisted rental housing, and other purposes authorized by the Act. Such State Appropriation Bonds shall be equally and ratably secured solely by the pledge of certain appropriations expected to be made by the State pursuant to the Act and other available funds under the Indenture (as hereinafter defined). The State Appropriation Bonds will not constitute or give rise to a pecuniary liability of the Agency, except to the extent of appropriations from the State made pursuant to the Act and received by the Agency and other funds held under the Indenture (as hereinafter defined), or of the State or any political subdivision thereof, or be a general obligation of the Agency or constitute an indebtedness or other obligation of the State or public debt of the State. The full faith and credit and taxing powers of the State are not pledged to the payment of the State Appropriation Bonds.

1.02. Authority; Purpose. The Agency desires to issue its State Appropriation Bonds under Sections 462A.37 and 462A.375 of the Act for the purpose of financing loans to Borrowers, who shall be the owners ("Owners") of the related Developments listed in Exhibit A hereto (or such other entities designated by such Owners which entities agree to make, directly or through intermediaries, corresponding loans to the Borrowers); provided, however, that loans may be made to different or additional Owners with respect to different or additional Developments upon the adoption of a resolution supplemental hereto. The amount of each loan shall be in such amount approved by the Agency and any loan may be forgivable upon such terms as shall be determined by an Authorized Officer of the Agency. The bonds herein authorized shall consist of one or more series of State Appropriation Bonds of the Agency, the first of which is to be designated as "State Appropriation Bonds (Housing Infrastructure), 2022 Series B," in the aggregate principal amount to be determined pursuant to the terms of Section 2.02 of this resolution. Additional series of State

Appropriation Bonds issued pursuant to this resolution shall be designated "State Appropriation Bonds (Housing Infrastructure), "____ Series __" and completing the first blank with the calendar year of issuance and the second blank with an uppercase letter as appropriate for the order of such issuance. The maximum collective aggregate principal amount of all series of State Appropriation Bonds issued pursuant to this resolution shall not exceed $100,000,000, of which (i) $18,333,000 shall be used to finance the costs of acquisition, rehabilitation, adaptive reuse, or new construction of single-family housing ("Single Family Allocation") and (ii) $15,000,000 shall be used to finance the acquisition, improvement, and infrastructure of manufactured home parks under Section 462A.2035, subdivision 1b of the Act ("Manufactured Home Park Allocation"); provided, however, if the Agency has not committed the full amount of the Single Family Allocation or the Manufactured Home Park Allocation, as applicable, by January 16, 2024, to the applicable purposes due to a lack of qualifying projects, the allocated amount may be applied to other purposes authorized in Section 462A.37, subdivision 2 of the Act; the number of series of State Appropriation Bonds and their corresponding principal amounts shall be as determined by the Authorized Officer (as defined herein) pursuant to Section 8 of this resolution, and as set out in the Supplemental Indenture delivered pursuant to this resolution. All such series of State Appropriation Bonds issued pursuant to this resolution are the "Series Bonds."

The Series Bonds will be secured solely, and equally and ratably with the Agency's State Appropriation Bonds hereafter authorized, by the pledge of certain appropriations expected to be made by the State pursuant to the Act and other available funds under the Indenture. The Series Bonds will not constitute or give rise to a pecuniary liability of the Agency, except to the extent of appropriations from the State made pursuant to the Act and received by the Agency and other funds held and pledged thereto under the Indenture, or of the State or any political subdivision thereof, or be a general obligation of the Agency or constitute an indebtedness or other obligation of the State or public debt of the State. The full faith and credit and taxing powers of the State are not pledged to the payment of the Series Bonds.

1.03. Sale of Series Bonds. The Agency will negotiate for the sale of the Series Bonds to RBC Capital Markets, LLC, J.P. Morgan Securities LLC, Piper Sandler & Co. and Wells Fargo Bank, National Association (collectively, the "Purchasers"). The Agency will issue and sell the Series Bonds to the Purchasers pursuant to one or more Contracts of Purchase to be entered into between the Agency and the Purchasers (the "Purchase Contract"), subject to the parameters set forth in Section 2.02 hereof.

1.04. Documentation. The Series Bonds will be issued pursuant to the Indenture of Trust dated as of August 1, 2013, by and between the Agency and the Trustee (hereinafter defined) and relating to State Appropriations Bonds (Housing Infrastructure) (as amended and supplemented, the "Master Indenture"). Draft forms of the following documents (collectively and together with the Master Indenture, the "Bond Documents") relating to the State Appropriation Bonds and the Series Bonds have been prepared and submitted to the Agency and are hereby directed to be filed with the Agency:

(a) A proposed form of a Supplemental Indenture of Trust (the "Supplemental Indenture"), to be entered into between the Agency and the Trustee, to establish the form and terms of one or more series of the Series Bonds (the Master Indenture and the Supplemental Indenture are collectively referred to herein as the "Indenture");

(b) A proposed form of the Purchase Contract between the Agency and the Purchasers relating to the sale and purchase of one or more series of the Series Bonds;

(c) A proposed form of a Continuing Disclosure Agreement to be entered into by the Agency and the Trustee; and

(d) A proposed form of Agreement to be entered into between the Agency and the State regarding the State's agreement to provide annual updates of financial information and operating data of the State contained in or incorporated in the Official Statement (as hereinafter defined).

Section 2. Authorization of the Series Bonds and Approval of the Bond Documents.

2.01. Authorization. To provide sufficient funds to be used and expended for the purposes set forth in Section 1.02, the Agency is hereby authorized to issue the Series Bonds in an aggregate principal amount not to exceed $100,000,000. The Agency is hereby authorized to sell the Series Bonds to the Purchasers to provide funds to be used to make a loan to or for the benefit of each of the Owners to finance the Developments and pay costs of issuance of the Series Bonds.

2.02. Terms of Series Bonds. The Series Bonds shall be initially dated the date of delivery to the Purchasers and shall be in the form prescribed by the Indenture. The final terms of the Series Bonds have not been established as of the date of adoption of this resolution. Any of the Chair, the Commissioner or the Chief Financial Officer of the Agency (each an "Authorized Officer") is hereby authorized to approve the final terms of the Series Bonds, including the redemption provisions of the Series Bonds, subject to the following parameters:

(i) the principal amount of each series of the Series Bonds; provided that the aggregate principal amount of the Series Bonds is not in excess of $100,000,000;

(ii) the maturity schedule of each series of the Series Bonds (including any mandatory sinking fund redemption schedule); provided that the Series Bonds mature at any time or times in such amount or amounts not later than August 1, 2044;

(iii) the interest rates borne by each series of the Series Bonds; provided that the true interest cost on a series of the Series Bonds does not exceed 6.75% per annum; and

(iv) the fee or other compensation payable to the Purchasers of the Series Bonds; provided that the fee or other compensation does not exceed 1.00% of the principal amount of the applicable series of Series Bonds.

Such approval shall be conclusively evidenced by the execution of the applicable Purchase Contract with the Purchasers by an Authorized Officer.

2.03. Approval of Bond Documents. The forms of the Bond Documents are hereby approved, subject to such modifications as are deemed appropriate and approved by an Authorized

Officer, subject to the limitations contained in Section 2.02, which approval shall be conclusively evidenced by execution of the Bond Documents by an Authorized Officer. Copies of all the documents shall be delivered or filed as provided therein. An Authorized Officer is also authorized and directed to execute such other documents and certificates as may be required to give effect to the transactions herein contemplated.

2.04. Preliminary Official Statement; Official Statement. The Agency has also received and examined a draft Preliminary Official Statement containing information relating to the Agency, the State and the Series Bonds. An Authorized Officer is hereby authorized to approve a final version of the Preliminary Official Statement and the use thereof by the Purchasers in the public offering of the Series Bonds is hereby approved. A final Official Statement, substantially in the form of the Preliminary Official Statement except for revisions required or approved by counsel for the Agency and an Authorized Officer and insertion of the terms of the Series Bonds as provided in the Purchase Contract, is approved and authorized to be signed by an Authorized Officer, and furnished to the Purchasers for distribution to investors.

Section 3. Appointment of Trustee. Computershare Trust Company, National Association serves as successor Trustee under the Indenture and is vested with all the property, rights, powers and duties granted, pledged and assigned to it by the Indenture, in trust for the owners of the State Appropriation Bonds, including the Series Bonds and any additional bonds issued and to be issued thereunder.

Section 4. General Tax Covenant. The Agency covenants to not take, or permit or cause to be taken, any action that would adversely affect the exclusion of interest on the Series Bonds from federal income taxation, and to take or cause to be taken any action within its control necessary to maintain such exclusion.

Section 5. Authentication of Proceedings. The Chair, Commissioner or Chief Financial Officer and other officers of the Agency are authorized and directed to furnish to the Purchasers and bond counsel certified copies of all proceedings and records of the Agency relating to the Series Bonds, and such other affidavits and certificates as may be required to show the facts relating to the legality and validity of the Series Bonds as such facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the Agency as to the truth of all statements of fact contained therein.

Section 6. Limitations of the Agency's Obligations. Notwithstanding anything contained in the State Appropriation Bonds, the Series Bonds or the Bond Documents, the State Appropriation Bonds, including without limitation, the Series Bonds, shall not constitute general obligations of the Agency and shall not be payable from nor constitute a charge, lien or encumbrance, legal or equitable, upon any funds or any property of the Agency other than the appropriations of the State specifically pledged to the payment thereof pursuant to the Bond Documents and the Act and any other funds held under the Indenture expressly pledged thereunder to such payment, and no holder of the State Appropriation Bonds, including without limitation, the Series Bonds, shall ever have the right to enforce payment thereof against any property of the Agency other than those rights and interests of the Agency which have been pledged to the payment thereof pursuant to the Indenture.

Section 7. Advance of Agency Funds. If the Agency desires to fund loans before proceeds of the Series Bonds are available therefor, Agency funds legally available therefor shall be advanced by the Agency to fund such 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 8. Discretion of Authorized Officer. An Authorized Officer shall determine the number and aggregate principal amount of each series of the Series Bonds, subject to the limitations in Section 2.02 of this resolution. Notwithstanding anything contained in the foregoing sections of this 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 any of the Series Bonds authorized pursuant to this resolution (subject to any applicable provisions of any purchase contract theretofore executed), then such Series Bonds will not be issued or sold in accordance with this resolution.

Section 9. Approval of Additional Developments for State Appropriation Bonds (Housing Infrastructure) Authorized Pursuant to Resolution No. MHFA 18-055, Resolution No. MHFA 19-038, Resolution No. MHFA 20-032, and Resolution No. MHFA 21-039. Section 1.02 of each of the Agency's Resolution No. MHFA 18-055, Resolution No. MHFA 19-038, Resolution MHFA 20-032, and Resolution MHFA 21-039, each relating to prior authorized series of State Appropriation Bonds (collectively, the "Prior Authorizing Resolutions") provides that proceeds of State Appropriation Bonds authorized pursuant to the Prior Authorizing Resolutions may be used to finance loans to Borrowers, who shall be the Owners of Developments (a) listed in Exhibit A of each respective Prior Authorizing Resolution, and (b) different or additional Developments upon the adoption a resolution supplemental to such Prior Authorizing Resolutions. The Agency herein approves the Developments listed in Exhibit A of this resolution as different and additional Developments eligible to receive loans made from proceeds of State Appropriation Bonds authorized pursuant to the Prior Authorizing Resolutions; this Section 9 shall act as a resolution supplemental to each of the Prior Authorizing Resolutions.

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Adopted by the Minnesota Housing Finance Agency this 21st day of July, 2022.

