

MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING

Thursday, November 17, 2011

1:00 p.m.

State Street Conference Room - 1st Floor

400 Sibley Street, St. Paul, MN

1. Call to Order.

Chair Johnson called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:00 p.m.

Members Present: Messrs. Mike Finch, Joe Johnson and Ken Johnson; Mses. Bostrom, Klinzing, Sanderson and Auditor Otto.

Minnesota Housing Staff Present: Commissioner Mary Tingerthal, Deputy Commissioner Barb Sporlein, Susan Anderson, Tal Anderson, Jessica Deegan, Joe Gonnella, Mike Haley, Terry Hanna, Susan Haugen, Andrew Hughes, Bill Kapphahn, Kasey Kier, Marcia Kolb, Karmel Kluender, Rosalie Kolb, Julie LaSota, Katy Lindblad, Diana Lund, Carrie Marsh, Eric Mattson, Julie Ann Monson, Tonja Orr, Stephanie Oyen, Terri Parker, John Patterson, Leslee Post, Megan Ryan, Joel Salzer, Becky Schack, Kayla Schuchman, Nancy Slattsveen, Will Thompson, Eric Thiewes, Elaine Vollbrecht, Don Wyszynski.

Others Present: Eric Rodel, Richfield resident; Cory Hoepfner, RBC Capital Markets; Chip Halbach, Minnesota Housing Partnership; Tom O'Hern, Assistant Attorney General. Joining by telephone: Dave Amsden, Kutak Rock; Tim Rittenhouse, CSG Advisors.

2. Agenda Review.

There were no changes to the agenda.

3. Approval of the Minutes.

A. Regular Board Meeting of October 27, 2011.

Ms. Sanderson moved to approve the minutes as written. Ms. Klinzing seconded the motion. Voting yes: Mses. Klinzing, Sanderson and Auditor Otto; Messrs. K. Johnson and J. Johnson. Abstaining: Mr. Finch and Ms. Bostrom.

4. Chairman's Report.

There was no Chairman's report.

5. Commissioner's Report and Introductions.

Commissioner Tingerthal reported that Barb Sporlein was now officially onboard as the Deputy Commissioner. The Commissioner shared the following information with the Board:

- One Wednesday, November 16, the conference committee in Washington that approves housing funding entered an agreement on the transportation and housing bill. The bill includes a 37.5 percent cut in the HOME budget. HOME funding is one of the Agency's most flexible resources. There will be an amendment to the Affordable Housing Plan to reflect the reduction in available funding once the amount of the decrease is known.
- Senior Leadership Team members met with the leadership team of the local HUD office. The Agency is involved with many initiatives with HUD and recently had a ceremonial

signing of a memorandum of understanding for an inspection pilot that reduces the number of people going out for inspections of developments with multiple funding sources. The pilot is a joint effort between Minnesota Housing, HUD, USDA and Treasury.

- Early next month Chief Financial Officer Don Wyszynski and a small team of staff will have their annual meeting Moody's and Standard & Poor's. The Agency financial results, along with other information and metrics, will be presented at these meetings. The financial results indicate an increase the per unit loss for foreclosed properties. The Agency will pull together in the heavily impacted neighborhoods in which we work. Will put together a team to look at our processes and see if there are things we can do earlier in the default processes to minimize foreclosure and foreclosure losses, with a focus on the neighborhoods most impacted. The Agency has had success in loss mitigation and will continue to step up those efforts to reduce the number of foreclosures that become real estate owned.
- Assistant Commissioner for Policy Tonja Orr and Commissioner Tingerthal met presented to Minnesota Management and Budget and the Governor's staff the Agency's \$40 million bonding proposal. It is expected that the Governor will release his bonding proposal in late December, following the release of the revenue forecast. The result of the revenue forecast will determine if there is a bonding bill and how large it will be.
- The Office of Enterprise Technology has determined that Minnesota Housing is outside the scope of the Consolidation of Information Technology Services law and will not be subject to its requirements. A letter from State CIO Carolyn Parnell regarding the matter was shared with the Board.

6. Audit Committee:

None.

7. Program Committee:

None.

8. Finance Committee:

None.

9. Action Items:

A. Summary Review:

9.A.(1). Approval, Selections, Community Activity Set Aside Program.

9.A.(2). Approval, Program Waivers, HOME Homeowner Entry Loan Program (HOME HELP).

