MEETINGS SCHEDULED FOR DECEMBER

Location:

Minnesota Housing
400 Sibley Street, Suite 300
St. Paul, MN 55101

<u>THURSDAY, DECEMBER 15, 2011</u>

Regular Board Meeting
State Street Conference Room - First Floor
1:00 p.m.

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, December 15, 2011.

Items requiring approval are neither effective nor final until voted on and approved by the Minnesota Housing Board.

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400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

A G E N D A

MINNESOTA HOUSING FINANCE AGENCY
BOARD MEETING
Thursday, December 15, 2011
1:00 p.m.

State Street Conference Room - 1st Floor
400 Sibley Street
St. Paul, MN

1. **Call to Order.**
2. **Agenda Review.**
3. **Approval of the Minutes.**
   A. Regular Board Meeting of November 17, 2011.
4. **Chairman's Report.**
5. **Commissioner's Report and Introductions.**
6. **Audit Committee:**
   None.
7. **Program Committee:**
   None.
8. **Finance Committee:**
   None.
9. **Action Items:**
   A. Summary Review:
      1. Approval, Participating Lenders, Rehabilitation Loan Program and Emergency and Accessibility Loan Program.
      2. Approval, Selections, Community Activity Set Aside Program.

   B. Discussion - General:
      1. Approval, Selection of Financial Advisor.
      2. Discussion, HOME Homeowner Entry Loan Program (HOME HELP) and Homeownership Assistance Fund (HAF) Program Waivers.
      3. Discussion, 2010-2011 Affordable Housing Plan: Final Progress Report.

   C. Discussion - Homes:
      None.

D. Discussion – Multifamily:

1. Approval, Selection, Commitment, Low and Moderate Income Rental (LMIR) Program, and Approval, Commitment, Preservation Affordable Rental Investment Fund (PARIF)
   - Charter Oak Townhomes, Stillwater.
2. Approval, Selection/Commitment, Low and Moderate Income Rental (LMIR) and Flexible Financing for Capital Costs (FFCC) Programs
   - Shingle Creek Towers (aka View Pointe at Shingle Creek), Brooklyn Center.
3. Approval, Commitment Extension
   - Whispering Pines, Caledonia.
4. Approval, Commitment Extension, Low and Moderate Income Rental (LMIR) Program
   - New Castle Townhomes, Worthington.

10. Review and Information Items.

A. Information, Schedule of 2012 Board Meetings.

11. Other Business.

None.

12. Adjournment.

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 Hoeppner, 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; Mses. 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; Mses. 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; Mses. 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; Mses. 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.

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Minnesota Housing Finance Agency

AGENDA ITEM: 9.A.(1)
MINNESOTA HOUSING BOARD MEETING
December 15, 2011

ITEM: Rehabilitation Loan Program and Emergency and Accessibility Loan Program

CONTACT: Laurie Kramka, 651-296-3495
laurie.kramka@state.mn.us

Robert Russell, 651-296-9804
robert.russell@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☑ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff is requesting Board approval of the recommended lenders for participation in the Rehabilitation Loan Program (RLP) and the Emergency and Accessibility Loan Program (ELP).

Staff is also requesting that future lender approvals be handled administratively by program staff given the pipeline nature of the programs.

FISCAL IMPACT:
RLP and ELP are funded with state appropriations and repayments of past Rehabilitation loans. These selections will move the Agency toward expanding the lender network, which will help the Agency provide these programs across the State and meet the goals set in the Affordable Housing Plan.

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

☑ Preserve Existing Affordable Housing ☐ Prevent and End Long-term Homelessness

ATTACHMENT(S):
- Background
- Lender List

Board Agenda Item: 9.A.(1)
Attachment: Background and Lender List

BACKGROUND:
In October 2011, the Board approved the initial set of lenders and authorized staff to implement a rolling application process in order to allow additional lenders to apply for participation and fill in coverage gaps.

Applicants are evaluated on the following criteria:

- Organizational Capacity as indicated by past performance in RLP and ELP, as well as other owner-occupied rehabilitation programs;
- Marketing Efforts; and,
- Leverage Sources.

Since October 2011, the Agency received two applications identified below.

These lenders will fill coverage gaps in three counties where lenders currently do not exist. Staff will continue to undertake recruiting efforts to fill the remaining coverage gaps.

LENDER LIST:

RHAG Region	Lender	Service Area	Comments
Northeast	Kootasca Community Action, Inc.	Koochiching and Itasca Counties	Has a strong background in housing rehabilitation activities and has been a previous RLP/ELP lender.
West Central	Clay County Housing and Redevelopment Authority	Clay County	Does not have previous RLP/ELP experience, but has delivered three separate owner-occupied rehabilitation loan programs since 2008. Staff will provide technical assistance to ensure success.

In similar programs, lender approval under program requirements is a staff administrative function. As admittance to the program is no longer incident to an RFQ response as required by HOME, it is requested that lender applications under the program be approved by staff in the future.

AGENDA ITEM: 9.A.(2)
MINNESOTA HOUSING BOARD MEETING
December 15, 2011

ITEM: Community Activity Set Aside Program

CONTACT: Stephanie Oyen, 651-297-3132
Stephanie.oyen@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☑ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:

The Community Activity Set Aside (CASA) program is the Agency's most targeted mortgage revenue bond program. Through CASA, the Agency provides access to mortgage loans and entry cost assistance funds that assist local partnerships comprised of lenders, non-profit housing providers, governments, community organizations, and other participants in reaching emerging markets, single-headed households and supporting workforce housing opportunities. Staff is requesting Board approval of its recommendations for participants in the CASA program.

FISCAL IMPACT:

The CASA program, included in the Affordable Housing Plan (AHP) under the Minnesota Mortgage Program (MMP), utilizes mortgage revenue bond and entry cost assistance resources allocated in the AHP. Each CASA initiative estimates the amount of funds needed to support their activity. However, no funds are set aside for the initiatives or the program. Programs (CASA and MMP) and borrowers participating in the programs access funds on a first-come, first-served basis. Actions requested in this report are consistent with the program terms described in that plan.

MEETING AGENCY PRIORITIES:

☑ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve our Vision

☐ Preserve Existing Affordable Housing ☐ Work to Prevent and End Homelessness

ATTACHMENT(S):

- Background
- Initiative Detail

BACKGROUND:
The following recommended selections for CASA meet the guidelines for participation contained within the CASA Program Concept.

Staff applies threshold indicators and considers compensating factors when determining whether to recommend a specific proposal for access to funds under CASA. The threshold indicators include:

- confirmation that initiative marketing targets fit within the Program Concept
- strength of partnership
- focused marketing plan
- homebuyer support including homebuyer education and/or counseling
- lenders overall use of MMP and CASA programs
- compensating factors including current market conditions, local leverage, and innovation

Minnesota Housing offers access to its HOME Homeowner Entry Loan Program (HOME HELP) and Homeownership Assistance Fund (HAF) entry cost assistance programs to participating CASA lenders.

INITIATIVE DETAIL:

RHAG Region	Application Partners	Initiative Name and Targets	Notes and/or Past Success
Metro	Wells Fargo Home Mortgage Home Federal Savings and Loan Merchants Bank Edina Realty Mortgage Eastwood Bank Think Mutual Bank PHH Home Loans Bank of America Prime Lending	**Rochester Community Housing Partnership** ☐ **New Initative** ☑ **Reapplication** ☑ **HOME HELP** ☑ **Emerging Markets** ☑ **Single-Headed Households** ☑ **Workforce Housing**	This initiative has had consistently robust production.

AGENDA ITEM: 9.B.1
MINNESOTA HOUSING BOARD MEETING
December 15, 2011

ITEM: Selection of Financial Advisor

CONTACT: Don Wyszynski, 651-296-8207
Don.wyszynski@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☑ Other: Financial

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff requests the approval of the selection of a financial advisor for a four year term commencing January, 2012. Background information, summary of the proposals received and a recommendation will be provided to the Board under separate cover prior to the meeting.

FISCAL IMPACT:
Financial advisor fees are paid out of bond proceeds or other Trustee held funds depending on the nature of the specific services provided by the financial advisor. A preliminary review of the proposals received would indicate that fees would not be any higher than we are paying pursuant to our existing financial advisor contract.

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

☐ Preserve Existing Affordable Housing ☐ Prevent and End Long-term Homelessness

ATTACHMENT(S):
None.

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AGENDA ITEM: 9.B.(2)
MINNESOTA HOUSING BOARD MEETING
December 15, 2011

ITEM: HOME Homeowner Entry Loan Program (HOME HELP) and Homeownership Assistance Fund (HAF) Program Waivers

CONTACT: Will Thompson, 651-296-9813
will.thompson@state.mn.us

Mike Haley, 651-297-2678
mike.haley@state.mn.us

REQUEST:

☐ Approval ☑ Discussion ☑ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☑ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
Update from the Chief Risk Officer regarding policy determination for HOME Homeowner Entry Loan Program (HOME HELP) and Homeownership Assistance Fund (HAF) program waivers.

FISCAL IMPACT:
See attached.

MEETING AGENCY PRIORITIES:

☑ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☑ Build our Organizational Capacity to Excel and Achieve Our Vision

☐ Preserve Existing Affordable Housing ☐ Prevent and End Long-term Homelessness

ATTACHMENT(S):

- Waiver Analysis

At their April 2011 meeting, Board members requested that the Risk Committee determine a policy for the granting of waivers for the requirements of the HOME HELP and HAF programs. The Chief Risk Officer and Single Family Division Staff and Management have completed their review of HOME HELP and HAF waivers with the following findings and recommendations.

The Current Waiver Process:

1. Minnesota Housing staff concludes that the lender's error is material and does not meet HUD and/or Minnesota Housing program requirements
2. Lender requests waiver to requirements
3. Waiver requests are individually reviewed by Single Family Division Management and Senior Management through Board memo process
4. The waiver request is taken to the Board for its approval
5. Lender receives funding if waiver is approved

All pertinent information regarding requests for waivers is tracked in spreadsheets that include detailed information about the transaction and the circumstances requiring the waiver.

Analysis:

From May 2008 through October 2011, 56 waivers were requested and approved by the Board. This represents approximately 1.3% of HOME HELP and HAF loan volume, which is reflected in Table 1.

Table 1: HOME HELP and HAF Waiver Rates

Program	Loan Volume (units)	# of Waivers Approved	Waiver Rate
HOME HELP	1,227	50	4.1%
HAF	3,157	6	0.2%
Total	4,384	56	1.3%

The majority of the waivers have been for the HOME HELP program. 50 waivers have been granted on a volume of 1,225 loans, which yields a 4.1% waiver rate. When compliance issues are identified for HOME HELP Loans, lenders may request either a standard waiver or an Alternate Entry Cost Assistance (ALT ECA) waiver.

Standard HOME HELP waivers may be requested when a loan meets HUD requirements but does not comply with Minnesota Housing program requirements. Twenty-nine (29) of the 50 HOME HELP waivers granted were standard waivers. Standard waivers are funded with HOME funds and there is no direct cost to the Agency for granting standard HOME waivers, which is reflected in Table 2.