By______________________________________
Chairman

Attest: ___________________________________
Commissioner

EXHIBIT A

DEVELOPMENTS AND OWNERS[1]

Development	Owner[2]	Location (MN)	Type of Development
Big Lake Station Senior	Aeon (Big Lake Railway Limited Partnership)	Big Lake	Senior Multifamily; New Construction
Calvary Center Apartments	Calvary Community Services, Inc. (Calvary Center Apartments II LP)	Golden Valley	Preservation Multifamily; Acquisition/Rehab
Emerson Village	Beacon Interfaith Housing Collaborative (Emerson Village LLC)	Minneapolis	Supportive Multifamily; New Construction
Grandview	F4U, LLC	Red Wing	Manufactured Home Park Infrastructure
Isanti Estates	Brakemeier Properties, Inc.	Isanti	Manufactured Home Park Infrastructure
Kyle Garden Square	Alliance Housing Incorporated (Kyle Garden Square LLC)	Minneapolis	Supportive Multifamily; Acquisition/Adaptive Reuse
Lewis Lofts	PreservingUS, Inc. (Lewis Lofts Senior Apartments, LP)	Mankato	Senior Multifamily; New Construction
Mary Hall	Aeon (Aeon Mary Hall LLC)	Saint Paul	Supportive Multifamily; Acquisition/Rehab
Omland Court	City of Fosston	Fosston	Manufactured Home Park Infrastructure
Paradise Park Neighborhood	Grand Partners, LLC	Grand Rapids	Manufactured Home Park Infrastructure
Phalen Village	MWF Properties, LLC (Phalen Village Limited Partnership)	Saint Paul	Senior Multifamily; New Construction
Riverview Terrace	Brakemeier Properties, Inc.	Chaska	Manufactured Home Park Infrastructure

[1] In addition, it is anticipated that proceeds of the Series Bonds will be used to make loans to one or more borrowers, including Community Land Trusts, to finance the finance the costs of acquisition, rehabilitation, adaptive reuse, or new construction of single-family housing.

[2] Or an affiliate thereof or successor thereto.

Development	**Owner[3]**	**Location (MN)**	**Type of Development**
Rogers Main Street Senior	Duffy Development Co (Rogers Senior of Rogers Limited Partnership)	Rogers	Senior Multifamily; New Construction
Settler Commons	Central Minnesota Housing Partnership, Inc. (Settler Commons Apartments, LLC)	Buffalo	Senior Multifamily; New Construction
Simpson Community Shelter & Apartments	Project for Pride in Living, Inc.	Minneapolis	Supportive Multifamily; New Construction
Skyridge Flats	Housing and Redevelopment Authority of Duluth	Duluth	Senior Multifamily; New Construction
Twin Haven Estates	Twin Haven Estates, LLC	Detroit Lakes	Manufactured Home Park Infrastructure
Woodlawn Terrace	Northcountry Cooperative Foundation	Richfield	Manufactured Home Park Infrastructure

[3] Or an affiliate thereof or successor thereto.

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MINNESOTA HOUSING

Board Agenda Item: 8.A
Date: 7/21/2022

Item: Draft Consolidated Plan for Housing and Community Development 2022-2026 and 2022 Annual Action Plan

Staff Contact(s):
Ryan Baumtrog, 651-296-9820, ryan.baumtrog@state.mn.us

Request Type:

☐ Approval	☒ No Action Needed
☐ Motion	☒ Discussion
☐ Resolution	☐ Information

Summary of Request:
Review and discuss draft Consolidated Plan for Housing and Community Development 2022-2026 and 2022 Annual Action Plan for eventual submission to the U.S. Department of Housing and Urban Development.

Fiscal Impact:
The Annual Action Plan has fiscal impact and describes to the Department of Housing and Urban Development how the State will use its HOME Investment Partnerships, National Housing Trust Fund, and Housing Opportunities for Persons with AIDS funds in program year 2022. Amounts allocated by HUD to Minnesota Housing for these programs for 2022 are $9,442,511, $10,497,206, and $386,643, respectively.

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

Attachment(s):
- Background
- Relevant pages of the plans

Background
To be eligible to receive HOME Investment Partnerships (HOME), National Housing Trust Fund and Housing Opportunities for Persons with AIDS (HOPWA), Community Development Block Grant (CDBG), and Emergency Solutions Grant (ESG) program funds, the State must have a five year 'Consolidated Plan' and an 'Annual Action Plan.' The Department of Employment and Economic Development (DEED) is the lead agency for preparing the plans, but DEED, Minnesota Housing, and the Department of Human Services (the consolidated plan agencies) work collaboratively to prepare them.

The consolidated plan, developed this year for program years 2022-2026, describes the state's economic and demographic profile, the housing market, a needs assessment for housing and homeless, community development needs, and goals and objectives for housing, community development, and housing and services for special needs populations.

The annual plan describes to the public and HUD the activities that will be undertaken with the federal funds for the program year beginning October 1, 2022, to address the goals and objectives of the Consolidated Plan. Once submitted, HUD has 45 days to review and comment, approve, or disapprove the Annual Action Plan.

Both the consolidated and annual action plans were developed after soliciting and considering public comment through four focus groups, many interviews with funding stakeholders, and an on-line survey that was widely publicized to the public and stakeholders.

The draft plan is open for public comment July 1 – July 31, and the final plan must be submitted to HUD prior to August 16 under a statutory deadline. We anticipate a special Board meeting to occur in August ahead of the submission to HUD for the Board to take action on the plan.

Pertinent pages from the draft plan are attached. The full plan can be found on Minnesota Housing's website at https://www.mnhousing.gov/sites/np/plans - Draft Consolidated Plan for Housing and Community Development 2022-2026

Minnesota Housing takes the lead on evaluating performance under the Annual Action Plan through the annual Consolidated Annual Performance and Evaluation Report (CAPER).

STATE OF MINNESOTA

2022-2026 Five-Year Consolidated Plan and 2022 Annual Action Plan

DRAFT FOR PUBLIC COMMENT

MINNESOTA

Executive Summary

ES-05 Executive Summary - 91.300(c), 91.320(b)

1. Introduction

Since 1995, the U.S. Department of Housing and Urban Development (HUD) has required consolidating the planning, application, reporting, and citizen participation processes for the formula grant programs: Community Development Block Grants (CDBG), Home Investment Partnerships (HOME), National Housing Trust Fund (NHTF), Emergency Solutions Grants (ESG), and Housing Opportunities for Persons with AIDS (HOPWA). The single-planning process, termed the Consolidated Plan for Housing and Community Development, is intended to fulfill three basic goals more comprehensively: to offer decent housing, to provide a suitable living environment, and to expand economic opportunities.

According to HUD, the Consolidated Plan is designed to be a collaborative process whereby a community establishes a unified vision for housing and community development actions. It offers entitlement communities the opportunity to shape these housing and community development programs into effective, coordinated housing and community development strategies. It also allows for strategic planning and citizen participation to occur in a comprehensive context, thereby reducing duplication of effort.

As the lead agency for the Consolidated Plan for the State of Minnesota, the Minnesota Department of Employment and Economic Development (DEED), in coordination with the Minnesota Housing Finance Agency (Minnesota Housing), and the Department of Human Services (DHS), hereby follows HUD's guidelines for citizen and community involvement. Furthermore, these agencies are responsible for overseeing these citizen participation requirements, those that accompany the Consolidated Plan and the CDBG, HOME, HOPWA, NHTF, and ESG programs, as well as those that complement the DEED planning processes already at work in the state.

PURPOSE OF THE CONSOLIDATED PLAN

The Minnesota Consolidated Plan for Housing and Community Development for 2022 to 2026 is the comprehensive five-year planning document identifying the needs and respective resource investments in satisfying the state's housing, homeless and non-homeless special needs population, community development, and economic development needs.

2. Summary of the objectives and outcomes identified in the Plan Needs Assessment

Overview

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

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

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

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

These strategies will be purposed through the Goals as outlined in the Strategic Plan section of this Plan.

3. Evaluation of past performance

The State's evaluation of its past performance has been completed in a thorough Consolidated Annual Performance and Evaluation Report (CAPER). The past year CAPERs can be found here and here.

4. Summary of citizen participation process and consultation process

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

5. Summary of public comments

Public comment narratives are attached as an appendix in Citizens Participation Comments.

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

Public comment narratives are attached as an appendix in Citizens Participation Comments. The State did not reject any comments.

7. Summary

The 2022-2026 Consolidated Plan has the following goals for the 5 year planning period. These goals will use HOME, ESG, HOPWA, NHTF and CDBG funds.

- Address Housing Rehabilitation Needs - DEED

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

- Increase Affordable Housing Opportunities - Minnesota Housing

  Fund housing activities for low-to-moderate income rental households, including renovation and new construction

- Support Economic Development and Workforce Needs - DEED

  Encourage robust economic growth through commercial rehabilitation activities, the development and retention of businesses and jobs throughout non-entitlement areas of the State

- Facilitate Housing and Services for the Homeless - DHS

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

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

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

- Improve Public Facilities and Infrastructure– DEED

  Address community needs through improvements to public facilities and infrastructure

The Process

PR-05 Lead & Responsible Agencies 24 CFR 91.300(b)

1. Describe agency/entity responsible for preparing the Consolidated Plan and those responsible for administration of each grant program and funding source

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

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

Table 1 – Responsible Agencies

Narrative

Consolidated Plan Public Contact Information

Natasha Kukowski, Small Cities Development Unit Manager

Department of Employment and Economic Development

1st National Bank Building, 332 Minnesota St., Suite E200

St. Paul MN 55101

Direct: 651-259-7425

Email: Natasha.Kukowski@state.mn.us

Strategic Plan

SP-05 Overview

Strategic Plan Overview

The 2022-2026 Consolidated Plan has the following goals for the 5-year planning period. These goals will use HOME, ESG, HOPWA, NHTF and CDBG funds.

- Address Housing Rehabilitation Needs - DEED

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

- Increase Affordable Housing Opportunities - Minnesota Housing

  Fund housing activities for low-to-moderate income rental households, including renovation and new construction

- Support Economic Development and Workforce Needs- DEED

  Encourage robust economic growth through commercial building rehabilitation activities. the development and retention of businesses and jobs throughout the State

- Facilitate Housing and Services for the Homeless - Minnesota Housing and Department of Human Services

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

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

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

- Improve Public Facilities and Infrastructure– DEED

  Address community needs through improvements to public facilities and infrastructure

SP-25 Priority Needs – 91.315(a)(2)

Priority Needs

Table 44 – Priority Needs Summary

1	**Priority Need Name**	Homelessness
	Priority Level	High
	Population	Rural Chronic Homelessness Individuals Families with Children Mentally Ill Chronic Substance Abuse veterans Persons with HIV/AIDS Victims of Domestic Violence Unaccompanied Youth
	Geographic Areas Affected	Statewide
	Associated Goals	Facilitate Housing and Service for the Homeless
	Description	Homelessness continues to be a high priority throughout the State
	Basis for Relative Priority	This priority was established using the Needs Assessment, survey, public and stakeholder input.
2	**Priority Need Name**	Retain Decent Housing for Low-Moderate Income Renter/Owner
	Priority Level	High
	Population	Extremely Low Low Moderate Large Families Families with Children Elderly Public Housing Residents

	Geographic Areas Affected	Non-Entitlement
	Associated Goals	Address Housing Rehabilitation Needs-DEED
	Description	Fund housing rehabilitation activities for Low-Moderate income renter and owner households are a high priority in the state due to the level of cost burdens and other housing needs for these households. DEED.
	Basis for Relative Priority	This priority needs was established through the Needs Assessment, survey, public and stakeholder input.
3	**Priority Need Name**	Economic Opportunities
	Priority Level	High
	Population	Non-housing Community Development
	Geographic Areas Affected	Statewide
	Associated Goals	Support Economic Development and Workforce Needs
	Description	Economic Opportunities continue to be a high priority for the State to encourage continued economic growth.
	Basis for Relative Priority	This priority was established using the Market Analysis, surveys, public and stakeholder input.
4	**Priority Need Name**	Public Facilities and Infrastructure
	Priority Level	High
	Population	Non-housing Community Development
	Geographic Areas Affected	Statewide
	Associated Goals	Improve Public Facilities and Infrastructure - DEED