In response to a question from Ms. Bostrom, Mr. Mike Haley stated that one of the lenders selected for the CASA program had a name change due to an acquisition and that their staff had been retained following the acquisition. Ms. Margaret Davies described for the board the waiver process and in what circumstances fees are charged to lenders requiring waivers.

MOTION: Auditor Otto moved to approve the summary review items. Mr. Finch seconded the motion. Upon voting, for item 9.A.1., the following members voted yes: Messrs. Mike Finch, Ken Johnson and Joe Johnson; Mses. Klinzing, Sanderson and Auditor Otto. Voting

no: Ms. Bostrom. Upon voting, for item 9.A.2., the following members voted yes: Messrs. Mike Finch, Ken Johnson and Joe Johnson; Mses. Bostrom Klinzing, Sanderson and Auditor Otto.

B. Discussion - General:

9.B.(1). Approval, Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Homeownership Finance Bonds, 2011 Series F (Mortgage Backed Securities Program) and 2011 Series G (Mortgage Backed Securities Program).

Mr. Don Wyszynski and Mr. Joe Gonnella presented this request to the Board, noting that this issuance represents the usage of all remaining bonding authority under the New Issue Bond Program that is set to expire at the end of 2012. Mr. Dave Amsden of Kutak Rock described the features of the bonds, including amounts, duration, net interest cost and underwriter's compensation. Mr. Tim Rittenhouse, CSG Advisors, stated a report on the transaction would be provided to the Board following the sale. **MOTION:** Mr. Finch moved to approve the request and adopt Resolution No. MHFA 11-062: Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Homeownership Finance Bonds, 2011 Series F (Mortgage Backed Securities Program) and 2011 Series G (Mortgage Backed Securities Program). Mr. Joe Johnson seconded the motion. Upon voting, the following members voted yes: Messrs. Mike Finch, Ken Johnson and Joe Johnson; Mses. Bostrom Klinzing, Sanderson and Auditor Otto.

9.B.(2). Approval, 2011 Consolidated Request for Proposal (RFP)

9.B.(2).(a). Introduction

Mike Haley, Assistant Commissioner for Single Family Programs and Marcia Kolb, Assistant Commissioner for Multifamily Programs, provided a presentation on the RFP funding award review process. Ms. Jessica Deegan provided members with a community and regional analysis of the funding recommendations.

9.B.(2).(b). Approval, Multifamily Selections

Minnesota Housing staff presented their funding recommendations for items 9.B.(2).(b).1.-9.B.(2).(b).7., sharing information regarding the number of applications received and approved and the amount of funds to be disbursed. Staff highlighted developments for each type of funding and Ms. Kasey Kier described for the Board the manner in which tax credits are awarded under Joint Powers agreements with certain designated suballocating agencies, including the Cities of Duluth and Saint Paul. **MOTION:** Chair Johnson moved that the Board allow public comment regarding the consolidated RFP selections. Mr. Finch seconded the motion. Upon voting, the following members voted yes: Messrs. Mike Finch, Ken Johnson and Joe Johnson; Mses. Bostrom Klinzing, Sanderson and Auditor Otto. Mr. Eric Rodel of Richfield, Minnesota requested that the Board not approve for the selection of Pillsbury Commons in Richfield, Minnesota for funding. Mr. Rodel cited community concerns regarding the size of the building and number of occupants, the safety of children living in the development due to its proximity to rail lines and streets, traffic volumes respective to the recent redesign of the main access road to the development, access to public transit, and lack of full disclosure by the city of the proposed development. Mr. Rodel stated that more than 200 community members have

signed a petition requesting that the development be stopped and this petition has been delivered to the Richfield City Council. Mr. Rodel also stated that the city must approve a zoning change in order for the development to move forward. Mr. Rodel encouraged the board to remove the Pillsbury Commons application from the applications selected for funding. In response to a question from Auditor Otto, Mr. Rodel stated that he was speaking on behalf of city residents and not the city council. Mr. Tom O'Hern, Assistant Attorney General, confirmed that the Minnesota Housing Board does not have authority over zoning or other local decisions and only after all local approvals are received and conditions are met does Minnesota Housing proceed with providing funding to selected developments. Auditor Otto thanked Mr. Rodel for coming to speak to the Board and encouraged him to share his concerns with the Richfield City Council. Mr. Finch thanked Mr. Rodel for coming and providing his comments. In response to a question from Mr. Finch regarding environmental needs of the site, Ms. Kayla Schuchman stated that the costs of environmental review and any needed remediation have been included in the development budget. Ms. Kasey Kier described the process for carryover and return of tax credits in the event a development does not move forward within the expected timeline. If a project enters into a carryover agreement, a recipient has until the end of 2014 to return tax credits and the LMIR funding is based on a 20-month commitment.