Table 2: Direct Costs Associated with HOME HELP and HAF Waivers

Waiver Type	# of Waivers Approved	Direct Cost to Agency	Direct Cost to Lenders	Total Direct Cost
HOME HELP Standard	29	$0	$0	$0
HOME HELP ALT ECA	21	$58,498	$96,900	$155,398
HAF	6	$0	$0	$0
Total	56	$58,498	$96,900	$155,398

When a HOME HELP loan does not comply with federal HOME guidelines, an ALT ECA waiver may be requested. When an ALT ECA waiver is granted, the funding for the loan is switched from HOME to HAF because the loan may no longer be funded with HOME funds due to its noncompliance with the federal HOME guidelines. Twenty-one (21) of the 50 HOME HELP waivers granted were ALT ECA waivers. Lenders are assessed a charge, in accordance with Table 3, for non-compliant HOME HELP loans that are funded with HAF funds.

Table 3: Non-HOME Funded HOME HELP Guideline

1st non-compliant loan	No liquidated damages charged to Lender
2nd non-compliant loan	Liquidated damages charged to Lender equivalent to 70% of the portion of the loan that is forgiven (rounded to the nearest $1,000)
3rd & future non-compliant loans	Liquidated damages charged to Lender equivalent to the entire portion of the loan that is forgiven

The charge is assessed because HOME HELP loans are 70% forgiven in year six. HAF loans are not forgiven. When funding is changed from HOME to HAF, the Agency forgives a repayment that was not intended to be forgiven. The consequence to the Agency is that future funding for HAF is reduced due to less than 100% of the principal amount being returned to the Agency. The total cost for providing 21 ALT ECA waivers is projected to be $155,398[1]. Lenders are not assessed a charge for their first non-compliant loan and the full direct cost is carried by the Agency. The direct cost to the Agency associated with granting ALT ECA waivers is projected to be $58,498[2] on a loan volume of approximately $14,900,000 or 0.39%.

If a lender is granted a second waiver, the Agency recaptures a portion of the forgivable loan. Any subsequent waivers result in Agency recapture of the entire forgivable portion of the loan. Lenders have been charged approximately $96,900[3] due to non-compliant HOME HELP loans requiring an ALT ECA waiver. Direct costs to the Agency are partially mitigated by charges to the lenders for ALT ECA waivers on second, and subsequent, non-compliant loans.

The HAF program has had significantly fewer waivers. Six (6) waivers have been granted on a volume of 3,157 loans, yielding a .19% waiver rate. Fewer documentation requirements for the HAF program leads to a lower probability for errors in the program. Additionally, the sampling methodology may contribute to the lower waiver rate; 100% of HOME HELP loans are reviewed while 10% of HAF loans are reviewed. The application process for HOME HELP loans is unique and does not follow industry standard processes. This likely contributes to the greater frequency of lender errors and subsequent higher waiver rate for the HOME HELP program compared to the HAF program. HAF loans are eligible only for standard waivers and are always funded with HAF funds. There is no direct cost to the Agency for granting HAF waivers, as reflected in Table 2.

[1] $221,997 (Original HOME HELP Loan Amount Requested by Lenders for 21 non-compliant loans) X 70% (HOME HELP loans are 70% forgiven in year six) = $155,398 reduction in future HAF repayments
[2] Calculated by summing the amount of redirected HAF funds that were not withheld from lenders
[3] Calculated by summing the amount of redirected HAF funds that were withheld from lenders

Additional costs associated with granting HOME HELP and HAF waivers include opportunity costs and potential loss of capital due to increased credit risks.

Opportunity cost is defined as not being able to serve the intended borrowers due to scarce resources being diverted to ineligible borrowers. Due to the low number of waivers in general and connected to ineligible borrowers, staff projects negligible opportunity costs.

Increased credit risk associated with waivers is considered minimal. Most waivers sought are due to issues with the lack of documentation or borrower income/assets exceeding program limits by de minimis amounts. Non-compliance in these areas does not pose an increased credit risk because borrower creditworthiness or ability to repay is not impacted.

Waiver rates as a percentage of loan volume by lender range from 1% to 33%. 18 out of the 65, or 1 out of every 3.6, current and former lenders participating in HAF and/or HOME HELP have received at least one waiver. It is the Agency's current policy for Single Family personnel to provide focused technical assistance to lenders that are requesting HAF and/or HOME HELP waivers.

No HOME HELP / HAF waivers have been denied since the inception of the HOME HELP Program in May 2008.

After analysis of the current waiver process, staff identified the following waiver process options:

Option	Pros	Cons
1. Continue with case-by-case policy of processing all requests generated by good faith errors. Add reporting program waiver rates at the Single Family Quarterly Meeting. Set benchmark for HOME HELP/HAF waiver rates by lender. Require that management provide narratives for lenders that exceed benchmarks.	• Positive lender relationships. • Easiest to administer with current systems. • Matches historical trend of viewing all lender errors on a case-by-case basis across programs. • The process accommodates the low number of infrequent exceptions. • The current policy is believed to generate goodwill with lenders participating in HAF and HOME HELP programs with minimal direct cost to the Agency. • Reviewing waiver rates quarterly will help determine if current case- by-case policy remains sufficient.	• May lead to too many waivers being issued.

Option	Pros	Cons
2. Set benchmark for a HOME HELP/HAF waiver rates by lender. If benchmark is exceeded, the lender would no longer be eligible for waivers until their waiver rate falls below the benchmark.	• Easy to justify waiver decisions with Board, internal staff, lenders, etc.	• Disproportionately affects low volume / new lenders. Relationships are particularly necessary to maintain for new lenders. • No Client Management Systems to easily track waivers. • Possible loss of first mortgage lenders. • Consequences disproportionate to cost and not in Agency's financial interest given lost MBS revenue. • Cost to Agency very minimal in comparison to relationship issues that may develop if waivers are not issued.

Single Family staff will implement Option 1 beginning with the next quarterly reporting cycle. The initial benchmark criteria are as follows:

- Lenders with a greater than 10% Standard HOME HELP / ALT ECA waiver rate will receive a comment from management in the Single Family Division Asset Quality Report outlining root causes and remediation efforts.
- Lenders with a greater than 4% HAF waiver rate will receive a comment from management in the Single Family Division Asset Quality Report outlining root causes and remediation efforts.
- Exclude the first 6 transactions for new lenders.
- Exclude loan production aged greater than 12 months from the Note Date

Benchmarks will be reviewed periodically and may be adjusted to reflect changes in the Agency's operational environment.

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AGENDA ITEM: 9.B.(3)
MINNESOTA HOUSING BOARD MEETING
December 15, 2011

ITEM: 2010-11 Affordable Housing Plan: Final Progress Report

CONTACT: John Patterson, 651-296-0763
john.patterson@state.mn.us

REQUEST:

☐ Approval ☑ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
With the close out of the 2010-11 Affordable Housing Plan (AHP), staff is providing the final AHP progress report, which shows how the agency performed with respect to production, programmatic, and financial goals.

FISCAL IMPACT:
None.

MEETING AGENCY PRIORITIES:

☑ Provide New Opportunities for Affordable Housing

☑ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

☑ Preserve Existing Affordable Housing ☑ Prevent and End Long-term Homelessness

ATTACHMENT(S):
- Strategic Plan and 2010-11 Affordable Housing Plan: Final Progress Report
- 2010-11 Affordable Housing Plan: Graphical Flash Report

Strategic Plan and 2010-11 Affordable Housing Plan Final Progress Report

(October 1, 2009 – September 30, 2011)

December 8, 2011

Overview

Minnesota Housing generally achieved its production, programmatic, and financial goals for the 2010-11 Affordable Housing Plan (AHP) that ended September 30, 2011.

- During the AHP, the Agency committed 96% of the funds available.
- Overall, the Agency reached 96% of its production goals for units and households assisted, which is consistent with the percentage of funds committed. The production goals were set assuming that all the funds would be committed. By production priority, the agency reached 99% of its goal for new housing opportunities and 93% of its goal for preservation.
- With respect to programmatic objectives:
    - Most new construction and rehabilitation projects financed by Minnesota Housing meet sustainable design criteria;
    - Working with partners, the agency is financing efforts to annually prevent thousands of foreclosures and invest in hundreds of foreclosed properties;
    - The agency is still creating hundreds of supportive housing opportunities for the long-term homeless; and
    - Many of the agency's homebuyers are from communities of color, allowing the agency to reach an underserved population.
- The agency was profitable during state fiscal year 2011, with a return on net assets of $14 million (or 2.0%), which is more than double the level achieved during 2011. However, the agency did experience a loss of $0.5 million in the first quarter of state fiscal year 2012 (July to September 2011), largely as a result of an increase in loan loss reserves for the single-family whole loan portfolio. As a corrective action, staff is developing strategies to target and modify delinquent loans likely to experience large booked losses without a modification.

Minnesota Housing has achieved these results in a difficult environment. A slow recovery from the "Great Recession" and high unemployment has led to a continuing foreclosure crisis and a slow housing market. After dropping from 26,000 to 23,000 between 2008 and 2009, the number of foreclosures in Minnesota climbed back to nearly 26,000 per year in 2010. Initial data suggest that foreclosures will be slightly lower again in 2011.[1] While the federal homebuyer tax credit momentarily stimulated home buying, it slowed down afterward. With the homebuyer tax credit, the inventory of homes for sale declined from a 7.8 month supply in March 2009 to a 5.0 month supply in January of 2010. Since then, the supply has been higher, averaging a 7.6 month supply over the last year.[2] (More than five months is considered a slow buyers' market.) On the rental side, the market started out slow but has tightened significantly with the vacancy rate dropping from 7.3% to 2.3%.[3] (A 5% rental vacancy rate is considered a balanced market.)

With respect to bond financing, it still is difficult to sell bonds to support a competitively priced mortgage program. However, with the Treasury Department buying mortgage revenue bonds with low interest rates under the New Issue Bond Program (NIBP), Minnesota Housing has been able to offer mortgages at competitive rates.

The following tables provide key statistics for each of the agency's strategic priorities and other important objectives. The production objectives have goals for the two years of the AHP combined. The other measures (usually financial or those expressed as a percentage) have goals for individual years.

Finally, the section after the tables provides notes and explanations for each of the items in the table.

[1] HousingLink, annual foreclosure reports. The data apply to calendar years.
[2] Minneapolis Area Association of Realtors, *Monthly Market Indicators*. The data apply to the Twin Cities 13-county metropolitan statistical area and the periods described in the text.
[3] Marquette Advisors, *Apartment Trends*. The data apply to the Twin Cities area and the fourth quarter of 2010 and the third quarter of 2011.

Board Agenda Item 9.B.(3)

Production (Units with Funding Commitments), Programmatic, and Financial Indicators

2010-11 AHP (Oct. 1, 2009 – September 30, 2011)

	Goal for Two-Year AHP	Two-Year Actual	Portion of AHP Goal Completed
Finance New Housing Opportunities			
1. Single-Family First Mortgages (purchased/settled)	4,541	4,163	92%
2. Other Single-Family Opportunities (CRV & others)	300	685	228%
3. New Rental Construction Units	1,450	1,428	98%
4. Rental Assistance Households (new and on-going)	5,400	5,360	99%
Total	*11,691*	*11,636*	*99%*
Preserve Existing Affordable Housing			
5. Owner-Occupied Homes	5,400	4,898	91%
6. Rental Units	6,000	5,671	95%
Total	*11,400*	*10,569*	*93%*
Build Sustainable Housing			
7. Percentage of New Construction or Rehabilitation Units that Meet Sustainable Design Criteria:			
a. Single Family	*	61% in 2010 58% in 2011	*
b. Multifamily	*	84% in 2010 99% in 2011	*
Address Foreclosures			
8. Number of Counseling Interventions	**	22,998	**
9. Number of Homes/Units Acquired	1,400	1,283	92%
End Long-Term Homelessness			
10. Number of Housing Opportunities Funded – Calendar Year ***	490	808	165%
Increase Emerging Market Homeownership			
11. Percentage of Mortgages Going to Emerging Market Households	17.5% in 2010 21.0% in 2011	31.0% in 2010 23.0% in 2011	**** ****
Earn Revenue to Sustain Agency and Fund Pool 3			
12. Return on Net Assets (millions of $) – State Fiscal Year	$16.8m in 2010 $6.8m in 2011	$6.9m in 2010 $14.0m in 2011	**** ****
13. Return on Net Assets (%) – State Fiscal Year	2.5% in 2010 1.0% in 2011	1.0% in 2010 2.0% in 2011	**** ****

* New measure after AHP was developed – Goals were not established.