	Description	There are many community needs throughout the State that can be met through public facilities and infrastructure. This continues to be a high level need for the State.
	Basis for Relative Priority	This priority was established through the Needs Assessment, Market Analysis , surveys, and public and stakeholder input.
5	**Priority Need Name**	Community Services for LMI and vulnerable populations
	Priority Level	High
	Population	Elderly Frail Elderly Persons with Mental Disabilities Persons with Physical Disabilities Persons with Developmental Disabilities Persons with Alcohol or Other Addictions Persons with HIV/AIDS and their Families Victims of Domestic Violence
	Geographic Areas Affected	Statewide
	Associated Goals	Provide Funds for Special-Needs Housing & Services
	Description	Special Needs populations continue to have a variety of unmet needs. Human services continue to be a high priority in the State.
	Basis for Relative Priority	This priority was established through the Needs Assessment, surveys, and public and stakeholder input.
6	**Priority Need Name**	Unit Production for LMI Renter Households
	Priority Level	High

	Population	Extremely Low Low Moderate Chronic Homelessness Homeless Individuals Homeless Families with Children Persons with Mental Disabilities Persons with Physical Disabilities Persons with Developmental Disabilities Persons with Alcohol or Other Addictions
	Geographic Areas Affected	Statewide
	Associated Goals	Increase Affordable Housing Opportunities - MH
	Description	Extremely Low, Low and Moderate income renter households are a high priority in the state due to the level of cost burdens and other housing needs for these households. As rents continue to rise and renters lose their housing in the wake of the expiration of eviction moratoriums, the availability of affordable rental units will decrease while the need increases. Minnesota Housing funds such housing activities for low to moderate income rental households, including renovation and new construction. Within the income priority, Minnesota Housing also considers special needs populations as a priority in the state, and will allow, when appropriate, a limitation or preference to those populations. Two special needs populations allowed with regards to HOME and National Housing Trust Fund funding are permanent supportive housing for "High Priority Homeless" and people with disabilities. High Priority Homeless means (i) households experiencing long-term homeless; (ii) households at significant risk of experiencing long-term homelessness; or (iii) households prioritized for permanent supportive housing by the Coordinated Entry System adopted by the local continuums of care. For persons with disabilities, the limitation or preference will be limited to the population of families (including individuals) that significantly interfere with their ability to obtain and maintain housing. In accordance with regulatory requirements of HOME and the National Housing Trust Fund, any limitation or preference will not violate nondiscrimination requirements.

	Basis for Relative Priority	This priority need was established through the Needs Assessment, survey, public and stakeholder input.

Narrative (Optional)

#2 need is to be used for DEED priorities. #6 is to be used for MHFA priorities.

Affirmatively Furthering Fair Housing

The State of Minnesota continues to operate under an Analysis of Impediments to Fair Housing (AI) framework, and it will transition to the Assessment of Fair Housing (AFH) framework in the next consolidated planning cycle as required. The State is engaging in an update to its 2017 AI as part of this Consolidated Planning process.

Meanwhile, for FY 22, the state continues to work on a series of actions associated with the AI developed in conjunction with the AI developed in 2017 and will report on these actions in the 2022 CAPER, as has been done in the CAPER's associated with the 2017-2021 Consolidated Plan.

SP-35 Anticipated Resources - 91.315(a)(4), 91.320(c)(1,2)

Introduction

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

Anticipated Resources

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
CDBG	public - federal	Acquisition Admin and Planning Economic Development Housing Public Improvements Public Services	**$18,925,609**	37,407	4,998,772.66	23,961,788.66	75,702,436	Department of Employment and Economic Development(DEED)

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
HOME	public - federal	Acquisition Homebuyer assistance Homeowner rehab Multifamily rental new construction Multifamily rental rehab New construction for ownership TBRA	**$9,442,511**	1,000,000			37,770,044	Minnesota Housing(MH)(acquisition, multifamily rental new construction and rehab only)

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
HOPWA	public - federal	Permanent housing in facilities Permanent housing placement Short term or transitional housing facilities STRMU Supportive services TBRA	**$386,643**				1,546,572	MH

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
ESG	public - federal	Conversion and rehab for transitional housing Financial Assistance Overnight shelter Rapid re-housing (rental assistance) Rental Assistance Services Transitional housing	**$2,219,254**				8,877,016	MN Dept. of Human Services(DHS)

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
HTF	public - federal	Acquisition Admin and Planning Homebuyer assistance Multifamily rental new construction Multifamily rental rehab New construction for ownership	**$10,497,206**				41,988,824	MH(acquisition, multifamily rental new construction and rehab only)

Table 46 - Anticipated Resources

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

The HOME match requirement is met through tenant-based rental assistance from Minnesota Housing's Bridges program, which provides a rent subsidy for up to five years to persons with mental illness until they can obtain a permanent rent subsidy; and the State Housing Trust Fund program. The CDBG match will be a mix of private, local, and state resources such as loans from local banks, weatherization funds, Minnesota Housing rehabilitation loans. United States Department of Agriculture Rural Development (USDA RD), Public Facilities Authority (PFA), Minnesota Department of Health (MDH), CDBG-Economic Development match is through local initiatives, local banks, owner equity.

ESG match requirements are met two ways depending on the funded activity. For Emergency Shelter programs, DHS has required its sub-recipients to provide eligible matching funds at the sub-recipient level for each dollar requested in ESG funding. To ensure compliance with the requirement, DHS has required identification of matching funds in all sub-recipient contracts as well as a separate ESG Matching certification form that follows requirements outlined in the ESG Regulations. Because of the diverse nature of local homelessness program funding, it is not possible to summarize at the State level the exact types and amounts of each funding source, but the most common sources of matching funds include state Family Homelessness Prevention and Assistance Funds (FHPAP), state and HUD Transitional Housing Program funds (for scattered-site programs), Minnesota Community Action Grants, Private Foundations and Individual Donations.

For the ESG Prevention and Rapid Re-Housing providers, DHS has chosen to match ESG funding with state-appropriated Emergency Services Program (ESP), which is entirely used to fund emergency shelter (an eligible activity under ESG match regulations) Providers receiving these ESP funds certify they will be used in compliance with the ESG Regulations and are aware they cannot be used to meet any other match requirements.

Minnesota Housing's HOME and NHTF programs leverage other agency, state funded, and low-income housing tax credit investment.

CDBG prior year resources include the 15% set-aside for the federal Minnesota Investment Fund program from the previous allocation, which is roughly $2.5 million. The additional funds include reverted grant funds from other small cities grant awards.

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

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

Discussion

SP-45 Goals Summary – 91.315(a)(4)

Goals Summary Information

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
1	Address Housing Rehabilitation Needs - DEED	2022	2026	Affordable Housing	Non-Entitlement	Retain Decent Housing for Low-Moderate Income Renter/Owner	CDBG: $ $49,429,884	Rental units rehabilitated: 500 Household Housing Unit Homeowner Housing Rehabilitated: 1500 Household Housing Unit
2	Increase Affordable Housing Opportunities-MH	2022	2026	Affordable Housing	Statewide	Unit Production for LMI Renter Households	HOME: $ $ 48,212,555 HTF: $ $52,486,030	Rental units constructed: 450 Household Housing Unit Rental units rehabilitated: 125 Household Housing Unit
3	Support Economic Development and Workforce Needs	2022	2026	Non-Housing Community Development	Non-Entitlement	Economic Opportunities	CDBG: $6,562,500	Facade treatment/business building rehabilitation: 400 Business Jobs created/retained: 100 Jobs Businesses assisted: 20 Businesses Assisted

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
4	Facilitate Housing and Service for the Homeless	2022	2026	Homeless	Statewide	Homelessness	ESG: $ $11,096,270	Tenant-based rental assistance / Rapid Rehousing: 750 Households Assisted Homeless Person Overnight Shelter: 46,500 Persons Assisted Homelessness Prevention: 1,075 Persons Assisted:
5	Provide Funds for Special-Needs Housing & Services	2022	2026	Non-Homeless Special Needs	Non-Entitlement	Community Services for LMI and vulnerable populations	HOPWA: $ $1,933,215	Homelessness Prevention: 1100 Persons Assisted
6	Improve Public Facilities and Infrastructure - DEED	2022	2026	Non-Housing Community Development	Non-Entitlement	Public Facilities and Infrastructure	CDBG: $ $99,657,025	Public Facility or Infrastructure Activities other than Low/Moderate Income Housing Benefit: 3000 Persons Assisted Public Facility or Infrastructure Activities for Low/Moderate Income Housing Benefit: 4750 Persons Assisted

Table 49 – Goals Summary

Goal Descriptions

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

Estimate the number of extremely low-income, low-income, and moderate-income families to whom the jurisdiction will provide affordable housing as defined by HOME 91.315(b)(2)

Minnesota Housing anticipates serving 575 households through rental housing rehabilitation or new construction. All National Housing Trust Fund activities must serve households who are extremely low income (ELI - 30% AMI), and all households assisted with HOME funds have incomes at or below 80% AMI. In addition, all households assisted with HOPWA funds must be at or below 80% AMI. Given past performance, Minnesota Housing anticipates that 43% of all activities will serve ELI households (250 households), with the remaining 57% of the units (325 households) serving low-income households primarily households with incomes less than 50% AMI.

DEED anticipates serving 2,000 households through housing owner and rental rehabilitation. All of these households must have incomes no greater than 80 percent AMI. Based on historical data as submitted in the Consolidated Action Plan and Evaluation Report, DEED anticipates that about 1/3 of these households will fall into each of the following HUD Section 8 income categories: extra low income, very low income, and low income.

Expected Resources

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

Introduction

The following section describes the annual allocation the State of Minnesota expects to receive for program years 2022-2026

Anticipated Resources

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
CDBG	public - federal	Acquisition Admin and Planning Economic Development Housing Public Improvements Public Services	**$18,925,609**	37,407	4,998,772.66	23,961,788.66	75,702,436	Department of Employment and Economic Development (DEED)

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
HOME	public - federal	Acquisition Homebuyer assistance Homeowner rehab Multifamily rental new construction Multifamily rental rehab New construction for ownership TBRA	**$9,442,511**	1,000,000			37,770,044	Minnesota Housing (MH) (acquisition, multifamily rental new construction, and rehab only)
HOPWA	public - federal	Permanent housing in facilities Permanent housing placement Short term or transitional housing facilities STRMU Supportive services TBRA	**$386,643**				1,546,572	MH

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
ESG	public - federal	Conversion and rehab for transitional housing Financial Assistance Overnight shelter Rapid re-housing (rental assistance) Rental Assistance Services Transitional housing	**$2,219,254**				8,877,016	MN Dept. of Human Services (DHS)
HTF	public - federal	Acquisition Admin and Planning Homebuyer assistance Multifamily rental new construction Multifamily rental rehab New construction for ownership	**$10,497,206**				41,988,824	MH (acquisition, multifamily rental new construction and rehab only)

Table 50 - Expected Resources – Priority Table

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

The HOME match requirement is met through tenant-based rental assistance from Minnesota Housing's Bridges program, which provides a rent subsidy for up to five years to persons with mental illness until they can obtain a permanent rent subsidy; and the State Housing Trust Fund program. The CDBG match will be a mix of private, local, and state resources such as loans from local banks, weatherization funds, Minnesota Housing rehabilitation loans, United States Department of Agriculture Rural Development (USDA RD), Public Facilities Authority (PFA), Minnesota Department of Health (MDH). CDBG-Economic Development match is through local initiatives, local banks, owner equity.

ESG match requirements are met two ways depending on the funded activity. For Emergency Shelter programs, DHS has required its sub-recipients to provide eligible matching funds at the sub-recipient level for each dollar requested in ESG funding. To ensure compliance with the requirement, DHS has required identification of matching funds in all sub-recipient contracts as well as a separate ESG Matching certification form that follows requirements outlined in the ESG Regulations. Because of the diverse nature of local homelessness program funding, it is not possible to summarize at the State level the exact types and amounts of each funding source, but the most common sources of matching funds include state Family Homelessness Prevention and Assistance Funds (FHPAP), state and HUD Transitional Housing Program funds (for scattered-site programs), Minnesota Community Action Grants, Private Foundations and Individual Donations.