9.B.(2).(b).1. Deferred Loan and Grants.

Ms. Klinzing moved approval. Auditor Otto seconded the motion. Upon voting, the following members voted yes: Messrs. Mike Finch, Ken Johnson and Joe Johnson; Meses. Bostrom Klinzing, Sanderson and Auditor Otto.

9.B.(2).(b).2. Low and Moderate Income Rental Program (LMIR).

Ms. Bostrom moved approval. Auditor Otto seconded the motion. Upon voting, the following members voted yes: Messrs. Mike Finch, Ken Johnson and Joe Johnson; Meses. Bostrom Klinzing, Sanderson and Auditor Otto.

9.B.(2).(b).3. Low and Moderate Income Rental Program (LMIR) and Preservation Affordable Rental Investment Fund (PARIF).

Ms. Sanderson moved approval. Mr. Finch seconded the motion. Upon voting, the following members voted yes: Messrs. Mike Finch, Ken Johnson and Joe Johnson; Meses. Bostrom Klinzing, Sanderson and Auditor Otto.

9.B.(2).(b).4. Preservation Affordable Rental Investment Fund (PARIF) - North Haven II, Minneapolis.

Ms. Bostrom moved approval and adoption of Resolution No. MHFA 11-064: Resolution Approving Mortgage Commitment Preservation Affordable Rental Investment Fund (PARIF) Program. Ms. Klinzing seconded the motion. Upon voting, the following members voted yes: Messrs. Mike Finch, Ken Johnson and Joe Johnson; Meses. Bostrom Klinzing, Sanderson and Auditor Otto.

9.B.(2).(b).5. Preservation Affordable Rental Investment Fund (PARIF) - Mary Hall, Saint Paul.

Auditor Otto moved approval and adoption of Resolution No. MHFA 11-065: Resolution Approving Mortgage Commitment Preservation Affordable Rental Investment Fund (PARIF)

Program. Mr. Joe Johnson seconded the motion. Upon voting, the following members voted yes: Messrs. Mike Finch, Ken Johnson and Joe Johnson; Mses. Bostrom Klinzing, Sanderson and Auditor Otto.

9.B.(2).(b).6. Preservation Affordable Rental Investment Fund (PARIF) - Nobles Square, Worthington.

Mr. Finch moved approval and adoption of Resolution No. MHFA 11-066: Resolution Approving Mortgage Commitment Preservation Affordable Rental Investment Fund (PARIF) Program. Ms. Sanderson seconded the motion. Upon voting, the following members voted yes: Messrs. Mike Finch, Ken Johnson and Joe Johnson; Mses. Bostrom Klinzing, Sanderson and Auditor Otto.

9.B.(2).(b).7. Housing Tax Credit Program, 2012 Round 1.

Ms. Klinzing moved approval and adoption of Resolution No. MHFA 11-067: Resolution Allocating Federal Low Income Housing Credits For Calendar Year 2012 to Certain Qualified Low Income Housing Buildings. Ms. Bostrom seconded the motion. Upon voting, the following members voted yes: Messrs. Mike Finch, Ken Johnson and Joe Johnson; Mses. Bostrom Klinzing, Sanderson and Auditor Otto.

9.B.(2).(c). Single Family Selections – Community Revitalization Fund.

Mr. Terry Hanna described the types of funding available under the Community Revitalization Fund and provided data regarding the locations and number of households served since the program's inception. Mr. Eric Thiewes presented the recommendations for funding, noting that funding partners Greater Minnesota Housing Fund and The Metropolitan Council contribute funding to selected proposals in Greater Minnesota and the metropolitan area, respectively. In response to a question from Chair Johnson, staff stated that the small number of units funded in Saint Paul was due to a limited number of proposals; only one submitted Saint Paul proposal was not selected for funding. **MOTION:** Mr. Joe Johnson moved to approve the funding recommendations. Mr. Finch seconded the motion. Upon voting, the following members voted yes: Messrs. Mike Finch, Ken Johnson and Joe Johnson; Mses. Bostrom Klinzing, Sanderson and Auditor Otto.

C. Discussion - Homes:

None.

D. Discussion – Multifamily:

None.

10. Review and Information Items.

None.

11. Other Business.

None.

12. Adjournment.

The meeting was adjourned at 3:03 p.m.