** Production figures apply to the foreclosure prevention activities carried out by the Homeownership Center. The activities funded by Minnesota Housing cannot be separated out from the overall total. Consequently, production goals were not established.

*** The opportunities are counted on calendar year basis. The two-year goal does not exactly match the AHP but applies to calendar years 2010 and 2011

**** Not Applicable

Distribution of Resources

2010-11 AHP (Oct. 1, 2009 – September 30, 2011)

Distribute Resources in a Timely Fashion	AHP Goal	Actual
14. Percentage of Funds Committed or Disbursed Under the AHP:		
a. Homeownership	****	104%
b. Rental Production	****	88%
c. Rental Portfolio Management	****	94%
d. Agency-Wide Items	****	91%
Total	*95%*	*96%*

See attached appendix for program-by-program assessment of commitments and disbursements.

**** Not Applicable

Serve Low- and Moderate-Income Minnesotans

Serve Low- and Moderate-Income Minnesotans	National Rank
15. National Rank in Percentage of Single-Family First Mortgage Borrowers with Incomes at or Below 50% of Area Median Income (2009 data, but most recent)	1st
16. National Rank in Percentage of Housing Tax Credit (HTC) Units that Are Affordable to Households with Incomes at or Below 30% of Area Median Income (2009 data, but most recent)	4th

Explanations of Items in the Table

- **Line 1:** Minnesota Housing reached 92% of its two-year AHP goal for single-family first mortgage production. Given the very slow housing market, the level of production to date has been strong. For Minnesota Housing to continue this "normal" level of production in an environment where we cannot borrow money at competitive rates in the bond market and the New Issue Bond Program (NIBP) is about to expire, the Agency must develop alternative financing options. One possibility is using mortgage credit certificates (MCCs) in combination with other financing tools, which is being assessed.

- **Line 2:** Among other programs, this category includes a portion of HOME HELP, an entry cost assistance program. If a HOME HELP loan is used to buy a foreclosed home, it is counted in line 9. If it is used to buy a home that has not been foreclosed, it is counted here. A larger than anticipated use of HOME HELP loans for non-foreclosed homes accounts for the higher than anticipated production level in line 2.

- **Line 3:** With respect to multifamily new construction, the agency achieved 98% of the AHP goal.

- **Line 4:** Over the two years of the AHP, the agency reached 99% of its goal with respect to households assisted with rent assistance.[4] In the first year, the agency surpassed its goal; however, in the second year, the agency fell short because it froze new admissions in the Housing Trust Fund's (HTF's) Tenant Based Rental Assistance Program (which includes funds from the Ending Long-Term Homelessness Initiative Fund) in order to sustain funding for existing supportive housing commitments.

- **Line 5:** Home improvement and rehabilitation production for single-family homes has been a tale of two years. Production was 2,979 homes in the first year and only 1,919 homes in the second. Production in the first year was spurred by a partnership with the Department of Commerce in which Energy Saver Rebates for buying energy efficient products were available to Minnesota Housing's home improvement borrowers under the Fix-up Fund (FUF) and Community Fix-up Fund (CFUF) programs. During the first year, strong production in the FUF and CFUF programs masked lower than expected production in the Rehabilitation Loan program (non-emergency). In the second year, production was lower than expected for all three programs (FUF, CFUF, and the Rehabilitation Loan program). We have significantly revised the guidelines for the Rehabilitation Loan program for the 2012 AHP and expect production to improve as a result.

- **Line 6:** With respect to multifamily preservation and rehabilitation, the agency reached 95% of its production goal.

- **Line 7:** The vast majority of Minnesota Housing's production continues to meet sustainable design criteria. With respect to single-family, the FUF and CFUF programs are market driven and borrowers are not required to follow sustainable design criteria in their home improvement efforts. Consequently, single-family has a lower percentage. The "percentage of new construction or rehabilitation units that meet sustainable design criteria" is a new measure, and the agency did not establish specific goals for the 2010-11 AHP.

[4] The two-year AHP goal for rental assistance is to assist 2,700 households each year of the AHP.

- **<u>Line 8:</u>** Production figures apply to the foreclosure prevention activities carried out by the Homeownership Center. The activities funded by Minnesota Housing cannot be separated out from the overall total. Consequently, production goals were not established.

- **<u>Line 9:</u>** When the 2010-11 AHP was developed, most of the foreclosure acquisition production was expected to occur in 2010; however, Minnesota Housing did not assist as many foreclosed homes as originally expected in that year. More funding per foreclosed home was needed under the first round of Neighborhood Stabilization Program (NSP-1) than was expected, reducing the number of units that could be assisted. In addition, with the foreclosure crisis, Minnesota Housing expected to devote 90% of its Challenge funds in the first-year of the AHP to the single-family division, largely for foreclosures. However, our foreclosure partners had been so focused on NSP that they had less capacity than anticipated to utilize other foreclosure remediation funds made available by Minnesota Housing. The agency has been able to partially catch up since then with additional NSP funds (NSP-3) becoming available during the AHP.

- **<u>Line 10:</u>** The state has exceeded its goal for supportive housing opportunities during the AHP. In the first year, production significantly exceeded initial expectations because: (1) the agency's partnership with the Department of Human Services (DHS) contributed 54% of the first year's production through scattered site Group Residential Housing (GRH) in Hennepin County and Operating Subsidy Funds through DHS' Adult Mental Health Division; (2) federal ARRA funds (such as Section 1602 and TCAP) advanced stalled Housing Tax Credit developments; and (3) an additional $6 million in state funded 501(c)(3) bond proceeds went to the development of supportive housing, which was higher than originally expected. These increases were partially lost by a 113 unit reduction because the agency did not renew 10% of its rental assistance contracts in 2011, in order to sustain funding for existing supportive housing commitments.

  This measure is tracked on a calendar year basis. Thus, we have another three months of production between October and December 2011 to add to the total.

- **<u>Line 11:</u>** The percentage of the agency's first mortgages going to emerging market (communities of color) households exceeds expectations. Typically, during periods of high mortgage volume, a lower percentage goes to emerging markets, while in slower periods, a greater percentage goes to emerging markets. Minnesota Housing targets resources to emerging markets under the Community Activity Set Aside (CASA), HOME HELP, and Homeownership Assistance Fund (HAF) programs. The targeting helps sustain emerging market production in slower periods, which then accounts for a greater share of overall loan production.

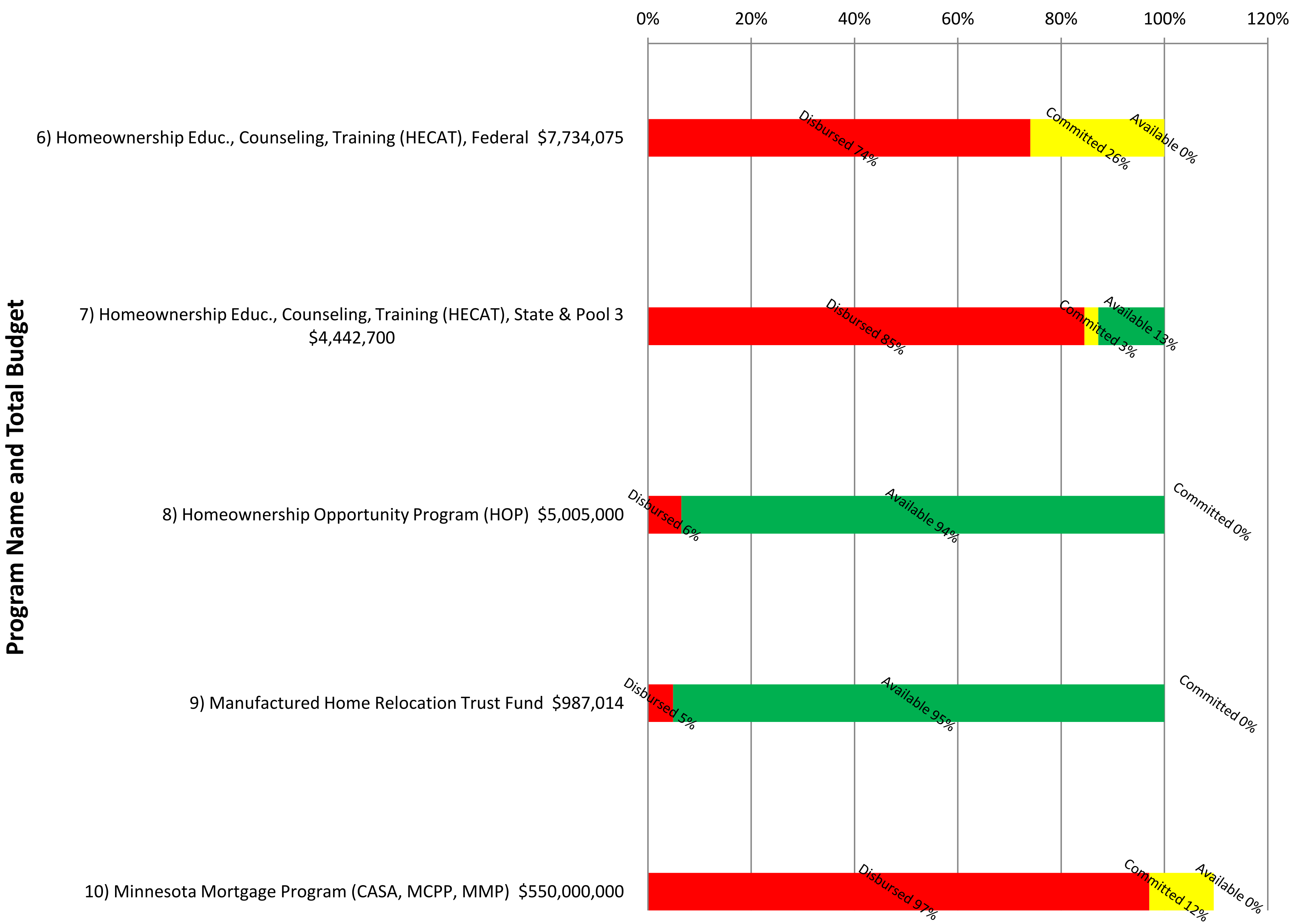
- **<u>Lines 12 and 13:</u>** While the agency did not achieve the original goal of an annual return on net assets of 2.5% in state fiscal year 2010, it came close to achieving this level in 2011. Even with the housing and foreclosure crisis and the loan loss reserves that the agency has had to set aside, the agency has remained profitable in both state fiscal years 2010 and 2011, which is an accomplishment in the current environment. However, as mentioned earlier, the agency did experience a loss of $0.5 million in the first quarter of state fiscal year 2012 (July to September 2011), largely as a result of an increase in loan loss reserves for the single-family whole loan portfolio. As a corrective action, staff is developing strategies to target and modify delinquent loans likely to experience large booked losses without a modification.