For the ESG Prevention and Rapid Re-Housing providers, DHS has chosen to match ESG funding with state-appropriated Emergency Services Program (ESP), which is entirely used to fund emergency shelter (an eligible activity under ESG match regulations) Providers receiving these ESP funds certify they will be used in compliance with the ESG Regulations and are aware they cannot be used to meet any other match requirements.

Minnesota Housing's HOME and NHTF programs leverage other agency, state funded, and low-income housing tax credit investment.

CDBG prior year resources include the 15% set-aside for the federal Minnesota Investment Fund program from the previous allocation, which is roughly $2.5 million. The additional funds include reverted grant funds from other small cities grant awards.

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

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

Discussion – N/A

Annual Goals and Objectives

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

Goals Summary Information

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
1	Address Housing Rehabilitation Needs - DEED	2022	2026	Affordable Housing	Non-Entitlement	Retain Decent Housing for Low-Moderate Income Renter/Owner	CDBG: $14,851,845	Rental units rehabilitated: 100 Household Housing Unit Homeowner Housing Rehabilitated: 300 Household Housing Unit
2	Increase Affordable Housing Opportunities-MH	2022	2026	Affordable Housing	Statewide	Unit Production for LMI Renter Households	HOME: $ 11,442,511 HTF: $ 10,497,206	Rental units constructed: 90 Household Housing Unit Rental units rehabilitated: 25 Household Housing Unit

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
3	Support Economic Development and Workforce Needs	2022	2026	Non-Housing Community Development	Non-Entitlement	Economic Opportunities	CDBG: $2,395,459	Facade treatment/business building rehabilitation: 80 Business Jobs created/retained: 20 Jobs Businesses assisted: 4 Businesses Assisted
4	Facilitate Housing and Service for the Homeless	2022	2026	Homeless	Statewide	Homelessness	ESG: $3,219,254	Tenant-based rental assistance / Rapid Rehousing: 150 Households Assisted Homeless Person Overnight Shelter: 9300 Persons Assisted Homelessness Prevention: 215 Persons Assisted
5	Enhance Special-Needs Housing & Services	2022	2026	Non-Homeless Special Needs	Non-Entitlement	Community Services for LMI and vulnerable populations	HOPWA: $386,643	Homelessness Prevention: 220 Persons Assisted

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
6	Improve Public Facilities and Infrastructure - DEED	2022	2026	Non-Housing Community Development	Non-Entitlement	Public Facilities and Infrastructure	CDBG: $6,707,285	Public Facility or Infrastructure Activities other than Low/Moderate Income Housing Benefit: 600 Persons Assisted Public Facility or Infrastructure Activities for Low/Moderate Income Housing Benefit: 950 Persons Assisted

Table 51 – Goals Summary

Goal Descriptions

1	**Goal Name**	Address Housing Rehabilitation Needs-DEED
	Goal Description	Fund housing rehabilitation activities for low to moderate income homeowner and rental households through CDBG funds, DEED.
2	**Goal Name**	Increase Affordable Housing Opportunities-MH
	Goal Description	*Fund housing activities for low-to-moderate income rental households, including renovation and new construction, and operating subsidy.*
3	**Goal Name**	Support Economic Development and Workforce Needs
	Goal Description	*Encourage robust economic growth through commercial building rehabilitation activities, the development and retention of businesses and jobs throughout the State*

4	**Goal Name**	Facilitate Housing and Service for the Homeless
	Goal Description	*Provide funds for service providers to meet the various housing and service needs of the homeless population in Minnesota*
5	**Goal Name**	Enhance Special-Needs Housing & Services
	Goal Description	*Continue to fund programs that provide housing and services to special needs populations, including those with HIV/AIDS*
6	**Goal Name**	Improve Public Facilities and Infrastructure -DEED
	Goal Description	*Address community needs through improvements to public facilities and infrastructure*

AP-25 Allocation Priorities – 91.320(d)

Introduction:

The following section describes the allocation priorities for FY 2017.

Funding Allocation Priorities

	Address Housing Rehabilitation Needs-DEED (%)	Increase Affordable Housing Opportunities-MH (%)	Support Economic Development and Workforce Needs (%)	Facilitate Housing and Service for the Homeless (%)	Enhance Special-Needs Housing & Services (%)	Improve Public Facilities and Infrastructure -DEED (%)	Total (%)
CDBG	62	0	8	0	0	30	**100**
HOME	0	100	0	0	0	0	**100**
HOPWA	0	0	0	0	100	0	**100**
ESG	0	0	0	100	0	0	**100**

Table 52 – Funding Allocation Priorities

Reason for Allocation Priorities

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

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

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

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

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

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

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

For CDBG, the distribution of funds address the high needs of low to moderate income households, economic opportunities, and public facilities and infrastructure improvements that can be addressed within the CDBG regulations

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

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

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

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

Introduction:

Formula grant funds from the CDBG, HOME, NHTF, HOPWA, and ESG programs may be directed to their highest and best use and anticipated to be successful first, within each set of program guidelines, given the funding of all housing and community development programs throughout Minnesota.

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

Distribution Methods

Table 53 - Distribution Methods by State Program

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

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

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

	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	Projects are evaluated based on an assessment of need, impact and cost effectiveness of the applicant to complete the project in a timely manner. **SCDP funds**: Up to 240 of the points will be awarded based on evaluation of the proposed project to serve low- and moderate-income persons in relation to housing, public facilities, alleviate slum and blight in commercial areas, and/or address urgent need activities. Up to 180 points will be awarded based on evaluation of need, impact, and capacity for the proposed project. **Need**-Up to 90 points may be awarded for the following: benefit to low- to moderate income (LMI) persons and project addresses either substandard conditions or pose a threat to the health or safety of the occupants; an inadequate supply of affordable housing for low- to moderate income persons (LMI); or other documented condition that gives evidence of the need for improvement or additional units to the housing stock serving low- to moderate income persons. **Impact**- up to 90 points may be awarded for the following: an evaluation of the extent to which the proposed project will eliminate housing deficiencies or improve public facilities services serving low-to moderate income persons and. evaluation of administrative capacity to complete the activity in a timely manner. The application must include information documenting an applicant's history in administering prior SCDP funds and/or other programs similar in nature, to determine whether the applicant can complete the proposed activity. Prior SCDP performance will be taken into consideration for future funding. **Cost-Effectiveness**-up to 30 points may be awarded for the following: an evaluation of the extent to which the proposed project will make cost-effective use of grant funds, including consideration with, and use of, funds from other public and private sources. per household benefit is reasonable; and project benefits existing, rather than future, population, unless growth is beyond applicant's control. **State Demographics**-up to 30 points will be awarded based on: the number of poverty-persons and the percentage of persons residing in the area under the applicant's jurisdiction. The per capita assessed valuation of the area under the jurisdiction of the applicant, such that points are awarded in inverse relationship to the applicant's per capita assessed valuation. Economic Development funds: Funds disbursed via the Minnesota Investment Fund (MIF) to support economic development activities are selected based upon potential job

		creation and retention, project financial viability and community need factors. In more detail, projects are scored based upon the proposed project's ability to improve local economic stability, unemployment rate, median income ratios, projected job creation & retention, wage and tax base impact, financial feasibility, and public and private investment ratios.
	If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)	Selection Criteria for the Minnesota Investment Fund is guided by Minnesota Statutes 116J.8731 which are available on the MN Office of the Revisor of Statutes web page. Application information is available on the State of Minnesota Department of Employment and Economic Development's website, www.mn.gov/deed.
	Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG only)	Not applicable.
	Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)	Not applicable.
	Describe how resources will be allocated among funding categories.	All funds must be used for economic development related activities undertaken by a Minnesota business.

	Describe threshold factors and grant size limits.	The maximum MIF grant size is $1,000,000 and is determined by financing need, project leverage capacity and number of jobs to be created or retained.
	What are the outcome measures expected as a result of the method of distribution?	Number of LMI jobs created or retained and private leverage achieved.
2	**State Program Name:**	Minnesota Emergency Solutions Grant Program
	Funding Sources:	ESG
	Describe the state program addressed by the Method of Distribution.	Emergency Solutions Grant Program.
	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	For more detail on criteria, see "AP-30 ESG Methods of Distribution" Attachment under AP-90 Attachments.
	If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)	Announcement of the Request For Proposals for the ESG program will be distributed to all Department of Human Services - Office of Economic Opportunity funded housing agencies, all Continuum of Care committees, all members of the Minnesota Interagency Council on Homelessness, the Minnesota Coalition for the Homeless, the U.S. Department of Housing and Urban Development local office. The RFP will be posted on the Minnesota Department of Human Services website and published in the State Register.

	Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG only)	017 ESG funds will be awarded through a two-year competitive Request For Proposals. Eligible applicants will include non-profit 501 (c) (3) organizations and local units of government. Many of non-profits are community and/or faith based. For more detail, see "AP-30 ESG Methods of Distribution" attachment under AP-90 Attachments.
	Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)	Not Applicable.
	Describe how resources will be allocated among funding categories.	The State of Minnesota will use the maximum amount of funding allowable for shelter activities, which in FY2017 is 60 percent of the State's estimated allocation or $1,247,246. The State of Minnesota and its sub-recipients will use the maximum allowed amount for ESG Administration. A portion of these funds are shared with sub-recipients to assist in administration of their ESG programs. Additional ESG funds above the allowable shelter and administration limits will be used exclusively for prevention and rapid re-housing activities.
	Describe threshold factors and grant size limits.	The State of Minnesota does not have grant limits in awarding ESG funds. However, because DHS attempts to achieve statewide distribution with emergency shelter and re-housing funds, sizes of grant awards may be limited by available funds and the number of requests. There are no threshold factors for funding other than those identified in "AP-30 ESG Methods of Distribution" attachment under AP-90 Attachments, which is limited to the timely and complete submission of application materials by the deadline.

	What are the outcome measures expected as a result of the method of distribution?	For the upcoming program year, we anticipate that 9,400 homeless persons will receive adequate emergency shelter and that 490 households who are either at-risk of, or currently experiencing homelessness, will be moved to permanent housing. By funding a continuum of activities with ESG, we address the needs of homeless persons for both crisis and short or medium-term housing, including emergency shelter, prevention (re-housing those at-risk of homelessness) and rapid re-housing (for those already homeless by HUD's definition). We are the only State agency providing funding for emergency shelter activities, which meets a critical needs gap in rural parts of Minnesota.
3	**State Program Name:**	Minnesota Housing National Housing Trust Fund
	Funding Sources:	
	Describe the state program addressed by the Method of Distribution.	Minnesota will not allocate funds to subgrantees for their distribution to owners/developers. Instead, NHTF funds will be distributed directly to owner/developers of affordable housing via Minnesota Housing's annual Consolidated Request for Proposals. The NHTF funds will be part of a deferred pool of resources, through Minnesota Housing, which are targeted to address specific and critical needs in rental housing markets, including multiple geographic priority areas: transit-oriented development, areas with strong job markets or job growth, economic integration areas with higher incomes, and tribal areas. Minnesota Housing retains the option to offer funds on a pipeline basis in the event qualified proposals are insufficient to use the entire NHTF grant.

	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	Developers, owners, and the entire development team are required to meet the same eligibility criteria as for other agency programs, as specified in the Consolidated RFP. The needs of very low-income renters, those with incomes below 50% of area median income (AMI), are a high priority for the State of Minnesota, with significant priority on extremely low income renters (below 30% AMI). Applications will be evaluated in accordance with need and scoring criteria that emphasizes other State priorities. For the 2022 consolidated RFP, these strategic priorities include: 1. Preservation of developments that contain existing federal assistance or other critical affordable units at risk of loss, 2. Address specific and critical rental housing needs, for example, serving the lowest income tenants, workforce housing, senior housing, housing for persons with disabilities, increasing opportunities for affordable housing in communities, and 3. Prevent and end homelessness through permanent supportive housing. Among proposals that best satisfy strategic priorities, Minnesota Housing will give priority in awarding funding to the proposals that best meet the greatest number of selection priorities in effect at the time of the RFP. Selection priorities may be found in the “Multifamily Request for Proposal Guide.” The 2022Guide is located on the Minnesota Housing website, www.mnhousing.gov. Consistent with Affirmative Fair Housing Marketing regulations, Minnesota Housing requires that each housing provider carry out an affirmative marketing program to attract prospective buyers or tenants in the housing market area regardless of race, creed, color, religion, sex, national, origin, marital status, status with regard to public assistance, disability, sexual orientation, or familial status. The plan should detail how the housing provider intends to market and attract populations that are least likely to apply to the project, including persons with disabilities and households of color.

