

MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING

Thursday, January 27, 2011

1:00 p.m.

State Street Conference Room - 1st Floor

400 Sibley Street, St. Paul, MN

1. Call to Order.

Chair Finch called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:07 p.m.

Members Present: Messrs. Finch, Himle and Johnson; Mses. Bostrom, Sanderson and Auditor Otto.

Minnesota Housing Staff Present: Acting Commissioner Patricia Hippe, Chris Allen, Tal Anderson, Paula Beck, Jeanette Blankenship, Jim Cegla, Margaret Davies, Jessica Deegan, Terry Egan, Joe Gonnella, Cal Greening, Doug Grout, Mike Haley, Terry Hanna, Pat Hanson, Karen Hassan, Sue Haugen, Andrew Hughes, Bill Kapphahn, Kasey Kier, Karmel Kluender, Marcia Kolb, Rosalie Kolb, Julie LaSota, Katy Lindblad, Amy Long, Diana Lund, Rhonda McCall, Julie Ann Monson, Michael Nguyen, Tonja Orr, Stephanie Oyen, John Patterson, Adaire Peterson, Bob Porter, Mary Rivers, Mary Ruch, Robert Russell, Eric Thiewes, Will Thompson, Elaine Vollbrecht, Don Wyszynski.

Others Present: Chad Dipman, Twin Cities Habitat for Humanity; Dan Walsh and Gina Ciganik, Aeon Homes; Chip Halbach, Minnesota Housing Partnership; Frank Fallon, RBC Capital Markets; Mary Tingerthal, Minnesota Housing Commissioner (effective 2/1/11); Tom O'Hern, Assistant Attorney General; Celeste Grant, Office of the State Auditor.

2. Agenda Review.

It was noted that revised board reports for agenda items 9.A.(4) and 9.D.(2) were available at the check-in table. There addition of item C.1. and a briefing regarding participation loans prior to the presentation of item 9.D.(2). were also noted.

3. Approval of the Minutes.

A. Regular Board Meeting of December 16, 2010.

Mr. Johnson moved to approve the minutes as written. Auditor Otto seconded the motion. All members approved the minutes by voice vote.

4. Chairman's Report.

Chairman Finch shared that the terms of Lee Himle and Marina Lyon had expired and invited those present to join the Board for cake following the meeting.

5. Commissioner's Report and Introductions.

Acting Commissioner Hippe introduced Mary Tingerthal. Ms. Tingerthal was selected as Minnesota Housing Commissioner by Governor Dayton and would begin her term on February 1, 2011. Ms. Tingerthal shared her career path, noting that she had previously been employed at Minnesota Housing and also had previously worked with Member Bostrom. Ms. Tingerthal noted that we are in a time of change and that, together, we can run a great Agency and attend to the very important issues that face us on a National level. She shared that Governor Dayton

has impressed upon his cabinet key principles of collaboration among departments, openness and transparency, and operating in an environment of respect for one another. Chair Finch expressed his pleasure at having someone of Ms. Tingerthal's presence and stature to lead the Agency.

Tal Anderson, Single Family Programs, introduced Stephanie Oyen. Ms. Oyen brings a wealth of experience and will be working with first time homebuyer and down payment assistance programs.

Julie Ann Monson, Multifamily Programs, introduced Doug Grout. Mr. Grout most recently was the Executive Director of the Brainerd HRA and joins Minnesota Housing as the Multifamily Middle Manager for SE, SW and Carver/Scott County Region.

Acting Commissioner Hippe also addressed that the measures relating to strategic plan priorities would not be presented at this month's meeting as originally intended. This item will be moved forward to allow for the Commissioner to become more familiar with the strategic plan. She also noted that Will Thompson's presentation regarding Risk Management is intended to be a training piece for Board members. Members of the management team were encouraged to stay for the presentation. Other Agency staff were advised to not stay for the 60 minute presentation as this information would be presented at a future date to all staff.

6. Program Committee:

None.

7. Finance Committee:

None.

8. Audit Committee:

None.

9. Action Items:

A. Summary Review:

- 9.A.(1). Approval, Exchange of Ending Long-Term Homelessness Initiative Fund (ELHIF) Program for Housing Trust Fund (HTF) – House of the Phoenix, Duluth.**
- 9.A.(2). Approval, Program Waivers, HOME Homeowner Entry Loan Program (HELP).**
- 9.A.(3). Approval, Changes, Quick Start Procedural Manual.**
- 9.A.(4). Pilot Program for Manufactured Home Park Acquisitions: General Underwriting Terms for Use with Participation Agreements and Supplemental Design Standards.**

In response to a question from Auditor Otto, staff explained that the transaction in 9.A.(1) is considered to mitigate foreclosure because the subject property had been vacant for a number of months. Board members were also informed that the substitution of funding sources for item 9.A.(1) would not impact the funding of any other properties **MOTION:** Mr. Himle moved to approve the summary review items. Auditor Otto seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Bostrom, Sanderson and Auditor Otto.