- **<u>Line 14</u>:** Attached to this report is a graphical appendix that shows the extent to which AHP funds are committed or disbursed on a program-by-program basis. Based on this report, the agency surpassed the goal of committing at least 95% of the funds. The agency reached this goal because it committed 110% of the bond proceeds originally projected for first mortgages - Minnesota Mortgage Program (MPP) and Community Activity Set Aside (CASA). This percentage is above 100% largely because of a loan warehousing issue. At the end of the 2008-09 AHP, the agency had $64 million of purchased whole loans warehoused using Pool 2 funds. During the 2010-11 AHP, the financing of these loans was switched from Pool 2 to bond proceeds and included in the 2010-11 AHP bond proceed activity, even though the loans were originally purchased during the 2008-09 AHP. If the $64 million of warehoused loans are excluded, the agency committed or disbursed 93% of the available funds.

- **<u>Lines 15 and 16</u>**: Minnesota Housing continues to be one of the best Housing Finance Agencies (HFAs) in serving the lowest income households. The ranking comes from an annual report published by National Council of State Housing Agencies (NCSHA). Even though the most recent report applies to 2009 data, the national rankings demonstrate the agency's ability to effectively target its resources and serve the neediest households.

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Single Family Graphical Flash Report

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Single Family Graphical Flash Report

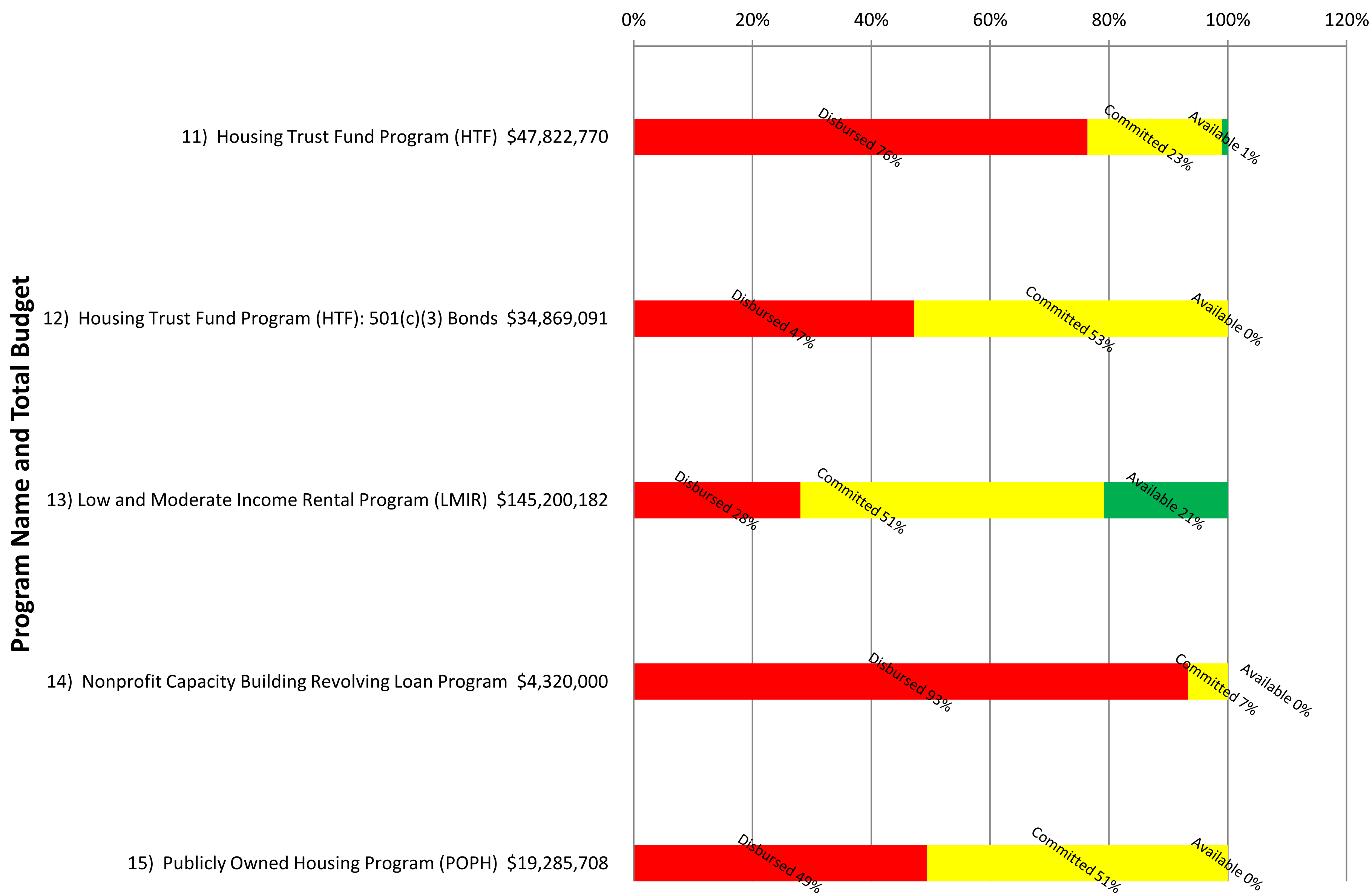


Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Single Family Graphical Flash Report

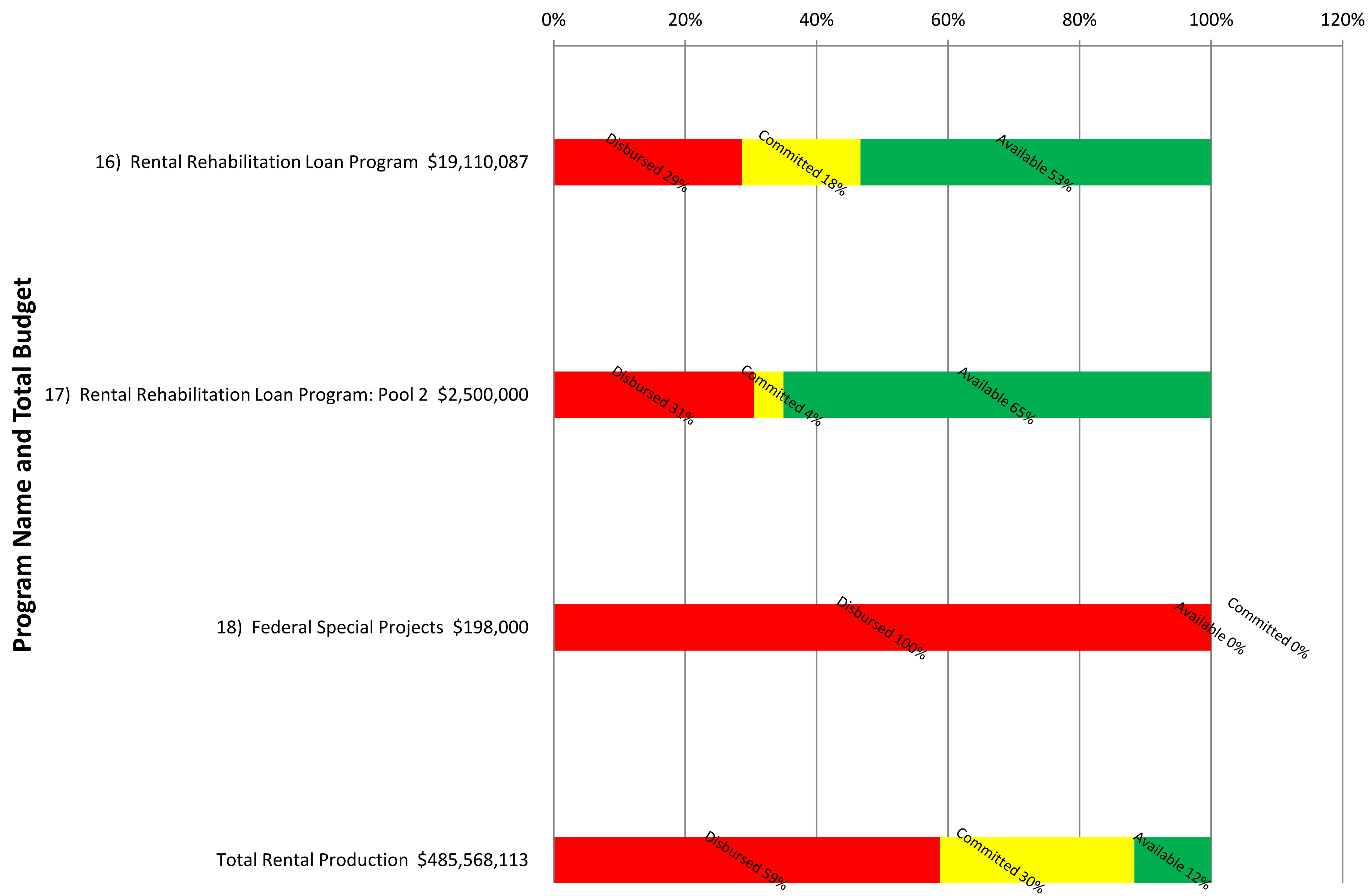
Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report

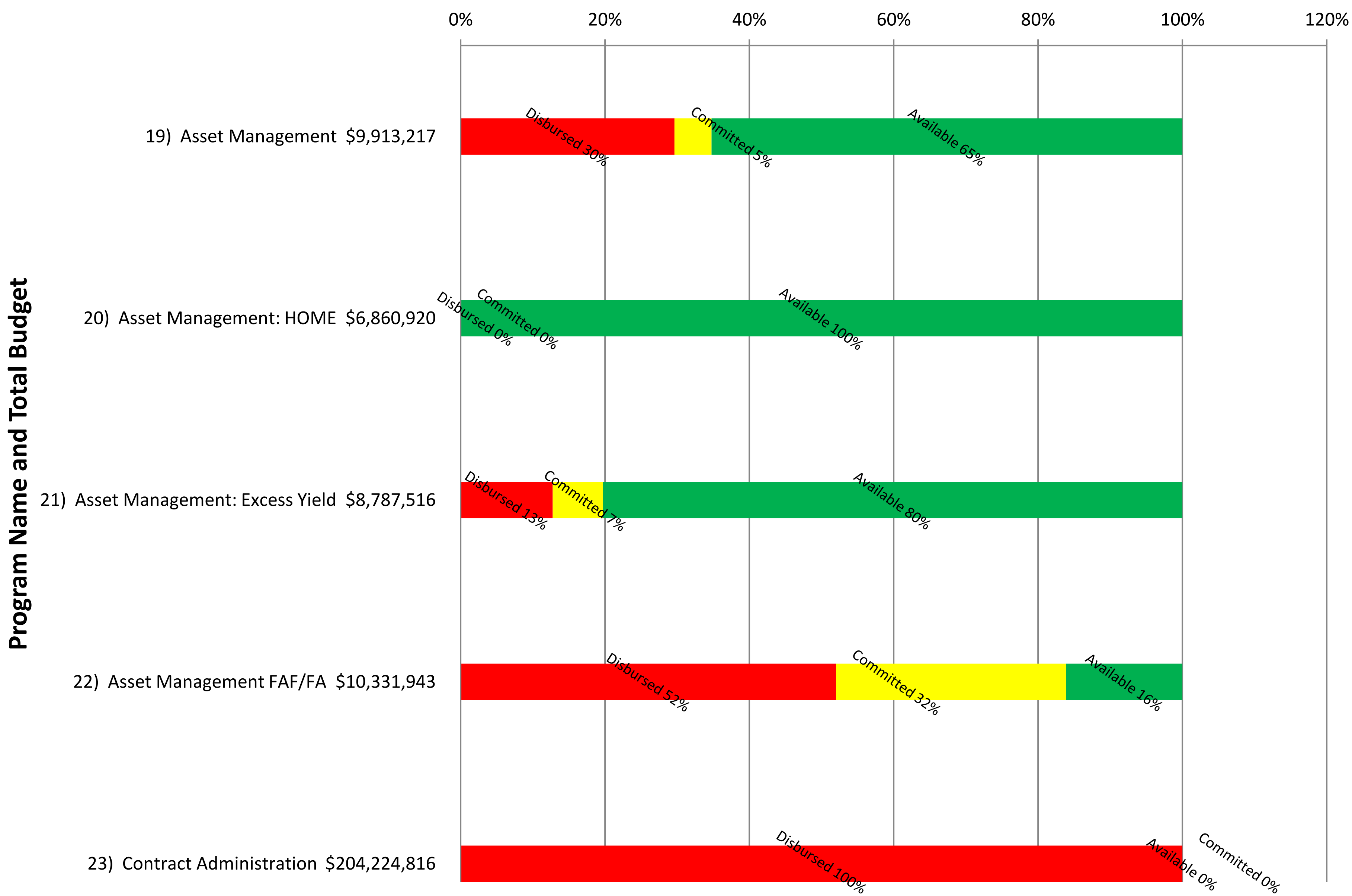
Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report