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

	Describe threshold factors and grant size limits.	The development must be receiving federal rental assistance, be nearing the end of its tax credit compliance period or be in need of stabilization and have a stabilization plan approved by the Interagency Stabilization Group, at least one member of which had provided funding to the projects at least 15 years ago. There are no limits on assistance amounts other than those established in HOME regulations. Rental applications under the Consolidated RFP must meet the threshold requirements specified in the RFP at that time. The most recent threshold requirements were that the project had to meet the factors of project feasibility, and the applicant had to meet the factors of organizational capacity. Application processes and eligibility criteria for the 2022 Consolidated RFP may be found at MHFA's website www.mnhousing.gov.
	What are the outcome measures expected as a result of the method of distribution?	Numbers of rental units rehabilitated and preserved or constructed or provided operating assistance.
4	**State Program Name:**	Minnesota Housing-HOME
	Funding Sources:	HOME
	Describe the state program addressed by the Method of Distribution.	This is a statewide program that provides deferred loans to help cover financing gaps of rehabilitating or acquiring and rehabilitating qualified affordable rental housing for the purpose of preserving rental subsidies or the affordability of non-federally assisted housing. Assistance will generally be in the form of a 0 percent interest rate, 30-year deferred loan due and payable at the end of the term. Minnesota Housing provides the loans directly to the owners. While rehabilitation is a priority for Minnesota Housing, a portion of funds allocated may be redirected to rental new construction, depending on the types of applications received in response to the consolidated RFP and the relative need for new construction or preservation.

	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	HOME is administered as a statewide program that provides deferred loans to help cover financing gaps of rehabilitating or acquiring and rehabilitating permanent affordable rental housing with or without long-term, project-based federal subsidies for the purpose of preserving the subsidies or the affordability of housing without federal subsidies. Properties without federal rental assistance or tax credit properties ending their compliance period must have the support of the Interagency Stabilization Group (ISG), a group of government and philanthropic organizations, at least one member of which has provided funds for the project at least 15 years ago. These “stabilization” projects are required to have a comprehensive stabilization plan approved by the ISG that stabilizes the property’s operations and physical needs for the long term. HOME funds are primarily provided through the Minnesota Housing Consolidated RFP, which awards assistance from several different sources. Applicants are not required to identify a funding source, other than tax credits. Selected applications and developers are evaluated and offered the best matched funding source. If funding is sufficient, the Agency may offer a portion of the HOME funds on a pipeline basis. Projects are evaluated for financial feasibility; developer capacity and fiscal condition are also considered, and CHDOs receive preference points. All projects are required to be selected by the Minnesota Housing Board of Directors and obtain approval from the agency's Mortgage Credit Underwriting committee before loans may be closed. While rental rehabilitation is a priority for Minnesota Housing, a portion of funds allocated to HOME may be redirected to rental new construction, depending on the types of applications received in response to the consolidated RFP and the relative need for new construction or preservation.

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

	Describe threshold factors and grant size limits.	There are no limits on assistance amounts other than those established in HOME regulations. Rental applications under the Consolidated RFP must meet the threshold requirements specified in the RFP at that time. The most recent threshold requirements were that the project had to meet factors of project feasibility, and the applicant had to meet factors of organizational capacity. Application processes and eligibility criteria for the 2022 Consolidated RFP may be found at MHFA's website www.mnhousing.gov.
	What are the outcome measures expected as a result of the method of distribution?	Numbers of rental units rehabilitated and preserved or constructed.
5	**State Program Name:**	Minnesota Housing-HOPWA
	Funding Sources:	HOPWA
	Describe the state program addressed by the Method of Distribution.	Grant funds are currently awarded to the Rainbow Health, which provides the assistance to low-income persons diagnosed with HIV/AIDS, and their families. Rainbow Health is currently the only HOPWA formula project sponsor in Minnesota outside of the metropolitan area and works in partnership with over 1,000 volunteers in community and outreach efforts. Rainbow Health provides a range of support services for persons with HIV, works to prevent the spread of HIV, and collaborates with several community organizations.
	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	With limited funding, renewal of existing grants is a priority.

	If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)	Not Applicable.
	Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG only)	Not Applicable.
	Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)	Following priorities set by the Minnesota HIV Housing Coalition, which acts as an advisory group to make recommendations for HOPWA funding, renewal funding for ongoing programs receive funding priority. There is a separate renewal process for ongoing HOPWA programs. If funds appropriated exceed the amount necessary to continue those programs at comparable levels, or if priorities change to address changing needs, those funds will be made available in the Minnesota Housing Multifamily Consolidated RFP process for application by all eligible sponsors, including eligible grassroots faith-based and other community-based organizations.
	Describe how resources will be allocated among funding categories.	There is only one funding category and all resources are allocated to it.
	Describe threshold factors and grant size limits.	With limited funding, renewal of existing grants is a priority.

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

Discussion:

Affordable Housing

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

Introduction:

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

One Year Goals for the Number of Households to be Supported	
Homeless	9665
Non-Homeless	515
Special-Needs	220
Total	11,400

Table 56 - One Year Goals for Affordable Housing by Support Requirement

One Year Goals for the Number of Households Supported Through	
Acquisition of Existing Units	0
Total	0

Table 57 - One Year Goals for Affordable Housing by Support Type

Discussion:

AP-70 HOPWA Goals – 91.320(k)(4)

One year goals for the number of households to be provided housing through the use of HOPWA for:	
Short-term rent, mortgage, and utility assistance to prevent homelessness of the individual or family	220
Tenant-based rental assistance	0
Units provided in permanent housing facilities developed, leased, or operated with HOPWA funds	0
Units provided in transitional short-term housing facilities developed, leased, or operated with HOPWA funds	0
Total	220

MINNESOTA HOUSING

Board Agenda Item: 9.A
Date: 7/21/2022

Item: Post-Sale Report, Rental Housing 2022 Series B

Staff Contact(s):
Rachel Robinson, 651.297.3125, rachel.robinson@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☐ Discussion
- ☒ Information

Summary of Request:
The Agency sold $8,200,000 in sort-term bonds on June 14, 2022 with a closing on June 23, 2022. The attached post-sale report is provided by the Agency's financial advisor, CSG Advisors.

Fiscal Impact:
None.

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

Attachment(s):
- Post-Sale Report

CSG | advisors

POST-SALE REPORT

$8,200,000
Minnesota Housing Finance Agency
Rental Housing Bonds, 2022 Series B (WOTW Theodore)

Minnesota Housing issued its 2022 Series B Rental Housing Bonds totaling $8,200,000 to provide funding for the 100-unit Wirth on the Woods - Theodore development in Minneapolis. RBC Capital Markets, acting as sole manager, priced the bonds on June 14th. The transaction closed on June 23rd.

The issue was structured as a short-term tax-exempt bridge bond, making the development eligible for 4% low income housing tax credits. The bonds are expected to be repaid from the proceeds of a long-term end loan from the Agency and other sources. Moody's and Standard & Poor's rated the bonds "Aa1" and "AAA", respectively. The bonds mature on August 1, 2024, which represents a weighted average life of 2.106 years. If the bonds are optionally redeemed on their earliest par call date of February 1, 2024, the weighted average life would be 1.606 years.

On pricing day, RBC generated $11.6 million in orders (1.4x subscription level) based on a 2.85% preliminary coupon priced at par. Given the modest level of oversubscription, RBC offered to underwrite the bonds at the 2.85% rate. This represents a spread of +77 basis points to the interpolated Municipal Market Data (MMD) index set at the end of the day (or +83 to the prior day's index). While this was a sharp increase compared to the Agency's rental transactions in 2021 and other recent years, the change is consistent with the overall jump in rates and spreads across debt markets this year. The attached exhibit shows how the 2022 Series B pricing level compares favorably to similar recent HFA transactions in the market.

Below is a summary of Minnesota Housing's rental housing bond issues since the beginning of 2019.

MINNESOTA HOUSING RENTAL HOUSING BOND TRANSACTIONS: 1/1/19 TO PRESENT

Pricing Date	Series	Development Name	Par Amount ($ millions)	Weighted Avg. Life to 1st Call	Weighted Avg. Life to Maturity	Yield	Spread to Prior Day iMMD (bps)	Spread to Pricing Day iMMD (bps)
1/16/19	19A	Boulevard	6.980	1.003	1.503	2.00%	+29	+29
4/17/19	19B	Hylands	4.090	1.267	1.767	1.875%	+31.5	+30.5
9/18/19	19C	West Birch	3.125	1.100	1.850	1.60%	+30	+32
10/30/19	19E	Dublin Heights	6.275	1.236	1.736	1.40%	+25	+25
11/26/19	19D	Cherokee Place	5.550	1.156	2.156	1.40%	+30	+32
12/12/19	19F	White Oak	5.145	1.119	1.619	1.35%	+30	+30
8/25/20	20A	Hilltop Cottages	4.610	1.417	1.917	0.35%	+21	+21
12/15/20	20B	Le Sueur Meadows	5.665	1.608	2.108	0.35%	+20	+20
3/24/21	21A	North Moorhead	5.485	1.833	2.333	0.40%	+21	+23
5/6/21	21B	Element	8.765	1.217	1.717	0.30%	+20	+20
9/15/21	21C	Snelling Yards	7.840	1.839	2.339	0.30%	+17	+17
6/14/22	22B	WOTW Theodore	8.200	1.606	2.106	2.85%	+83	+77

HFA SHORT-TERM MULTIFAMILY HOUSING BOND PRICING COMPARABLES, PAST 3 MONTHS

Pricing Date	6/14/22		6/7/22		6/1/22		5/19/22		5/17/22		4/21/22		4/20/22	
Amount	$8,200,000		$23,370,000		$8,274,000		$15,090,000		$21,270,000		$12,570,000		$3,150,000	
Issuer	Minnesota HFA		Ohio HFA		Louisiana HC		Illinois HDA		Illinois HDA		Maryland DHCD		Alabama HFA	
Series	2022 S. B (WOTW Theodore)		S. 2022 (Post Oak Station)		S. 2022 (Malcolm Kenner)		S. 2022 (Bellwood Senior)		S. 2022 (835 Wilson)		S. 2022 B-2 (Weinberg Pl.)		S. 2022 C (Peppertree Pl.)	
Program	Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated	
Rating(s)	Aa1 / AAA / -		Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -	
Tax Status	Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT	
Month	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
1														
2														
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22														
23														
24														
25			2.85*	+112	2.85*	+105			3.375	+106.5				
26	2.850	+77												
27														
28											2.780	+55		
29														
30														
31							3.34*	+99					3.00*	+76
32														
33														
34														
35														
36														
Notes			* 3.35% coupon priced at 100.986 to yield 2.85%; 7/1/25 maturity shown at 7/1/24 mandatory tender above		* 3.5% coupon priced at 101.294 to yield 2.85%; 7/1/25 maturity shown at 7/1/24 mandatory tender above		* 4% coupon priced at 101.373 to yield 3.34%; 3/1/43 maturity shown at 12/1/24 mandatory tender above		6/1/25 maturity shown at 6/1/24 mandatory tender above		Cash collateralized; combined with an M-TEBS series		* 3.25% coupon at 100.598 to yield 3%; combined w/ M-TEMS series; 11/1/25 maturity shown at 11/1/24 mandatory tender above	
Maturity Dates	8/1		7/1		7/1		3/1		6/1		8/1		11/1	
Call Provisions	2/1/24 at par		None		7/1/24 at par		None		6/1/24 at par		1/1/24 at par		11/1/24 at par	
Mandatory Tender	None		7/1/24		7/1/24		12/1/24		6/1/24		N/A		11/1/24	
Mkt Index	BBI / RBI 3.16% / 3.44%		BBI / RBI 3.03% / 3.31%		BBI / RBI 3.16% / 3.44%		BBI / RBI 3.47% / 3.75%		BBI / RBI 3.37% / 3.65%		BBI / RBI 3.19% / 3.47%		BBI / RBI 3.19% / 3.47%	
Sr Manager	RBC Capital Markets		Orec		Stifel		KeyBanc		BofA		Jefferies		Stifel	

