

MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING

Thursday, January 26, 2012

1:00 p.m.

State Street Conference Room – 1st Floor

400 Sibley Street, St. Paul, MN 55101

1. Call to Order.

Chair Johnson called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:03 p.m.

Members present: Celeste Grant on behalf of Auditor Otto, Ken Johnson, Joe Johnson, Barb Sanderson, Stephanie Klinzing, and Gloria Bostrom.

Minnesota Housing staff present: Mary Tingerthal, Commissioner; Barb Sporlein, Deputy Commissioner; Paula Beck, Jeanette Blankenship, Jim Cegla, Ji-Young Choi, Jessica Deegan, Joe Gonnella, Calvin Greening, Phil Hagelberger, Mike Haley, Bill Kapphahn, Kasey Kier, Karmel Kluender, Marcia Kolb, Janine Langsjoen, Julie LaSota, Lori Lindberg, Katy Lindblad, Jane Loechler, Diana Lund, Julie Ann Monson, Tonja Orr, Stephanie Oyen, John Patterson, Tony Peleska, Bob Porter, Mary Rivers, Gayle Russo, Joel Salzer, Leslee Post, Mary Rivers, Susan Thompson, Will Thompson, Shannon Schaefer, Tonja Taylor, Elaine Vollbrecht, Don Wyszynski, Xia Yang.

Others present: Paula Rindels, Dorsey & Whitney; Chip Halbach, Minnesota Housing Partnership; Frank Fallon, RBC Capital Markets; Paul Rebholz, Wells Fargo, Chris Flannery, Piper Jaffray; Tom O'Hern, Assistant Attorney General.

2. Agenda Review.

Chair Johnson announced that the board reports for agenda items 9.A.10 and 9.B.2. had been revised and were distributed prior to the start of the meeting.

3. Approval of the Minutes.

A. Regular Meeting of December 15, 2011.

Ms. Klinzing moved approval of the minutes as written. Mr. Joe Johnson seconded the motion. Motion carries 7-0.

4. Chairman's Report.

The Chair announced that, following conclusion of the regular agenda, that Member Sanderson be recognized for her service on the board and that the Board would then move into executive session to discuss Commissioner Tingerthal's performance evaluation.

5. Commissioner's Report and Introductions.

Commissioner Tingerthal reported the following:

- Minnesota Housing has had a large proposal included in the Governor's bonding bill and that Tonja Orr, Assistant Commissioner for Policy, would provide details of the proposal later in the meeting. Commissioner Tingerthal also shared that Governor Dayton had posted his support of bonding for housing on his Facebook page.
- The Agency has been engaging in several activities surrounding employee engagement.
 - The annual all staff meeting and recognition event will take place the week of January 30.
 - An employee engagement survey had been completed in December, 2011. Ninety-two percent of staff completed the survey. The results of the survey were distributed to members.

- The Agency will be hosting open houses throughout the upcoming year. The Multifamily Division has hosted the first open house. The event is a good opportunity for staff to meet each other and learn more about the Agency and the roles of their co-workers.
- The Commissioner has been working with Deputy Commissioner Barb Sporlein to begin reviewing and updating the Strategic Plan. The proposed plan, including the plans for engaging Board members, employees and stakeholders, in the development of the plan will be presented at the February meeting.
- On January 23rd, Assistant Commissioner for Multifamily Programs and the Commissioner hosted a roundtable discussion with larger owner, developer and management companies where they provided insights on what they see as opportunities for and challenges to their organizations.
- Minnesota Housing Partnership has partnered with The McKnight Foundation to produce a documentary on affordable housing entitled “Homes for All.” The program will air on Twin Cities Public Television and includes an interview with Commissioner Tingerthal.