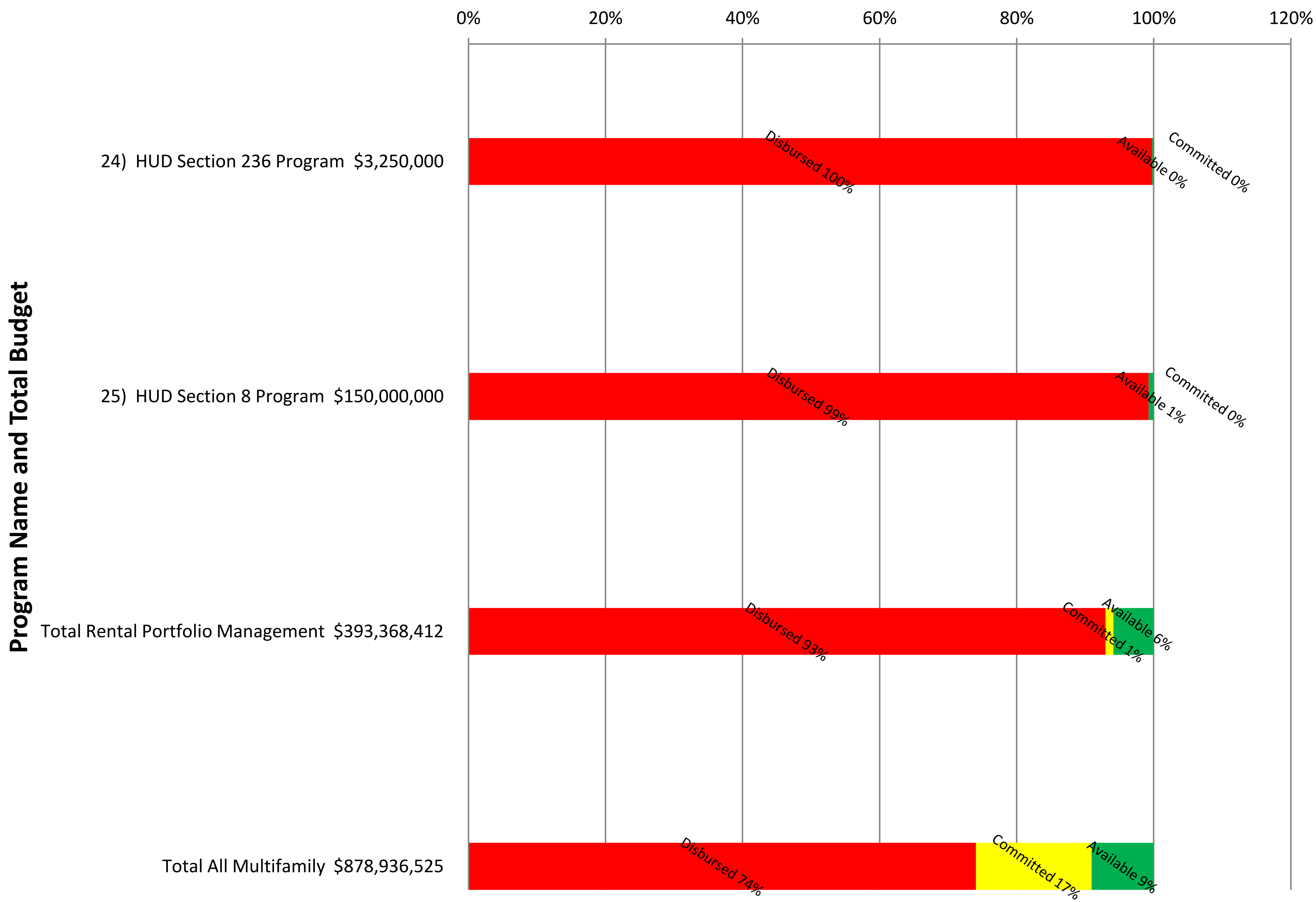
Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report



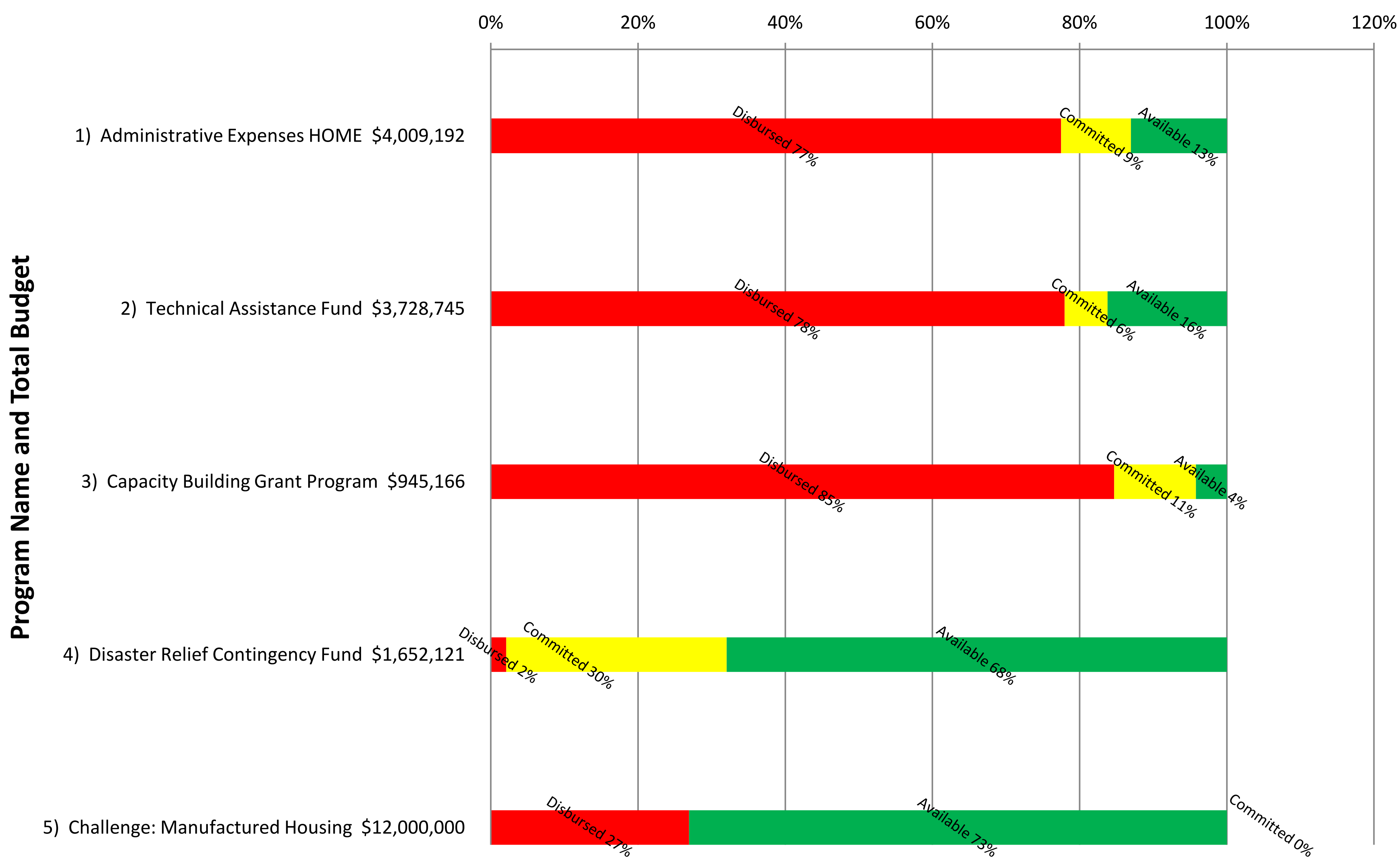
Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report



Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report



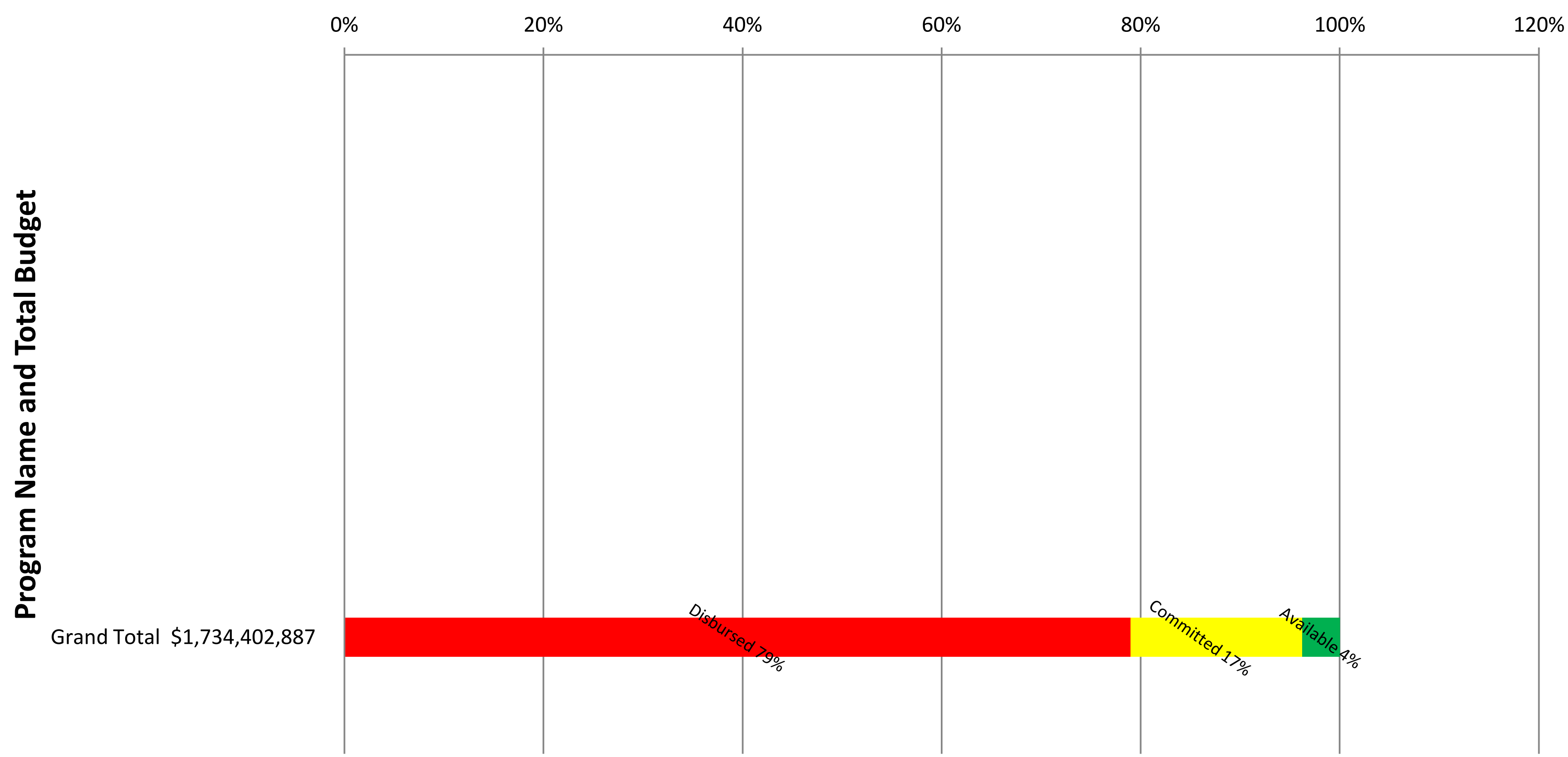
Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Agency-Wide Items Graphical Flash Report



Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Agency-Wide Items Graphical Flash Report

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Agency-Wide Items Graphical Flash Report

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Agency-Wide Items Graphical Flash Report



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AGENDA ITEM: 9.D.(1)
MINNESOTA HOUSING BOARD MEETING
December 15, 2011

ITEM: Charter Oak Townhomes, Stillwater – D1646

CONTACT: Andrew Hughes, 651-296-9841
andrew.hughes@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☑ Commitment(s) ☐ Modification/Change ☐ Policy ☑ Selection(s) ☐ Waiver(s)

☐ Other:

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a short-term Low and Moderate Income Rental (LMIR) program commitment in the amount of $3,510,000 and a Preservation Affordable Rental Investment Fund (PARIF) program commitment in the amount of $801,333 subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:
The current Affordable Housing Plan (AHP) includes $56 million in previously approved LMIR activity that is being carried forward from the 2010-2011 AHP. $2.7 million of the funding for this LMIR loan is included in this carry forward amount. An additional $810,000 of the LMIR will be funded out of the recently adopted 2011 AHP, which includes $28 million in Housing Investment Fund (Pool 2) funding for LMIR. The LMIR loan is being made on terms consistent with those described in the AHP. The current AHP also includes $5.8 million in PARIF funds carried forward from the previous AHP. The PARIF loan was committed in the previous AHP and PARIF is a state appropriation, therefore there is no fiscal impact for this investment.

This LMIR transaction may generate up to $67,490 in fee income (origination fee) and ongoing interest earnings that help offset Agency operations.

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

☑ Preserve Existing Affordable Housing ☑ Prevent and End Long-term Homelessness

ATTACHMENTS:
- Background
- Development Summary
- Resolution

The Minnesota Housing Finance Agency Board, at its October 27, 2010, meeting, approved this development for Low and Moderate Income Rental (LMIR) and Preservation Affordable Rental Investment Fund (PARIF) program selections. At its November 17, 2011, meeting, the Board approved this development for $450,000 in Housing Tax Credits, completing the financing package. Staff is requesting approvals of a commitment for the PARIF loan and a selection and commitment of a new short-term LMIR loan.

The development is expected to close on all financing and commence the planned rehabilitation in 2012. However, the developer must acquire the property by the end of the 2011 or risk losing site control. The expiring Section 8 Housing Assistance Payment Contract and strength of the Stillwater-area market make this a preservation threat. With the recent allocation of Housing Tax Credits, all required rehabilitation funding has been secured but additional time is required to finalize the financing package. In order to facilitate the purchase and ensure this at-risk property remains affordable, staff is recommending using a PARIF loan and a short-term, LMIR loan as interim financing to be repaid by the permanent LMIR loan, for which the development has been previously-selected. The permanent LMIR loan would be insured under the HUD Risk Share Program while this short-term LMIR loan would not. The terms of the PARIF loan and the short-term LMIR loan are 4 years and 18 months, respectively. Providing a short-term LMIR loan and a LMIR loan that is not insured is deviation from the Agency's standard practice, but staff feels that it is warranted in this situation. In addition, staff has taken steps to mitigate the risks presented.

By providing this interim financing, the Agency is ensuring that this valuable housing resource will be preserved.

Board Agenda Item: 9.D.(1)
Attachment: Development Summary

DEVELOPMENT:

Dev#:D1646

Name:	Charter Oak Townhomes			App#:	M16203
Address:	1198 Curve Crest Boulevard West				
City:	Stillwater	County:	Washington	Region:	MHIG

MORTGAGOR:

Ownership Entity:	Charter Oaks Limited Partnership
General Partner/Principals:	Charter Oaks, LLC (Minnesota Attainable Housing Group (a Minnesota non-profit housing organization), Harold Teasdale and Thomas Cooper

DEVELOPMENT TEAM:

General Contractor:	Not Applicable - Acquisition Only
Architect:	Boarman Kroos Vogel Group, Inc., Minneapolis
Attorney:	Winthrop & Weinstine, PA, Minneapolis
Management Company:	MBG Property Management, Minneapolis
Service Provider:	Not Applicable - Acquisition Only

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$3,510,000	LMIR First Mortgage	
	Funding Source:	Hsg Investment Fund (Pool 2)
	Interest Rate:	5.00%
	Term (Years):	1.5
	Amortization (Years):	30 years
$801,933	PARIF deferred loan	
	Funding Source:	State Appropriations
	Interest Rate:	0%
	Term (Years):	4
	Amortization (Years):	Balloon at maturity

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT*	INCOME AFFORD-ABILITY**
1BR	3	750	$ 815	$ 775	$ 32,600**
2BR	35	850	$ 1,023	$ 931	$ 40,920**
3BR	20	1,100	$ 1,143	$ 1,075	$ 45,720**
4BR	2	1,200	$ 1,277	$ 1,200	$ 51,080**
TOTAL	60				

NOTES: *Property benefits from a Section 8 Housing Assistance Payment Contract for 100% of units, allowing rents to exceed Agency limits but remain affordable to tenants.
**Tenants pay 30% of household income towards housing expense.

Purpose:
Acquisition of a 60-unit, 100% Project Based Section 8 family townhome development located in Stillwater. The initial Section 8 Housing Assistance Payment Contract ("HAP") expired in 2011 and is currently under a short-term renewal, creating a preservation risk. The needed rehabilitation will be completed at a later date, to be funded with Agency and external resources, including syndication proceeds, at which time a permanent HUD Risk Share LMIR loan will be closed.

Target Population:
Target population is households of color (individuals and families), single head of households with children and disabled individuals. The Section 8 contract allows this property to serve very-low income households. Incomes of tenants will be limited to at or below 60% AMI.

Project Feasibility:
Project is feasible as proposed. The proposed financing will be used to acquire the property in anticipation of rehabilitation to occur in 2012. With a recent allocation of Housing Tax Credits, the project's permanent financing package is complete but requires additional time to finalize, necessitating the Agency'sinterim financing. A substantial reserve will be funded out of PARIF and controlled by the Agency to ensure that the property's near term physical needs may be addressed if needed prior to the planned rehabilitation. Including this Agency controlled reserve account ensures that the LMIR loan is adequately supported by the property in "As Is" condition (prior to rehabilitation). The expectation is that this PARIF loan will be repaid in full prior to final closing of the permanent financing with proceeds from syndication equity or other outside subordinate funding.

Development Team Capacity:
The development team has the capacity to complete the project as proposed. The Agency has worked with the developer successfully on numerous other projects, including four first mortgages.

MBG Property Management was established in 2006 and currently has 15 developments, with a total of 926 units. MBG is currently involved in two Agency first mortgage developments and their performance is acceptable.

Physical and Technical Review:

This is an existing 30 year old property that is showing signs of age. An $800,000 PARIF funded special reserve will be established at loan closing so that standby funds are available to address any necessary physical needs prior to when the planned rehabilitation commences.

Market Feasibility:

The market supports the development as proposed. A market study completed for the development concluded the proposed rents are within those found in the market area. The market study indicated a vacancy rate of less than 5% for the competitive projects within the market area. Additionally, there are currently no planned competitive units within the market area. Charter Oak is an existing development and occupancy has historically been very strong; close to 100% for the past three years.

Supportive Housing:

Not applicable.

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost – Acquisition only	$4,913,402		$81,890
Acquisition Cost	$3,850,000		$64,167
Gross Construction Cost	$0		$0
Soft Costs (excluding Reserves)	$261,469		$4,358
Non-Mortgagable Costs (excluding Reserves)	$0		$0
Reserves (Agency Controlled)	$801,933		$13,366
Total LMIR Mortgage (Including 4% DCE)	$3,510,000		$58,500
First Mortgage Loan-to-Cost Ratio		71%	
Agency Deferred Loan Resources			
PARIF	$801,933		$13,366
Total Agency Sources	$4,311,933		$71,866
Total Loan-to-Cost Ratio		88%	
Other Non-Agency Sources			
Bridgewater Bank	$601,469		$10,024

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Board Agenda Item: 9.D.(1)
Attachment: Resolution

MINNESOTA HOUSING FINANCE AGENCY

400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 11-

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENTS
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM AND
PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) PROGRAM

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:	Charter Oak Townhomes
Sponsor:	Charter Oaks Limited Partnership (or another affiliate of the developer)
Guarantors:	Minnesota Attainable Housing Corporation, Harold Teasdale and Thomas Cooper
Location of Development:	Stillwater
Number of Units:	60
General Contractor:	Not Applicable (acquisition only)
Architect:	Borman Kroos Vogel Group, Minneapolis
Amount of Development Cost:	$4,913,402
Amount of LMIR Mortgage:	$3,510,000
Amount of PARIF Mortgage:	$801,933

WHEREAS, the Agency has determined that such applicant is an eligible sponsor under the Agency's rules; that such mortgage loans are not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the acquisition of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, the Agency has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations and policies;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide mortgage loans to said applicant from the Housing Investment Fund (Pool 2 under the LMIR Program) and appropriated funds (under the PARIF Program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall be $3,510,000; and

2. The amount of the PARIF deferred loan shall be $801,933; and

3. The Closing of the LMIR and PARIF loans shall be on or before February 29, 2012; and

4. The interest rate on the LMIR loan shall be 5 percent per annum, with monthly payments based on a 30 year amortization, and a balloon payment upon maturity; and

5. The interest rate on the PARIF loan shall be 0 percent per annum, with no monthly payments and a balloon payment upon maturity; and

6. The term of the LMIR loan shall not exceed 18 months; and

7. The term of the PARIF loan shall not exceed 4 years; and

8. In accordance with subd. 39 of Minn. Stat. § 462A.05, and the rider to the appropriation providing funds to the program, the Mortgagor will enter into a covenant running with the land requiring Owner to renew the Section 8 rental assistance for the term of the PARIF loan, and to agree to accept renewals of such assistance for so long as it is made available to the development, and providing the right of first refusal to a nonprofit or local unit of government should the Owner receive a viable purchase offer during the term of the loan;

9. Agency staff shall review and approve the Mortgagor; and

10. The Mortgagor shall execute an Agency Mortgage Loan Commitment with terms and conditions embodying the above in form and substance acceptable to Agency staff; and

11. Thomas Cooper, Harold Teasdale and Minnesota Attainable Housing Corporation shall guarantee the Mortgagor's payment obligation under the LMIR Regulatory Agreement and LMIR Mortgage with the Agency; and

12. The sponsor, the mortgagor, and such other parties as Agency staff in its sole discretion deem necessary shall execute all such documents relating to said loans, to the security therefore, and to the operation of the development, as Agency staff in its sole discretion deem necessary.