HFA SHORT-TERM MULTIFAMILY HOUSING BOND PRICING COMPARABLES, PAST 3 MONTHS

Pricing Date	4/20/22		3/30/22		3/23/22		3/15/22	
Amount	$3,750,000		$5,959,000		$11,065,000		$5,215,000	
Issuer	Ohio HFA		Montana BOH		Illinois HDA		Nevada HD	
Series	S. 2022 (Delaware Village)		S. 2022 (Spruce Grove)		S. 2022 (Terrace Senior)		S. 2022 (Sagebrush Place II)	
Program	Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated	
Rating(s)	Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -		- / AA+ / -	
Tax Status	Non-AMT		Non-AMT		Non-AMT		Non-AMT	
Month	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13							1.62*	+44
14								
15								
16								
17								
18	2.641*	+60						
19								
20								
21								
22								
23								
24								
25					2.15*	+61		
26			2.41*	+61				
27								
28								
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35								
36								
Notes	* 3% coupon priced at 100.499 to yield 2.641%; 10/1/24 maturity shown at 10/1/23 mandatory tender above		* 2.75% coupon priced at 100.680 to yield 2.41%; 5/1/25 maturity shown at 5/1/24 mandatory tender above		* 2.375% coupon priced at 100.438 to yield 2.15%; 4/1/25 maturity shown at 4/1/24 mandatory tender above		* 2.25% coupon priced at 100.635 to yield 1.62%; 4/1/25 maturity shown at 4/1/23 mandatory tender above	
Maturity Dates	10/1		5/1		4/1		4/1	
Call Provisions	None		5/1/24 at par		4/1/24 at par		4/1/23 at par	
Mandatory Tender	10/1/23		5/1/24		4/1/24		4/1/23	
Mkt Index	BBI / RBI 3.01% / 3.29%		BBI / RBI 2.67% / 2.95%		BBI / RBI 2.53% / 2.81%		BBI / RBI 2.33% / 2.61%	
Sr Manager	Sturges		Stifel		PNC		Stifel	

MINNESOTA HOUSING

Board Agenda Item: 9.B
Date: 7/21/2022

Item: Post-Sale Report, Residential Housing Finance Bonds 2022 Series GH

Staff Contact(s):
Rachel Robinson, 651.297.3125, rachel.robinson@state.mn.us

Request Type:

☐ Approval	☒ No Action Needed
☐ Motion	☐ Discussion
☐ Resolution	☒ Information

Summary of Request:
The Agency closed on these Residential Housing Finance Bonds on July 7, 2022. In accordance with the 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.

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

Attachment(s):
- Post-Sale Report

CSG | advisors

$150,000,000
Minnesota Housing Finance Agency
Residential Housing Finance Bonds
2022 Series GH (Taxable)

POST-SALE ANALYSIS

KEY RESULTS FOR MINNESOTA HOUSING

Purpose. 2022 Series GH accomplished the following major objectives:

1. The issue enabled Minnesota Housing to profitably finance Start Up first mortgages on the balance sheetand earn net annual income over future years.

2. As an all-taxable issue, no volume cap was required, and no zero participations were needed.

3. Achieved a spread of 1.33% on the bond issue.

Key Measurable Objectives and Accomplishments. The results of the issue were very successful, coming in an extremely volatile market environment. The agency effectively navigated this extraordinary market, achieving broad investor support for financing its upcoming loan pipeline for first-time homebuyers in Minnesota.

Objective	*Result*
Finance new production on balance sheet	$150 million of new first-mortgage loans in MBS securities
Leverage private activity bond volume cap	Did not use any bond volume cap
Efficiently incorporate taxable debt	All bonds are taxable
Maximize spread on the overall transaction	Agency is expected to earn a spread of 1.33%, without any volume cap
Minimize use of and/or create zero participations (interest subsidies under IRS rules), and preserve them for future issues	Did not use any zero participations
Achieve cost-effective bond yield	Overall bond yield is projected to be approximately 4.15%
Create future income streams that will support Pool 3	Increases indenture's expected net present value by approximately $6.4 million, at 150% PSA prepayment speed
Maintain high bond ratings	RHFB bonds are rated Aa1 / AA+

TIMING AND STRUCTURE

Timing. The bonds were priced on Wednesday, June 8th, to close on Thursday, July 7th.

Sizing. The issue was sized to fund upcoming lending.

Major Design Decisions. Key decisions by Minnesota Housing were to:

1. **Time and size the issue to address rising interest rates.** Since the beginning of 2022, yields on municipal bonds and Treasuries have risen dramatically alongside mortgage rates. This rapid increase has been due to stark inflation news and the Federal Reserve unveiling a new, more aggressive policy to deal with inflation.

   While Minnesota Housing hedges its loan pipeline and is compensated when rates rise, it seeks to issue bonds at as a low rate as possible in order to achieve full spread on the loan reservations it is making each day. In an environment of rapidly rising interest rates, Minnesota Housing has:

   - actively increased interest rates for new loan reservations to help keep pace with the market; and
   - issued bonds quite quickly in recent months ($99 million RHFB Series 2022AB on 2/1, $150 million RHFB Series CD on 3/3, $150 million RHFB Series EF on 4/13, and this issue on 6/8) to lock in bond yields before they rise further and protect the agency if rates continue to rise after reserving loans.

   These bond issues, together with the direct sale of some lower-rate loans, have enabled the agency to establish its bond rates prior to adding new loan reservations to the pipeline.

   To illustrate how important it has been for Minnesota Housing to move quickly to price bonds, consider the following. Series GH was priced on Wednesday morning, June 8th. Four business days later, the 10-year Treasury had increased by almost 50 basis points; if the bonds had been priced just a few days later, Minnesota Housing’s cost of funds would have been at least that much higher.

2. **Use taxable debt to efficiently leverage volume cap.** The agency structured this entire issue as taxable. This use of taxable debt reflects the broader need to preserve volume cap during 2022 and in future years. With the rise in mortgage rates, prepayments have begun to slow, which results in a decrease in the amount of previously issued volume cap that can be recycled into new bond authority. This places increased importance on taxable debt.

   In doing this entire issue as taxable, Minnesota Housing is taking advantage of the current highly changeable market situation where taxable and tax-exempt rates are historically close, and there is less relative benefit from issuing tax-exempt debt. These are the situations when it is most useful to conserve private activity bond volume cap.

3. **Issue variable-rate debt.** The most efficient way to issue long-term taxable debt is as variable-rate demand bonds. The RHFB indenture has included variable-rate bonds for more than 20 years. The percentage of variable-rate bonds in the RHFB indenture has declined significantly over time. This percentage was 25.9% in 2012 and dropped to 17.0% before returning to issuance of variable-rate debt earlier this year. Including 2022GH, variable-rate debt remains less than 20% of all RHFB debt. This amount of variable debt is well below the 30% of total indenture bonds outstanding that is often used as a benchmark for comparisons among HFAs and presentations to rating agencies. Such variable-rate debt helps the agency issue long-term bonds with the least amount of limited bond volume cap, as well as to lower the overall bond yield of the issue.

4. **Appropriately hedge the variable-rate debt.** For the $50 million variable-rate series H, the agency entered into a $50 million interest rate swap with Royal Bank of Canada (Aa1 / AA-) at a rate of 3.7395%. Minnesota Housing can terminate the entire swap at no cost to the agency starting in 8.5 years. So that Minnesota Housing can have a lower overall cost of funds during the origination period for this issue, the swap payments begin on October 1st, at no additional swap cost to the agency.

Bond Structure Decisions.

1. **Series G.** The $100 million of taxable fixed-rate bonds were structured as $32.375 million of serial maturities from 2029 through 2034, $18.775 million of term bonds due in 2037 and 2039, and $48.850 of Planned Amortization Class (PAC) bonds due in 2047.

2. **Series H.** The $50 million of taxable variable-rate demand bonds are covered by an initial 3-year standby bond purchase agreement from the Federal Home Loan Bank of Des Moines (FHLB), protecting bondholders who may tender their bonds with 7 days' notice. The cost of this protection to bondholders is 23 basis points per year. One advantage of using FHLB for such agreements is that rating agencies' bank bond cash flow runs assess risk based on the provider with the largest exposure, *excluding* federal home loan banks.

SOCIAL BONDS

Minnesota Housing continued the practice it established with series 2021EF of designating its RHFB bonds as meeting an important social purpose.

Many investors have begun seeking out bonds which meet 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. Indeed, the three social purpose categories are: affordable housing, access to essential services, and socioeconomic advancement and empowerment. Eligibility requirements for loans supported with social bonds include income limits to help ensure the program serves households with low and moderate incomes, and that the borrower must be a first-time homebuyer, a qualified veteran, or purchasing a home in a targeted area.

Serving such needs is nothing new for Minnesota Housing and other state and local housing finance agencies. What is new is the growing interest of many participants across the wide range of municipal and corporate markets in defining those investments which meet these kinds of standards. New bond funds are beginning to be established specifically for such bonds.

Like many housing finance agencies, Minnesota Housing has contracted with an independent party to evaluate and confirm that the bonds specifically meet the criteria for social bonds. Kestrel Verifiers, widely recognized across the industry, provided this opinion. As the basis for Kestrel's determination, Minnesota Housing provides detailed information on the income mix of borrowers under the program.

BOND SALE RESULTS

Following are the bond sale results for the Series G fixed-rate bonds. The Series H variable-rate bonds are sold on a short-term basis with interest rates reset weekly.

1. ***Retail.*** Taxable bonds are sold solely to institutional investors, so there were no retail orders.

2. ***Institutional Interest.*** More than $474 million of institutional orders were received on the $100 million of Series G bonds, for an overall subscription of over 4.7 to 1. This was especially noteworthy since there had been significant unsold balances on many recent housing issues.

3. ***Pricing.*** The serial maturities in 7/2026, 1/2027, and 7/2027 were at least 5x oversubscribed, leading to yield reductions of 5 basis points each. Most other serial maturities were oversubscribed by 2x to 4.5x, leading to yield reductions of 2 to 4 basis points each. The 2030 and 2031 serial maturities were less than 2x subscribed and were left unchanged.

   The $18.775 million of term bonds due in 2037 and 2039 were oversubscribed by nearly 9x and 10x, respectively, leading to extraordinary yield reductions of 10 basis points each.

   The PAC bond, which is almost 1/3 of the entire issue, was 3.8x oversubscribed and was reduced in yield by 4 basis points.

4. ***Comparable Transactions.*** For the serial bonds, the most recent comparable taxable offerings were Maryland three weeks earlier and North Dakota in early May. On average, the spread to Treasuries for Minnesota's serial bonds at a given maturity was 7-8 basis points lower than the same spreads for the Maryland and North Dakota bonds. On some maturities between 2025 and 2029, Minnesota Housing was at least 10 basis points tighter than the other issuers.

   The most recent comparable term-bond offering was North Dakota's issue maturing in 2037. The spread on the same maturity for the 2022G bonds was 3 basis points lower (180 compared to 183).

The most recent comparable PAC bond offering was Colorado's 11/1/2047 maturity from its issue priced on 4/27. Colorado's had been the first taxable PAC bond in several years and was 2 basis points tighter than Minnesota's (129 basis points to the equivalent yield Treasury compared to 131 for Minnesota).

UNDERWRITING

Underwriters. RBC was senior manager, with J.P. Morgan, Piper Sandler, and Wells Fargo as co-managers.

***Sales by Underwriter*.** All the taxable fixed-rate bonds were sold to institutions. RBC brought in $442.45 million of orders. Co-managers Wells Fargo and J.P. Morgan brought in $16.22 and $15.65 million in institutional orders respectively, which in the past has been relatively unusual for co-managers.