The following employee introductions were made:

- Multifamily Manager Shannon Schaeffer introduced Janine Langsjeon. Ms. Langsjeon was hired in December as an HMO in the Asset Management department and was formerly employed with Aeon.
- Assistant Commissioner Marcia Kolb introduced Jane Loechler. Ms. Loechler has worked with the Agency for the past two and one-half years under a contract with the Family Housing Fund and has been hired as an Agency employee. Ms. Loechler has 20 years of experience working in affordable housing and will be a project manager for the preservation initiative.

6. Audit Committee:

None.

7. Program Committee:

None.

8. Finance Committee:

None.

9. Action Items:

A. Summary Review:

- 9.A.(1). **Approval, Multifamily Loan Programs, Annual Funding Modification Activity Report and Policy.**
- 9.A.(2). **Approval, Loan Modification, New Construction Tax Credit Program - Stradford Flats, Minneapolis.**
- 9.A.(3). **Approval, Loan Modification, Low and Moderate Income Rental Program - Paris Park Townhomes, Marshall.**
- 9.A.(4). **Approval, Loan Modification, Low and Moderate Income Rental Program - Nicollet Meadows Townhomes, St. Peter.**
- 9.A.(5). **Approval, Commitment Extension, Housing Trust Fund - YWCA Oxford Supportive Housing.**
- 9.A.(6). **Approval, Commitment Extension, Low and Moderate Income Rental (LMIR) Program and Preservation of Affordable Rental Investment Fund (PARIF) - Woodland Garden Apartments, Duluth.**
- 9.A.(7). **Approval, Selection, Community Activity Set Aside Program.**
- 9.A.(8). **Approval, Selection, Community Fix-up Fund.**

9.A.(9). Approval, Program Waivers, Entry Cost Assistance Programs.

9.A.(10). Approval, Program Changes, Mortgage Loan Program Procedural Manual – MBS.

Ms. Bostrom moved approval of the summary review items and adoption of Resolution No. MHFA 12-001: Resolution Approving Loan Modifications; Resolution No. MHFA 12-002: Resolution Approving Loan Modification LMIR Program; Resolution No. MHFA 12-003: Resolution Approving Loan Modification LMIR Program; Resolution No. MHFA 12-004: Resolution Approving Re-establishment and Extension of Mortgage Commitment Housing Trust Fund (HTF) Program; and Resolution No. MHFA 12-005: Resolution Approving Mortgage Commitment Extension Low and Moderate Income Rental (LMIR) and Preservation Affordable Rental Investment Fund (PARIF) Programs. Mr. Joe Johnson seconded the motion. Motion carries 7-0.

A. Discussion – General:

9.B.(1). Approval, Minnesota Consolidated Plan for Housing and Community Development 2012-2016 and Annual Action Plan.

Mr. Jim Cegla informed the Board that the Plan is a five year coordinated plan between Minnesota Housing, the Department of Human Services (DHS) and the Department of Employment and Economic Development (DEED). The plan considers housing, development needs and the needs of the homeless and establishes goals in those areas. The presented plan includes new HOME funds and carry-forward funds from previous years. Development of the plan includes significant public outreach efforts to get input. Several hundred people participated through online surveys, public meetings and public hearings and a draft was sent out for comment. Staff have reviewed comments and made adjustments based on those comments. As part of the process, a new Analysis to Impediments to Fair Housing Choice was written. This report falls outside the planning, comment and public response requirements of the consolidated plan and annual action plan but comments were received from three entities and these comments were considered and, in consultation with DEED and DHS, some changes were made based on the comments. In response to a question from Mr. Joe Johnson, Mr. Cegla stated that plans are reviewed by the local HUD office and if it were not approved as written, it could be adjusted and re-submitted. The Agency has not had a plan fail to be approved but have been asked to adjust pieces or clarify points. Plans are approved by the local HUD office. In response to a question from Ms. Bostrom, Mr. Cegla stated that the main point of the plan is to state the goals and the objectives for use of the funding and that goals and objectives of the plan are the same as those of the Agency. Commissioner Tingerthal stated that, due to the reduction in HOME funding that an amendment to the Affordable Housing Plan will be brought to reduce the number of units produced as a result of the loss of HOME dollars. The reduction in funding is due a congressional cut of 38% to the HOME program. In response to Ms. Klinzing, Mr. Cegla stated that the format of the plan is prescribed by HUD and the largest difference between the current and past reports is the dollar amounts. A new program, the HOME Affordable Rental Preservation Program is a new program to which some resources have been redirected. Ms. Klinzing requested that the Board be provided with a summary of the past plan and the current plan. **MOTION:** Ms. Sanderson moved approval. Mr. Joe Johnson seconded the motion. Motion carries 7-0.