B. Discussion - General:

9.B.(1). Approval, Resolution Relating to Rental Housing Bonds.

Mr. Joe Gonnella presented this item, noting that the resolution had previously been approved in November, 2010 but, due to interest rate activity, approval to sell the bonds alternatively through private placement. Another minor change was the elimination of bridge funding bonds. Ms. Paula Rindels, Dorsey & Whitney; and Mr. Gene Slater, CSG Advisors; were available by phone to answer questions regarding the resolution. **MOTION:** Ms. Bostrom moved to approve the bond sale and approve Resolution No. MHFA 11-001: Resolution Relating to Rental Housing Bonds; Authorizing the Issuance and Sale Thereof and Amending and Restating Resolution No. MHFA 10-107. Mr. Johnson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Bostrom, Sanderson and Auditor Otto.

9.B.(2). Approval, Resolution Relating to Nonprofit Housing Bonds (State Appropriations), Series 2011.

Mr. Joe Gonnella, Ms. Paula Rindels (Dorsey & Whitney) and Mr. Gene Slater (CSG Advisors) presented information regarding the issuance of bonds and approval parameters. **MOTION:** Mr. Himle moved to approve the sale and adopt Resolution No. MHFA 11-002: Resolution Relating to Nonprofit Housing Bonds (State Appropriations), Series 2011: Authorizing the Issuance and Sale Thereof and Approving the Execution and Delivery of Related Documents. Ms. Sanderson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Bostrom, Sanderson and Auditor Otto.

9.B.(3). Discussion, Legislative Session Preview.

Ms. Tonja Orr shared with the Board that the current legislative session is a budget setting session and much of the work will focus on the State deficit. All Agencies have prepared budget scenarios for cuts at the 5%, 10% and 15% levels. Minnesota Housing's budget scenarios all minimize impact on programs that serve the most needy and give priority to programs that leverage non-state resources. The Governor's budget is due to the Legislature by February 19th. In response to a question from Ms. Bostrom, Ms. Orr shared that 8% of the Agency's total budget comes from State appropriations. In response to a question from Mr. Finch, Ms. Orr reminded the Board that all state appropriations are used for program funding and that all Agency operating expenses are paid from earnings on interest. Informational item, no action needed.

9.B.(4). Discussion, Legal Duties of the Board.

Mr. Tom O'Hern provided to the Board an overview of the legal responsibilities of the Board, noting that management control of the Agency is vested solely in the members of the Board. He also provided information pertaining to open meeting law and ethical conduct. Informational item, no action needed.

9.B.(5). Discussion, Securities Law Implications for the Board.

Mr. Joe Gonnella highlighted portions of the information contained in the board report regarding existing rules, enforcement of rules and questions to ask before approving a bond issue. Informational item, no action needed

9.B.(6). Discussion, Presentation of Enterprise Risk Management Framework.

Mr. Will Thompson, Chief Risk Officer, presented this information and answered questions from the Board regarding the framework, which is not a standalone process but a process to be implemented into Agency management systems. No action needed.

9.B.(7). Approval, Policy for Reporting Non-Compliance with Agency Policy and Procedures.

Mr. Will Thompson requested approval of the policy, noting that it includes the use of a vendor to receive anonymous reports of non-compliance. Mr. Thompson indicated that this is considered a best practice within financial institution. In response to a question from Auditor Otto, Mr. Tom O'Hern clarified that all reports of non-compliance must also be reported to the Office of the Legislative Auditor. Mr. Thompson clarified that, in the policy, the term "directors" includes board members. Mr. Thompson agreed to provide the policy in its approved form to all board members. **MOTION:** Ms. Sanderson moved to approve and adopt the Policy for Reporting Non-Compliance with Agency Policy and Procedures. Mr. Himle seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Bostrom, Sanderson and Auditor Otto.

C. Discussion - Homes:

9.C.(1). Approval, Assignment of Community Revitalization Fund Award.

Mr. Terry Hanna summarized the information in the board report. **MOTION:** Mr. Himle moved to approve the request. Mr. Johnson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Bostrom, Sanderson and Auditor Otto.

D. Discussion – Multifamily:

9.D.(1). Approval, Proposed Revisions to the Qualified Allocation Plan (QAP) and Procedural Manual, 2012 Housing Tax Credit (HTC) Program.