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. Economic news in 2022 has largely been dominated by escalating concerns about inflation. At 8.3% in May, the CPI continues to soar near its highest level in 40 years. To combat such inflation, the Federal Reserve is rapidly increasing the Fed Funds rate, including by 50 basis points at its May 4th meeting, its largest jump since May 2000. Consensus expectations are that the Fed will increase short-term rates by 300 basis points in 2022. As important as the increases in short-term Federal Fund rates is, the Fed's plan to sell off some of its balance sheet holdings of US Treasuries and MBS is further raising long-term rates.

***Treasuries*.** As of the market close on the day of pricing, the 10-year US Treasury yield was 3.02%, 32 basis points higher than when 2022EF was priced on April 13th and 129 basis points higher than when 2022CD was priced on March 3rd.

This dramatic increase in Treasury yields has been driven by the drumbeat of inflation news and increasingly hawkish Federal Reserve policy. The 10-year UST yield was as low as 1.41% in mid-December but rose quickly throughout January and the first half of February, rising to a high of 2.05%. The invasion of Ukraine in late February temporarily reversed this trend as investors globally rushed to the safety of Treasuries, driving the 10-year UST yield to 1.73%. Since that time, however, the 10-year UST has increased in yield by more than 120 bps with Fed rate hikes and pronouncements.

One of the more significant changes this year has been the flattening of the yield curve. The difference between the 2-year and 10-year Treasury was 85 basis points at the beginning of the year; this difference was only 25 basis points when 2022GH was priced.

Municipals. The difference between demand for municipal bonds in 2022 and 2021 is one of night and day. In 2021, 45 straight weeks of inflows to municipal bond funds, and the relatively limited supply of bonds, brought near-historic lows in the ratio of MMD to Treasuries. Those relationships have reversed entirely in 2022. As Treasury yields rose dramatically, municipal bond investors pulled back from new purchases, dismayed by a 7% decline in municipal bond fund returns in the first quarter. Investors withdrew over $21.9 billion from municipal bond funds, the fourth-worst quarter on record, putting stress on new issues looking to price. Muni bond outflows have been consistently high through the second quarter of this year as well. While municipal investors might have been attracted by the higher and higher yields on new bond issues, many had suffered significant losses on their past holdings and were reluctant to re-enter the market.

By the time RHFB 2022EF was priced in mid-April, the ratio of the 10-year MMD to Treasury had jumped from the historically low ratios of 60% throughout much of 2021 to 91%—with investors giving little value to the benefits of tax-exemption. Since mid-April, the demand for tax-exempt bonds has increased, and they have significantly outperformed Treasuries. The 10-year Treasury has increased by 32 basis points, while the 10-year MMD actually fell by 1 basis point. As Minnesota Housing continues to emphasize taxable financing in order to conserve volume cap, its pricings will be largely driven by what happens to US Treasuries and the spreads to Treasuries that taxable municipal investors look to.

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
2020 *RHFB DE*	6/9/20	0.84%	0.88%	104.8%	1.59%	1.68%	105.7%
2020 HFB D	8/6/20	0.55%	0.59%	107.3%	1.20%	1.28%	106.7%
2020 *RHFB FG*	9/15/20	0.68%	0.84%	123.5%	1.43%	1.58%	110.5%
2020 HFB E	11/9/20	0.96%	0.86%	89.6%	1.73%	1.61%	93.1%
2020 *RHFB HI*	12/9/20	0.95%	0.71%	74.7%	1.69%	1.40%	82.8%
2021 HFB A	2/10/21	1.15%	0.69%	60.0%	1.92%	1.34%	69.8%
2021 *RHFB AB*	3/3/21	1.47%	1.15%	78.2%	2.25%	1.80%	80.0%
2021 HFB B	5/12/21	1.69%	1.02%	60.4%	2.41%	1.60%	66.4%
2021 *RHFB CD*	5/19/21	1.68%	1.01%	60.1%	2.38%	1.58%	66.4%
2021 HFB C	8/10/21	1.36%	0.88%	64.7%	1.99%	1.46%	73.4%
2021 *RHFB EF*	9/9/21	1.30%	0.94%	72.3%	1.90%	1.53%	80.5%
2021 HFB D	11/9/21	1.46%	1.08%	74.0%	1.82%	1.53%	84.1%
2021 RHFB GHI	12/7/21	1.47%	1.03%	70.1%	1.80%	1.48%	82.2%
2022 RHFB AB	2/1/22	1.79%	1.50%	83.8%	2.11%	1.91%	91.1%
2022 RHFB CD	3/3/22	1.73%	1.61%	93.1%	2.16%	2.03%	94.0%
2022 RHFB EF	**4/13/22**	**2.70%**	**2.46%**	**91.1%**	**2.81%**	**2.81%**	**100.0%**
2022 RHFB GH	**6/8/22**	**3.02%**	**2.45%**	**81.1%**	**3.17%**	**2.92%**	**92.1%**
Change from *RHFB 2022 EF*		**+ 32 bp**	**- 1 bp**	**- 10.0%**	**+ 36 bp**	**+ 11 bp**	**- 7.9%**

TAXABLE SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 6 MONTHS PLUS EARLIER MHFA

Pricing Date		6/8/22			5/18/22			5/5/22			4/27/22			4/26/22		
Amount		$100,000,000			$37,375,000			$50,000,000			$48,375,000			$20,000,000		
Issuer		Minnesota HFA			Maryland DHCD			North Dakota HFA			Colorado HFA			Rhode Island HMFC		
Series		2022 Series G			2022 Series B			2022 Series D			2022 Series D-1			Series 77-T		
Program		Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated		
Rating(s)		Aa1 / AA+ / -			Aa1 / - / AA			Aa1 / - / -			Aaa / AAA / -			Aa1 / AA+ / -		
Tax Status		Taxable			Taxable			Taxable			Taxable			Taxable		
Year	Maturity ('22 pricings)	Coupon/ Yield	Spread to UST		Coupon/ Yield	Spread to UST		Coupon/ Yield	Spread to UST		Coupon/ Yield	Spread to UST		Coupon/ Yield	Spread to UST	
0	2022													2.650	+66	to 1 yr
1	2023	2.884	+12	to 2 yr	2.771 / 2.821	+10 / +15	to 2 yr	2.856	+13	to 2 yr	2.55 / 2.65	+58 / +68	to 1 yr	2.70 / 2.80	+71 / +81	to 1 yr
2	2024	3.024 / 3.174	+26 / +41	to 2 yr	3.051 / 3.141	+38 / +47	to 2 yr	3.076 / 3.226	+35 / +50	to 2 yr	2.87 / 3.02	+29 / +44	to 2 yr	3.00 / 3.20	+46 / +66	to 2 yr
3	2025	3.418 / 3.478	+47 / +53	to 3 yr	3.391 / 3.491	+55 / +65	to 3 yr	3.476 / 3.576	+55 / +65	to 3 yr	3.17 / 3.32	+42 / +57	to 3 yr	3.35 / 3.45	+63 / +73	to 3 yr
4	2026	3.647 / 3.727	+62 / +70	to 5 yr	3.591 / 3.641	+70 / +75	to 5 yr	3.713 / 3.813	+67 / +77	to 5 yr	3.47 / 3.52	+66 / +71	to 5 yr	3.60 / 3.65	+81 / +86	to 5 yr
5	2027	3.777 / 3.827	+75 / +80	to 5 yr	3.691 / 3.791	+80 / +90	to 5 yr	3.913 / 4.003	+87 / +96	to 5 yr	3.62 / 3.67	+81 / +86	to 5 yr	3.75 / 3.80	+96 / +101	to 5 yr
6	2028	3.918 / 4.018	+86 / +96	to 7 yr	3.92 / 3.95	+100 / +103	to 7 yr	4.118 / 4.208	+101 / +110	to 7 yr	3.75 / 3.80	+91 / +96	to 7 yr	3.85 / 3.90	+105 / +110	to 7 yr
7	2029	4.088 / 4.188	+103 / +113	to 7 yr	4.07 / 4.12	+115 / +120	to 7 yr	4.258 / 4.308	+115 / +120	to 7 yr	3.85 / 3.90	+101 / +106	to 7 yr	3.95 / 4.00	+115 / +120	to 7 yr
8	2030	4.275 / 4.325	+125 / +130	to 10 yr	4.138 / 4.238	+125 / +135	to 10 yr	4.39 / 4.44	+130 / +135	to 10 yr	4.00 / 4.05	+118 / +123	to 10 yr			
9	2031	4.375 / 4.425	+135 / +140	to 10 yr	4.288 / 4.338	+140 / +145	to 10 yr	4.49 / 4.54	+140 / +145	to 10 yr	4.10 / 4.15	+128 / +133	to 10 yr			
10	2032	4.445 / 4.495	+142 / +147	to 10 yr	4.358 / 4.408	+147 / +152	to 10 yr	4.59 / 4.64	+150 / +155	to 10 yr	4.20 / 4.25	+138 / +143	to 10 yr			
11	2033	4.555 / 4.595	+153 / +157	to 10 yr	4.488 / 4.538	+160 / +165	to 10 yr	4.69 / 4.70	+160 / +161	to 10 yr	4.30 / 4.35	+148 / +153	to 10 yr			
12	2034	4.655 / 4.705	+163 / +168	to 10 yr	4.588 / 4.638	+170 / +175	to 10 yr									
13	2035															
14	2036															
15	2037	4.825	+180	to 10 yr				4.920	+183	to 10 yr						
16	2038															
17	2039	4.947	+175	to 30 yr												
18	2040															
19	2041															
20	2042							5.052	+185	to 30 yr						
21	2043															
22	2044															
23	2045															
24	2046															
25	2047							5.152	+195	to 30 yr						
26	2048															
27	2049															
28	2050															
29	2051															
30	2052															
31	2053															
PAC		4.337C/Y	+131	to 5 yr							5.00C/4.10Y	+129	to 5 yr			
Notes		7/1/23 priced to 2yr UST; 1/1/47 PAC is 4.337% coupon at par w/ 5.00 year avg. life 100-500% PSA			3/1/23 and 9/1/23 priced to 2yr UST			7/1/23 priced to 2yr UST			BBI / RBI 3.19% / 3.47%					
Maturity Dates		7/1 and 1/1			3/1 and 9/1			7/1 and 1/1			5/1 and 11/1			10/1 and 4/1		
Call Provisions		1/1/32 at par			None			1/1/32 at par			11/1/31 at par			None		
Mkt Index		BBI / RBI 3.03% / 3.31%			BBI / RBI 3.37% / 3.65%			BBI / RBI 3.27% / 3.55%			BBI / RBI 3.19% / 3.47%			BBI / RBI 3.19% / 3.47%		
Sr Manager		RBC Capital Markets			RBC Capital Markets			RBC Capital Markets			RBC Capital Markets			Morgan Stanley		

TAXABLE SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 6 MONTHS PLUS EARLIER MHFA