Adopted this 15th day of December 2011.

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CHAIRMAN

AGENDA ITEM: 9.D.(2)
MINNESOTA HOUSING BOARD MEETING
December 15, 2011

ITEM: Shingle Creek Towers (aka View Pointe at Shingle Creek), Brooklyn Center – D3110

CONTACT: Julie LaSota (651)296-9827
Julie.lasota@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☑ Commitment(s) ☐ Modification/Change ☐ Policy ☑ Selection(s) ☑ Waiver(s)

☐ Other:

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Subject to completion of underwriting and technical review of the proposed development, Agency staff recommends the selection of the development for processing and the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of $950,000 and a Flexible Financing for Capital Costs (FFCC) program commitment in the amount of $610,000 subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:
In the current Affordable Housing Plan (AHP), the Board allocated $68 million in new activity for the LMIR program, including $28 million from the Housing Investment Fund (Pool 2) and $4.5 million in new activity under the FFCC program (funded through the Housing Affordability Fund – Pool 3). Funding for these loans fall within the approved budgets and the loans will be made at an interest rate and on terms consistent with what is described in the AHP.

This LMIR loan will generate up to $38,300 in fee income (origination fee and construction oversight) as well as ongoing interest earnings which help offset Agency operating costs. The FFCC loan may be structured as a cashflow note to allow the Pool 3 funds to be recycled.

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☑ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

☑ Preserve Existing Affordable Housing ☐ Prevent and End Long-term Homelessness

ATTACHMENT(S):
- Background
- Development Summary
- Resolution

Shingle Creek Towers Apartments is a 122-unit, 13 story multifamily apartment building located in Brooklyn Center that is currently in default and being sold by the U.S. Department of Housing and Urban Development ("HUD") through a foreclosure sale that was restricted to nonprofit housing developers having substantial experience owning and operating affordable housing in Minnesota. The building was constructed in 1974 under HUD's Section 236 program which allowed for affordable rents via an Interest Reduction Payment ("IRP") Contract that subsidized the market financed mortgage down to one-percent. The development originally served an Elderly/Disabled population.

In 2002 the property was sold to a new limited partnership. At that time, the remaining payments under the IRP contract were decoupled and made a part of the new financial package. Tax exempt bonds that supported a $5.7 million HUD insured amortizing mortgage and equity from the syndication of four percent housing tax credits, along with $900,000 in deferred loans from Hennepin County and Brooklyn Center and a $750,000 PARIF deferred loan from the Agency, made up the financing at that time. $4 million in rehabilitation was completed in 2004, with the primary focus on unit upgrades, common area updates, selective mechanical replacement and addressing the deterioration in the building's exterior. The financial feasibility of the development was predicated on the development being able to sustain occupancy and implementing incremental rent increases over time. Over the course of the last 5 years, the property proved to be more than the ownership/management team could handle, despite the investment of significant capital by the limited partner investor and the general partner. The property has suffered higher than average vacancy since 2002 (15-20%) and did not have much 'curb appeal' and, as a result, the amortizing loan was assigned to HUD in June, 2009 when the development went into default due to its inability to make debt service payments.

The property was offered for sale through the HUD foreclosure three times in 2010 and 2011; the first sale was cancelled after a lawsuit was filed against HUD asserting that the use restrictions proposed by HUD under the foreclosure sale notice were not restrictive enough, the second notice of sale resulted in a sale to an out of state owner, however, the proposed buyer and its financial plan was not deemed feasible upon review by HUD and the property was once again offered for sale. Staff from Minnesota Housing and Hennepin County worked with HUD staff from the national Disposition Center and HUD Headquarters, in conjunction with the local HUD office, to restrict the sale to non-profit housing organizations with significant experience owning and operating affordable housing in Minnesota.

Aeon, a local nonprofit housing developer with substantial experience operating affordable housing in Minnesota, was the successful bidder; bidding $1. Aeon proposes that with modest capital reinvestment and the engagement of Aeon as an owner and management agent with the experience and capacity to provide proper marketing and management, Shingle Creek Towers can be stabilized, enhanced and then maintained as a long term affordable housing asset that will provide high quality apartment homes in Brooklyn Center. Aeon has proven success, having recently completed a transformation of the former Har Mar Apartments (now known as Sienna Green I) in Roseville. At acquisition, this 1960s vintage apartment complex was 45% vacant and suffered from negative image with a high crime rate. Following renovation in 2010, Sienna Green I is 100% occupied with a healthy waiting list.

This request for amortizing debt under the LMIR program and deferred loan funding under its companion FFCC program will support acquisition related costs, provide funding for selective rehabilitation, cover transactional costs, including a nominal Developer Fee, and provide both operating and replacement reserves to set the property up through stabilization. Approximately $5,000 per unit will target major systems improvements that were not addressed in the 2004 rehabilitation (i.e. replacement of eight original boilers, updates to the elevators to meet new state code and address modernization concerns, deferred maintenance/repairs, etc.) and roughly $5,000 per unit will improve apartment units, common areas and the exterior/signage/landscaping, addressing, where appropriate, energy efficiency and water conservation improvements. Stabilization funds will also be directed at intensive efforts to lease up an additional 15-20% of the units to bring Single Creek Towers in line with standard occupancy rates in the current market.

Inherent in the HUD foreclosure process is the extinguishment of all publicly funded subordinate debt, with no opportunity for redemption, due to the foreclosure being processed under federal foreclosure law. Additional infusion of capital in this development, along with the ownership and management controlled by a successful local non-profit housing provider, should ensure that the property remain affordable and in good condition for the long term. The Agency's investment of $7,800 per unit in amortizing debt and $5,000 in deferred loan debt will assist Aeon in the ability to reposition the property as a community asset providing decent affordable housing for elderly and the local workforce.

Board Agenda Item: 9.D.(2)
Attachment: Development Summary

DEVELOPMENT:

Name:	Shingle Creek Towers (aka View Pointe at Shingle Creek)			Dev#:	D3110
Address:	6221 Shingle Creek Parkway			App#:	M16178
City:	Brooklyn Center	County:	Hennepin	Region:	MHIG

MORTGAGOR:

Ownership Entity:	To-be-formed single asset entity
General Partner/Principals:	Aeon, Inc. or an affiliated entity

DEVELOPMENT TEAM:

General Contractor:	To be determined
Architect:	To be determined
Attorney:	Faegre & Benson, Minneapolis
Management Company:	Aeon Management, LLC, Minneapolis
Service Provider:	Not applicable

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 950,000	LMIR First Mortgage	
	Funding Source:	Hsg Investment Fund(Pool 2)
	Interest Rate:	5.00%
	MIP Rate:	0.25%
	Term (Years):	30
	Amortization (Years):	30

$ 610,000	FFCC	
	Funding Source:	Hsg Affordability Fund (Pool 3)
	Interest Rate:	0%
	Term (Years):	30.0

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT*	INCOME AFFORD-ABILITY*
1BR	57	575	$ 575	$ 787	$ 23,000
2BR	35	832	$ 725	$ 945	$ 29,000
1BR	20	575	$ 625	$ 787	$ 25,000
2BR	10	832	$775	$ 945	$ 31,000
TOTAL	122				

NOTES: * The LMIR program, in conjunction with the HUD imposed restrictions for this property, will allow for rents up to 50% AMI with incomes up to 60% AMI on 80% of the units, and incomes up to 80% AMI on the balance of the units. No resident in place at the time of acquisition will be displaced.

PURPOSE:

The purpose of this proposal is to stabilize and preserve an existing affordable housing development that is at risk due to foreclosure. Agency and county staff were successful in persuading HUD leadership to limit the pool of bidders on this property to nonprofit housing providers that have substantial experience owning and operating affordable housing in Minnesota. Without this “Restricted Sale”, there was a very real threat of the property landing in the control of an investor that would not have the ability (and in some cases, the goal) to maintain the property as decent, safe affordable housing for the long term and still abide by the 30 year Use Restriction that will be imposed by HUD.

Shingle Creek Towers is centrally located in Brooklyn Center and is within walking distance or an easy bus or car commute to many jobs, services and schools. Brooklyn Center is struggling with a multitude of single family foreclosures. Stabilization of this large multifamily development is important to community vitality. The acquisition by Aeon will allow the property to be re-established as high quality affordable housing, before it declines further both physically and socially to a point where it would not recover without significant additional operating and capital investment. With a modest capital infusion and significant property management effort now, the property can be turned around for the long term; creating an asset that enhances the surrounding uses, while protecting the previous public investments in the property. Following the completion of the foreclosure sale, Aeon will sign a 30 year Use Agreement with HUD restricting occupancy to households earning between 60% AMI (81% of the units) and 80% AMI (19% of the units.

TARGET POPULATION:

With a mix of 1- and 2-bedroom apartments, this development serves a diverse mix of tenants, including households of color and single head of households with minor children. Though the building was originally designed for an elderly/disabled population, a majority of the units are now occupied by a general population with an average income at or below 50% AMI. Following acquisition, the income level is anticipated to be between 40-60% AMI. No current resident will be displaced as a result of the acquisition.

PROJECT FEASIBILITY:

Shingle Creek Towers contains 77 one-bedroom units and 45 two-bedroom units, with ample surfaced parking (including electric plug-in availability). The site has 4.3 acres of land. There is a large and nicely furnished community room within the building along with laundry facilities and a management office. The property is surrounded by many economic amenities, including a public library, community center, city hall, many social services and ample employment opportunities (i.e. Target, restaurants, hotels and the Earl Brown Center) and has great public transit access. The property has a Walkscore of 71, which is well above average for a suburban community.

Recommended funding includes $950,000 in LMIR amortizing debt along with $610,000 in Agency FFCC deferred loan funding (that may incorporate repayment terms based on a percentage of cashflow). Requests for additional deferred loan funding will be made to Hennepin County in its Spring funding round and to Brooklyn Center through its NSP allotment. The 2012 assessed value of Shingle Creek Towers is $5,563,000. At the HUD foreclosure sale, Aeon bid one dollar as the acquisition price so that it could focus all capital to support the improvement and ongoing operations of the building. The 30-year Use Agreement with HUD will help ensure that the affordability that previously existed under the Section 236 program will be maintained; essentially preserving the property in the spirit of the previously federally subsidized mortgage.