Ms. Kasey Kier provided information regarding the proposed plan, sharing that sub-allocators were satisfied with the plan and had no requested changes and that the Public Comment session will be conducted on February 23, 2011. Comments received at this session will be reviewed and presented to the Board at its March meeting. In response to a question from Auditor Otto, Ms. Kier informed the group that a current market study (within six months of application) is required at the time of application to ensure correct community information is used in the selection process. In response to a question from Ms. Bostrom, Ms. Kier shared that the national and local markets for housing tax credits appear to have stabilized although pricing will be much lower than in the past highest pricing periods. Ms. Sanderson expressed concerns regarding the points awarded for proximity to fixed public transit routes. Mr. Finch also voiced concern regarding the points awarded for proximity to certain types of fixed route transit. Mr. John Patterson joined Ms. Kier in presenting information regarding the relationship between housing cost and transportation cost and how it impacts affordability. Discussion regarding points awarded for proximity to fixed route transit followed. Mr. Chip Halbach, Minnesota Housing Partnership, addressed the board regarding the difficulty in attracting tax credit investors to small rural

communities. In response to the concerns of Board members regarding points awarded for proximity to fixed route transit, Ms. Kier informed the board that following the public hearing, staff would address any issues and present the revised information to the Board at its March meeting for the final QAP approval. **MOTION:** Ms. Bostrom moved to approve that the plan be presented for public comment. Mr. Johnson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Bostrom, Sanderson and Auditor Otto.

Walk-on

Item: Information, Participation Loan Agreements.

Mr. Tom O'Hern presented an overview of participation loans. Information item, no action needed.

9.D.(2). Approval, Selection, Commitment, Economic and Housing Challenge (EDHC) Program, Park Plaza Manufactured Housing Community, Fridley.

Mr. Andrew Hughes presented the information regarding the request. There was discussion regarding first loss provision for the financing as well as the size of the pads within the manufactured home community. Ms. Katy Lindblad provided information regarding ROC USA, one of the participating lenders in the transaction. **MOTION:** Ms. Bostrom moved to approve the request and adopt Resolution No. MHFA 11-003: Resolution Approving Commitment and Funding Under Economic Development and Housing Challenge (EDHC) Program. Auditor Otto seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Bostrom, Sanderson and Auditor Otto.

9.D.(3). Approval, Selection, Commitment, Low and Moderate Income Rental (LMIR) Program and Approval, Loan Modification, Preservation Affordable Rental Investment Fund (PARIF) Program – Woodland Garden Apartments, Duluth.

Ms. Julie LaSota presented the request. **MOTION:** Auditor Otto moved to approve the request and adopt Resolution No. MHFA 11-005: Resolution Approving Mortgage Loan Commitment Low and Moderate Income Rental (LMIR) Program and Modification of Preservation Affordable Rental Investment Fund (PARIF) Loan. Mr. Himle seconded the motion. Upon voting, the following voted yes: Messrs. Finch and Himle; Mses. Sanderson and Auditor Otto. Abstain: Johnson. Absent: Bostrom.

9.D.(4). Approval, Selection, Commitment, Low and Moderate Income Rental (LMIR) Program – Parkview Apartments, St. Paul.

Ms. Julie LaSota presented the information to the Board. Ms. Mary Ruch clarified that the soft costs appear large because included in that figure is the payoff of an existing loan. Ms. Post was requested to correct page 6 of the board report to more clearly identify the costs. **MOTION:** Mr. Himle moved to approve the item and adopt Resolution No. MHFA 11-004: Resolution Approving Mortgage Loan Commitment Low and Moderate Income Rental (LMIR) Program. Ms. Sanderson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Bostrom, Sanderson and Auditor Otto.

10. Review and Information Items.

A. Information, Semi-annual Variable Rate Debt and Swap Performance Review.

B. Information, Multifamily Loan Programs, Annual Funding Modification Activity Report and Policy.

These items were included in the board packets but were not presented at the meeting.

11. Other Business.

The Chair recognized Mr. Lee Himle for his years of service to the Board of Minnesota Housing. Mr. Himle stated that he is encouraged by the track Minnesota Housing is on with two new Board members and a new commissioner starting soon. Mr. Himle expressed his belief that Minnesota Housing is best run agency in the state and greatest state agency in the country. Mr. Himle said that it has been a pleasure and honor to be involved with Minnesota Housing's great group of people.

The Chair also recognized Ms. Marina Lyon for her service to Minnesota Housing and the many community non-profits with which she has been associated.

12. Adjournment.

The meeting was adjourned at 4:19 p.m.