Pricing Date		4/20/22		4/13/22		4/5/22		4/5/22		3/30/22	
Amount		$15,000,000		$100,000,000		$20,000,000		$7,000,000		$30,000,000	
Issuer		Iowa FA		Minnesota HFA		Illinois HDA		Oregon HCSD		North Dakota HFA	
Series		2022 Series F		2022 Series E		2022 Series B		2022 Series B		2022 Series B	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aaa / AAA / -		Aa1 / AA+ / -		Aaa / - / -		Aa2 / - / -		Aa1 / - / -	
Tax Status		Taxable		Taxable		Taxable		Taxable		Taxable	
Year	Maturity ('22 pricings)	Coupon/ Yield	Spread to UST	Coupon/ Yield	Spread to UST	Coupon/ Yield	Spread to UST	Coupon/ Yield	Spread to UST	Coupon/ Yield	Spread to UST
0	2022										
1	2023	2.80 / 2.85	+87 / +92 to 1 yr	2.498	+15 to 2 yr	2.50 / 2.60	+73 / +83 to 1 yr	2.650	+88 to 1 yr	2.392 / 2.542	+10 / +25 to 2 yr
2	2024	3.00 / 3.20	+40 / +60 to 2 yr	2.698 / 2.868	+35 / +52 to 2 yr	2.80 / 3.00	+29 / +49 to 2 yr	2.87 / 3.02	+36 / +51 to 2 yr	2.692 / 2.862	+40 / +57 to 2 yr
3	2025	3.40 / 3.55	+61 / +76 to 3 yr	3.075 / 3.185	+52 / +63 to 3 yr	3.15 / 3.25	+46 / +56 to 3 yr	3.20 / 3.30	+51 / +61 to 3 yr	3.05 / 3.15	+55 / +65 to 3 yr
4	2026	3.65 / 3.70	+78 / +83 to 5 yr	3.32 / 3.39	+68 / +75 to 5 yr	3.33 / 3.38	+64 / +69 to 5 yr	3.35 / 3.40	+66 / +71 to 5 yr	3.24 / 3.28	+78 / +82 to 5 yr
5	2027	3.80 / 3.85	+93 / +98 to 5 yr	3.47 / 3.52	+83 / +88 to 5 yr	3.48 / 3.53	+79 / +84 to 5 yr			3.33 / 3.38	+87 / +92 to 5 yr
6	2028	3.95 / 4.00	+107 / +112 to 7 yr	3.644 / 3.694	+95 / +100 to 7 yr	3.58 / 3.65	+93 / +100 to 7 yr			3.45 / 3.50	+100 / +105 to 7 yr
7	2029	4.05 / 4.10	+117 / +122 to 7 yr	3.744 / 3.794	+105 / +110 to 7 yr	3.70 / 3.75	+105 / +110 to 7 yr			3.55 / 3.60	+110 / +115 to 7 yr
8	2030	4.20 / 4.25	+135 / +140 to 10 yr	3.935	+125 to 10 yr	3.80 / 3.85	+126 / +131 to 10 yr				
9	2031	4.250	+140 to 10 yr	4.035	+135 to 10 yr	3.90 / 3.95	+136 / +141 to 10 yr				
10	2032			4.065 / 4.135	+138 / +145 to 10 yr	4.00 / 4.03	+146 / +149 to 10 yr				
11	2033			4.185 / 4.235	+150 / +155 to 10 yr						
12	2034										
13	2035										
14	2036										
15	2037			4.565	+188 to 10 yr						
16	2038										
17	2039										
18	2040										
19	2041			4.707	+190 to 30 yr						
20	2042										
21	2043										
22	2044										
23	2045										
24	2046										
25	2047										
26	2048										
27	2049										
28	2050										
29	2051										
30	2052										
31	2053										
PAC											
Notes				7/1/23 priced to 2yr UST						1/1/23 and 7/1/23 priced to 2yr UST	
Maturity Dates		1/1 and 7/1		7/1 and 1/1		4/1 and 10/1		7/1 and 1/1		1/1 and 7/1	
Call Provisions		None		1/1/32 at par		4/1/31 at par		None		None	
Mkt Index		BBI / RBI 3.01% / 3.29%		BBI / RBI 2.87% / 3.15%		BBI / RBI 2.73% / 3.01%		BBI / RBI 2.73% / 3.01%		BBI / RBI 2.51% / 2.42%	
Sr Manager		Morgan Stanley		RBC Capital Markets		Ramirez & Co.		J.P. Morgan		RBC Capital Markets	

TAXABLE SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 6 MONTHS PLUS EARLIER MHFA

Pricing Date		2/24/22			2/2/22			1/25/22			1/13/22			1/11/22		
Amount		$45,210,000			$24,990,000			$28,630,000			$13,800,000			$4,000,000		
Issuer		SONYMA			Minnesota HFA			Colorado HFA			Rhode Island HMFC			Mississippi HC		
Series		Series 245			2021 Series I			2021 Series C-1			Series 76-T			Series 2022B		
Program		Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated		
Rating(s)		Aa1 / - / -			Aa1 / AA+ / -			Aaa / AAA / -			Aa1 / AA+ / -			Aaa / - / -		
Tax Status		Taxable			Taxable			Taxable			Taxable			Taxable		
Year	Maturity ('22 pricings)	Coupon/ Yield	Spread to UST		Coupon/ Yield	Spread to UST		Coupon/ Yield	Spread to UST		Coupon/ Yield	Spread to UST		Coupon/ Yield	Spread to UST	
0	2022				1.050	+29	to 1 yr	0.950	+30	to 1 yr	0.860	+39	to 1 yr	0.890	+43	to 1 yr
1	2023	1.666 / 1.766	+10 / +20	to 2 yr	1.15 / 1.30	+39 / +54	to 1 yr	1.10 / 1.20	+45 / +55	to 1 yr	0.96 / 1.06	+49 / +59	to 1 yr	0.99 / 1.04	+53 / +58	to 1 yr
2	2024	1.966 / 2.116	+40 / +55	to 2 yr	1.42 / 1.57	+26 / +41	to 2 yr	1.30 / 1.45	+28 / +43	to 2 yr	1.24 / 1.34	+33 / +43	to 2 yr	1.190	+29	to 2 yr
3	2025	2.257 / 2.357	+50 / +60	to 3 yr	1.70 / 1.80	+32 / +42	to 3 yr	1.55 / 1.65	+27 / +37	to 3 yr	1.52 / 1.62	+34 / +44	to 3 yr			
4	2026	2.425 / 2.525	+55 / +65	to 5 yr	1.92 / 2.00	+32 / +40	to 5 yr	1.80 / 1.90	+24 / +34	to 5 yr	1.720	+25	to 5 yr			
5	2027	2.575 / 2.625	+70 / +75	to 5 yr	2.125 / 2.18	+53 / +58	to 5 yr	2.00 / 2.10	+44 / +54	to 5 yr						
6	2028				2.30 / 2.35	+56 / +61	to 7 yr	2.20 / 2.25	+47 / +52	to 7 yr						
7	2029				2.40 / 2.43	+66 / +69	to 7 yr	2.35 / 2.375	+62 / +65	to 7 yr						
8	2030				2.50 / 2.53	+72 / +75	to 10 yr	2.40 / 2.45	+62 / +67	to 10 yr						
9	2031				2.570	+79	to 10 yr	2.50 / 2.55	+72 / +77	to 10 yr						
10	2032							2.60 / 2.65	+82 / +87	to 10 yr						
11	2033							2.70 / 2.75	+92 / +97	to 10 yr						
12	2034															
13	2035															
14	2036							3.030	+125	to 10 yr						
15	2037															
16	2038															
17	2039															
18	2040															
19	2041															
20	2042															
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30	2052															
31	2053															
PAC																
Notes		4/1/23 and 10/1/23 priced to 2yr UST														
Maturity Dates		4/1 and 10/1			7/1 and 1/1			11/1 and 5/1			10/1 and 4/1			12/1 and 6/1		
Call Provisions		None			7/1/31 at par			11/1/30 at par			None			None		
Mkt Index		BBI / RBI 2.51% / 2.42%			BBI / RBI 2.33% / 2.24%			BBI / RBI 2.25% / 2.16%			BBI / RBI 2.19% / 2.10%			BBI / RBI 2.12% / 2.03%		
Sr Manager		RBC Capital Markets			RBC Capital Markets			RBC Capital Markets			J.P. Morgan			Wells Fargo		

TAXABLE SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 6 MONTHS PLUS EARLIER MHFA

Pricing Date		12/7/21			1/23/20			8/20/19			3/7/19		
Amount		$25,000,000			$60,000,000			$46,015,000			$37,500,000		
Issuer		Minnesota HFA			Minnesota HFA			Minnesota HFA			Minnesota HFA		
Series		2021 Series I			2020 Series C			2019 Series G			2019 Series C		
Program		Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated		
Rating(s)		Aa1 / AA+ / -			Aa1 / AA+ / -			Aa1 / AA+ / -			Aa1 / AA+ / -		
Tax Status		Taxable			Taxable			Taxable			Taxable		
Year	Maturity ('22 pricings)	Coupon/ Yield	Spread to UST		Coupon/ Yield	Spread to UST		Coupon/ Yield	Spread to UST		Coupon/ Yield	Spread to UST	
0	2022				1.670	+15	to 1 yr						
1	2023	0.670	+36	to 1 yr	1.690	+17	to 1 yr	1.760	+25	to 2yr	2.625 / 2.675	+15 / +20	to 2 yr
2	2024	0.77 / 0.87	+7 / +17	to 2 yr	1.72 / 1.77	+20 / +25	to 2 yr	1.81 / 1.86	+30 / +35	to 2 yr	2.725 / 2.775	+25 / +30	to 2 yr
3	2025	1.19 / 1.24	+20 / +25	to 3 yr	1.816 / 1.866	+30 / +35	to 3 yr	1.846 / 1.896	+40 / +45	to 3 yr	2.847 / 2.897	+40 / +45	to 3 yr
4	2026	1.48 / 1.55	+22 / +29	to 5 yr	1.957 / 2.007	+40 / +45	to 5 yr	1.926 / 1.976	+50 / +55	to 5 yr	2.942 / 2.992	+50 / +55	to 5 yr
5	2027	1.62 / 1.71	+36 / +45	to 5 yr	2.037 / 2.087	+48 / +53	to 5 yr	2.026 / 2.076	+60 / +65	to 5 yr	3.042 / 3.092	+60 / +65	to 5 yr
6	2028	1.77 / 1.87	+34 / +44	to 7 yr	2.211 / 2.261	+55 / +60	to 7 yr	2.149 / 2.199	+65 / +70	to 7 yr	3.207 / 3.237	+67 / +70	to 7 yr
7	2029	1.98 / 2.05	+55 / +62	to 7 yr	2.311 / 2.361	+65 / +70	to 7 yr	2.249 / 2.299	+75 / +80	to 7 yr	3.317 / 3.367	+78 / +83	to 7 yr
8	2030	2.12 / 2.14	+64 / +66	to 10 yr	2.491 / 2.541	+75 / +80	to 10 yr	2.355 / 2.435	+80 / +88	to 10 yr	3.471 / 3.521	+83 / +88	to 10 yr
9	2031	2.19 / 2.24	+71 / +76	to 10 yr	2.591 / 2.641	+85 / +90	to 10 yr	2.485 / 2.535	+93 / +98	to 10 yr	3.571 / 3.621	+93 / +98	to 10 yr
10	2032				2.691 / 2.741	+95 / +100	to 10 yr	2.585 / 2.635	+103 / +108	to 10 yr	3.671 / 3.721	+103 / +108	to 10 yr
11	2033							2.655 / 2.705	+110 / +115	to 10 yr			
12	2034												
13	2035												
14	2036	2.770	+129	to 10 yr									
15	2037				2.941	+120	to 10 yr	2.905	+135	to 10 yr	3.971	+133	to 10 yr
16	2038												
17	2039												
18	2040												
19	2041												
20	2042				3.237	+105	to 30 yr						
21	2043							3.164	+113	to 30 yr			
22	2044												
23	2045										4.204	+118	to 30 yr
24	2046				3.337	+115	to 30 yr						
25	2047												
26	2048												
27	2049												
28	2050												
29	2051												
30	2052												
31	2053												
PAC					2.657C/Y	+110	to 5yr						
Notes					7/20 - 7/21 priced to 2yr rather than 1yr UST; spread to 1yr would have been +12 / +14/+14; 7/1/50 PAC bond has 5 year avg. life 100-500%			7/1/20 maturity priced to 2yr rather than 1yr UST per pricing wire; spread to 1yr would have been +4					
Maturity Dates		7/1 and 1/1			7/1 and 1/1			7/1 and 1/1			7/1 and 1/1		
Call Provisions		1/1/31 at par			7/1/29 at par			1/1/29 at par			7/1/28 at par		
Mkt Index		BBI / RBI 2.05% / 2.41%			BBI / RBI 2.54% / 3.04%			BBI / RBI 3.10% / 3.58%			BBI / RBI 4.09% / 4.56%		
Sr Manager		RBC Capital Markets			RBC Capital Markets			RBC Capital Markets			RBC Capital Markets		

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