9.B.(2). Discussion, Legislative Update.

Assistant Commissioner for Policy Tonja Orr informed the board that the Governor released his bonding proposal last week and that the proposal includes Minnesota Housing. The bonding bill will be the major activity of the session along with some high profile, contentious items. The Governor's proposal is \$775 million dollars, which is 50% more than what was expected. The Agency's request includes amounts for both GO and Housing Infrastructure bonds. The

Infrastructure bonds are appropriations bonds and have greater flexibility for ownership than GO bonds. In response to a question from Ms. Klinzing, Ms. Orr clarified that one of the maps included in the bonding information show properties where the foreclosure process has been completed and the property is now for sale and bank-owned. The graphic shows the change in the number of bank-owned homes in order to illustrate how the foreclosure crisis has moved throughout the state and is happening beyond the center cities. Member Klinzing cautioned that some foreclosure data may be attributed to foreclosed lots versus structures. No action needed.

B. Discussion – Homes:

9.C.(1). Approval, Program Changes, HOME HELP (Home Entry Loan Program) Procedural Manual.

Mary Rivers presented this request to increase the amount of HOME HELP assistance available to buyers to \$10,000 from \$8,500. The program uses federal funds for down payment assistance in Agency first mortgage programs. In response to a question from Ms. Bostrom, Ms. Rivers stated that staff reviewed data from the past several quarters, analyze trends and found, that, while house prices have gone down, entry costs have not declined and outside assistance, such as seller contributions, have fallen as prices declined. Program participants will still be required to have at least \$1,000 of their own money in the transaction. This assistance covers closing costs more completely or lowers the loan amount and monthly payments. Staff reviewed current delinquency rates found them to be virtually the same for borrowers with high and low entry cost assistance amounts. In response to a question from Ms. Klinzing, Ms. Rivers stated that there has not been a change to the servicing of the loans but that the servicing company has changed and the program manual change clarifies servicing issues but does not change them. **MOTION:** Mr. Joe Johnson moved approval of the changes. Ms. Klinzing seconded the motion. Motion carries 7-0.

9.C.(2). Approval, Program Changes, Quick Start Disaster Recovery Program Procedural Manual.

Mr. Cal Greening presented this request, stating that the primary focus of the Quick Start program has been single family owner occupied properties. The City of Minneapolis has requested that non-owner occupied properties be allowed to receive funding as well. Rental properties are currently allowed but require an owner-occupant. This request will allow funding eligibility for non-owner occupied rental properties and will also allow multiple loans and multiple uses. These changes will be in place only for those affected by the Minneapolis tornado and will help renters to stay in their homes. In response to a question from Ms. Sanderson, Mr. Greening stated that the program is designed to assist individuals who are economically impacted by a disaster and the demographics in North Minneapolis are very different that those of other disaster areas in which Quick Start has been deployed. In response to a question from Mr. Joe Johnson, Mr. Greening stated that no other program criteria are changing and that the three organizations that are administrating and originating the loans will make the decisions regarding eligibility and loan limits. **MOTION:** Ms. Bostrom moved approval of the requested program and procedural manual changes. Ms. Sanderson seconded the motion. Motion carries 7-0.

C. Discussion – Multifamily:

9.D.(1). Approval, Family Homelessness Prevention and Assistance Program (FHPAP) Funding Modification.

Ms. Ji-Young Choi presented this request to add an administrator and provide additional funding to Hennepin County due to high demand. In response to a question from Mr. Klinzing, Ms. Choi stated that the TriCap organization has terminated its contract due because the loss of other funding led to a decrease in organizational capacity. Ms. Klinzing expressed concern about the

ability of organizations to provide services outside the immediate metro areas in Greater Minnesota. Ms. Choi stated that most organizations in Greater Minnesota cover multiple counties and have the experience and capacity to provide appropriate services. Ms. Klinzing stated that the subject counties do not have a regional development district and lose out on a lot of coordinating planning and federal funding because they do not have this designation. Having a coordinated effort is very much needed for development. **MOTION:** Ms. Bostrom moved approval of the requested funding modification. Ms. Klinzing seconded the motion. Motion carries 7-0.

9.D.(2). Approval, Proposed Revisions to the Qualified Allocation Plan (QAP) and Procedural Manual, 2013 Housing Tax Credit (HTC) Program.

Ms. Kasey Kier and Mr. John Patterson presented highlights of this request, describing the process of gathering input on the changes and joint powers agreements that are in place with other allocating agencies. The scoring criteria have been revised, with particular attention paid to the areas in which most or all applicants received no points or the most points available. The review resulted in scoring changes and policy changes with a focus on natural areas of simplification, overlap or duplication. The changes to the criteria are all data driven. The draft has been discussed externally with suballocators. The year-long review process includes making note of technical assistance provided and program feedback received by former applicants and grantees. Focus groups were held through the Agency affordable housing plan process and those comments were considered as well. Following approval from the Board, notice of public hearing will be given. Between now and the hearing people will be invited to comment. And comments received will be reviewed by staff and the plan will be revised based on these comments. The revised plan will be presented for approval at the March Board meeting. Following Board approval, the Governor's approval will be requested and following that approval, the RFP will be published. In response to a question from Ms. Sanderson, Commissioner Tingerthal stated that the draft QAP was shared at the Multifamily developers meeting and the group discussed the change regarding cost containment. Staff expects comments regarding the cost containment section to be submitted. **MOTION:** Ms. Sanderson moved approval of the revisions. Ms. Klinzing seconded the motion. Motion carries 7-0

9.D.(3). Approval, HOME Affordable Rental Preservation Manual.

Ms. Lori Lindberg presented this request, stating that much of the manual is tied to the standards of existing programs. The HOME Affordable Rental Preservation program is a new delivery model that replaces the HOME Rental Rehab model. The Agency will handle all program activity internally. Program compliance monitoring activities will be similar to the activities of existing programs. The program will focus on the preservation of existing rental housing. Staff expects developments receiving funding under the program will receive a larger amount of money that will help them to preserve the asset. These loans will require a longer affordability period. **MOTION:** Mr. Joe Johnson moved approval of the manual. Ms. Bostrom seconded the motion. Motion carries 7-0.

Review and Information Items.

10. Other Business.

A. Information, Temporary Rental Assistance for Families Progress Report as of June 30, 2011.

This item was included for informational purposes and there was no discussion.

B. Information, Semi-annual Variable Rate Debt and Swap Performance Review as of January 1, 2012.

This item was included for informational purposes and there was no discussion.

C. Information, Post-sale Report, Homeownership Finance Bonds, 2011 Series F (Mortgage Backed Securities Program) and 2011 Series G (Mortgage Backed Securities Program).

This item was included for informational purposes and there was no discussion.

D. Recognition of the Service of Ms. Sanderson.

Chair Ken Johnson presented Ms. Sanderson with a plaque recognizing her service to the board and stated his appreciation of her service and her sharing the issues that exist in Greater Minnesota. Ms. Sanderson stated that she has been involved with affordable housing issues for 50 years and expressed her appreciation of the dedication of the Board members, Commissioner and the staff. No action needed.

11. Adjournment.

The regular meeting adjourned to executive session at 2:31 p.m. The executive session adjourned at 2:55 p.m.