Prior to the foreclosure sale, an inspection of the property was completed by members of the Aeon development team, outside construction professionals and Agency staff. During the inspection, key areas of the property were viewed, including a random sampling of dwelling units, common area amenities, the roof and mechanicals. Aeon was also able to confer with entities that have serviced the major systems of the building to assess the current needs. Aeon staff also visited competing rental properties to determine the market rents and other pertinent details of comparable sites. The scope of work was developed based upon these inspections along with professional input. Given the renovation that was completed in 2004, the current scope is focused upon increasing energy efficiency, enhancing curb appeal, updating systems as required and performing minor cosmetic updates to the common areas and the dwelling units.

Aeon will market units at Shingle Creek to area employers (of which there are many) and will use other marketing strategies that have proven successful at other Aeon properties. Curb appeal and engaged site management are currently lacking. Aeon will bring in new site staff as well as make modest updates to the building and grounds in an effort to create a feeling of 'home' that should significantly improve marketability and resident retention.

DEVELOPMENT TEAM CAPACITY:

Aeon (formerly known as Central Community Housing Development), a non-profit housing provider, was established in 1986. Aeon Management LLC was created in 2008. Both organizations have significant experience developing, owning and managing this type of housing development. Agency experience with Aeon has been positive. The construction of Sienna Green II is well underway and is progressing positively.

PHYSICAL and TECHNICAL REVIEW:
Shingle Creek Towers received a substantial rehabilitation in 2002-2004 including upgrading of the heating systems with new pumps, piping and controls; unit upgrades (flooring, windows, kitchen and bath cabinets, appliances and fixtures); replacement of the Exterior Insulation Finish System (EFIS) over brick veneer and new ballasted EPDM roofing; and new finishes at the community room, management office, lobby, laundry, etc. Air conditioners are not provided, however, there are sleeves in each dwelling unit.

The scope of work that will be completed upon acquisition will include installation of hard surfaced flooring in all dwelling units (excluding the bedrooms), replacement of closet doors and installation of closet shelving, repair, maintenance and/or replacement of kitchen cabinets and/or appliances, painting of an accent wall in each dwelling units, lighting fixture replacement and installation of water conservation devices. The common areas will receive new paint, high impact carpet tile in the corridors, energy efficient lighting and replacement of common area and office furniture and fixtures. In the exterior common areas, Aeon will seek to increase curb appeal by defining the entry space, enclosing the trash shoots through the use of landscaping, enhancing the excess green space, improving the site signage and lighting and upgrading the parking lot. An additional $600,000 is anticipated to be used to fund the replacement and/or maintenance of the boilers, security system, modernization of two elevators, maintenance equipment, roofing and adding new energy efficient wall air conditioners in each of the dwelling units.

The TDC of $18,865 per unit is well below the Predictive Model calculation of $102,891 when factoring in acquisition or a Predictive Model calculation of $32,504 per unit with acquisition/refinance netted out. These variances are due to the negligible acquisition cost ($1) and the limited rehabilitation that is being completed since the development received substantial rehabilitation in 2004. Comparatively, if you combine the TDC for both the 2002 transaction and the current transaction, the actual TDC would be $99,623 per unit which is 35% below the adjusted Predictive Model of $156,168 per unit.

MARKET FEASIBILITY:
According to the City's 2030 Comprehensive Plan and 2010 Census Data, Brooklyn Center's minority and immigrant populations have grown significantly in the last decade. The City's minority population increased from 29.6% in 2000 to 50.9% in 2010. The percentage of foreign born persons is nearly 20% as of 2010. Aeon has significant experience serving a diverse client base. The proposed rents are up to $150 below the rents being charged at competing developments. The average overall vacancy rate in the metro markets is near 3%.

SUPPORTIVE HOUSING:
Not applicable

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost	$2,301,540		$18,865
Acquisition or Refinance Cost	$1		0
Gross Rehabilitation Cost	$1,462,951		$11,991
Soft Costs (excluding Reserves)	$505,150		$4,141
Non-Mortgagable Costs (excluding Reserves)	$54,900		$450
Reserves	$278,538		$2,283
Total LMIR Mortgage (Including 4% DCE)	$950,000		$7,787
First Mortgage Loan-to-Cost Ratio		41%	
Agency Deferred Loan Sources			
FFCC	$610,000		$5,000
Total Agency Sources	$1,560,000		$12,787
Total Loan-to-Cost Ratio		68%	
Other Non-Agency Sources			
Hennepin County (proposed)	$391,540		$3,209
Brooklyn Center NSP (proposed)	$350,000		$2,869
Total Non-Agency Sources	$741,540		$6,078

Board Agenda Item: 9.D.(2)
Attachment: Resolution

MINNESOTA HOUSING FINANCE AGENCY

400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 11-

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENTS
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM AND
FLEXIBLE FINANCING FOR CAPITAL COSTS (FFCC) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide construction and 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:	Shingle Creek Towers (aka View Pointe at Shingle Creek)
Sponsor:	Aeon, Minneapolis (or an affiliated single asset entity)
Guarantor:	Aeon
Location of Development:	Brooklyn Center
General Contractor:	To be determined
Architect:	To be determined
Amount of Development Cost:	$2,301,540
Amount of LMIR Mortgage:	$950,000
Amount of FFCC Mortgage:	$610,000

WHEREAS, the Agency has determined that such applicant is an eligible sponsor under the Agency's rules; that such permanent mortgage loans are not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the stabilization and preservation of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, the Agency has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and the 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 said applicant from the Housing Investment Fund (Pool 2 under the LMIR Program) and the Housing Affordability Fund (under the FFCC Program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall be $950,000; and

2. The amount of the FFCC deferred loan shall be $610,000; and

3. The Closing of the LMIR and FFCC loans shall be on or before June 30, 2012; and

4. The interest rate on the construction and permanent-LMIR loan shall be 5 percent per annum plus .25 percent per annum HUD Risk Share Mortgage Insurance Premium, if applicable, with monthly payments based on a 30 year amortization; and

5. The interest rate on the FFCC loan shall be 0 percent per annum, and may include annual payments based upon a percentage of cashflow and a balloon payment due upon maturity; and

6. The term of the permanent LMIR and FFCC loans shall be 30 years; and

7. Agency staff shall review and approve the Mortgagor; and

8. The Mortgagor shall execute an Agency Mortgage Loan Commitment with terms and conditions embodying the above in form and substance acceptable to Agency staff; and

9. Aeon shall guarantee the mortgagor's payment obligation under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

10. The sponsor, the contractor, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deem necessary shall execute all such documents relating to said loans, to the security therefore, to the rehabilitation and/or construction of the development, and to the operation of the development, as Agency staff in its sole discretion deem necessary.

Adopted this 15th day of December 2011.

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CHAIRMAN

AGENDA ITEM: 9.D.(3)
MINNESOTA HOUSING BOARD MEETING
December 15, 2011

ITEM: Whispering Pines, Caledonia

CONTACT: Leslee Post, 651-296-8277
leslee.post@state.mn.us

REQUEST:

☒ Approval ☒ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☑ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff is requesting a 12 month extension to the Asset Management Loan and Loan Modification commitments for the above development to December 31, 2012 to allow for review and assessment of a revised work scope and request for additional funding.

FISCAL IMPACT:
None.

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

☑ Preserve Existing Affordable Housing ☐ Prevent and End Long-term Homelessness

ATTACHMENT(S):
- Background
- Resolution

The Minnesota Housing Board at its September 24, 2009 meeting approved the issuance of commitments for an Asset Management loan and for modification of the first mortgage for the above development. The commitments expired March 31, 2010.

At its April 22, 2010, meeting, the Board approved Resolution No. MHFA 10-31 which reestablished and extended the commitments to December 31, 2010.

At its December 16, 2010, meeting, the Board approved Resolution No. MHFA 10-114 which extended the commitments to December 31, 2011.

Due to concerns regarding increased cost estimates, an Agency staff architect made a visit to the site in July, 2010, to reassess the physical needs of the development. Because the existing work scope did not adequately address the concerns and additional recommendations for correction resulting from the reassessment, the owner was required to:

1) Revise the overall capital improvement plan to include the recommendations made by the Agency's architect and,

2) Revise the overall financial plan to show how all identified and required capital needs will be funded.

The revised work scope and financial plan had not yet been received and reviewed by Agency staff prior to the December, 2010 Board meeting; therefore, staff recommended further extension of the commitment.

Agency staff and the owner have reached an agreement on a revised work scope. A revised financial plan has recently been received; however, staff has not had adequate time to determine the feasibility of the revised plan or to determine whether the Agency is willing to consider additional financing, therefore staff is recommending an additional extension of the commitments on the above noted development to December 31, 2012, to continue to allow for review and assessment of the revised financial plan and request for additional funding.

MINNESOTA HOUSING FINANCE AGENCY

400 Sibley Street - Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 11-

RESOLUTION EXTENDING COMMITMENT DATE
ASSET MANAGEMENT LOAN AND SECTION 8 PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) previously authorized commitments for the development hereinafter named by Resolutions MHFA 09-59 and 09-60, both with an expiration date of March 31, 2010; and,

WHEREAS, the Board also reestablished and extended the expiration date to December 31, 2010 by its Resolution MHFA 10-31 to allow for closing of the asset management loan and first mortgage modification; and,

WHEREAS, the Board further extended the expiration date to December 31, 2011 by its Resolution MHFA 10-114 to allow for reassessment of the proposed work scope and closing of the loan and modification; and,

WHEREAS, it is the desire of the Agency to further extend the expiration date to allow for review and assessment of a revised financial plan and request for additional funding and, closing of the loan and modification; and,

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

NOW THEREFORE, BE IT RESOLVED:

THAT the Board hereby extends the commitment expiration date on the development hereinafter named to the date indicated below, and hereby confirms the said commitment:

- Whispering Pines, Caledonia (D0259)
- New Commitment Expiration Date: December 31, 2012
- Except for the extended commitment term, all terms of the original MHFA Resolutions No. 09-59, 09-60, 10-31 and 10-114 remain in effect.

Adopted this 15th day of December, 2011.

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CHAIRMAN

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AGENDA ITEM: 9.D.(4)
MINNESOTA HOUSING BOARD MEETING
December 15, 2011

ITEM: New Castle Townhomes, Worthington – D6236

CONTACT: Phillip K. Hagelberger, 651-297-7219
Phillip.hagelberger@state.mn.us

REQUEST: ☑ Approval ☐ Discussion ☐ Information

TYPE(S):
☐ Administrative ☐ Commitment(s) ☑ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)
☐ Other: ______________________

ACTION:
☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
The Board approved an End Loan commitment through the LMIR program for the New Castle Townhomes development at its May 27, 2010 meeting to finance the new construction of a 30 unit development that serves large families in Worthington. The resolution called for a closing by December 31, 2011. Staff is requesting a six month extension to accommodate the finalization of due diligence items related to the loan closing. The loan is expected to close in the first quarter of 2012.

FISCAL IMPACT:

No fiscal impact as this funding is included in the amount carried forward under the LMIR program in the recently adopted AHP.

MEETING AGENCY PRIORITIES:
☑ Provide New Opportunities for Affordable Housing
☐ Mitigate Foreclosure Impact Through Prevention and Remediation
☐ Build our Organizational Capacity to Excel and Achieve Our Vision
☐ Preserve Existing Affordable Housing ☑ Prevent and End Long-term Homelessness

ATTACHMENT:
- Resolution

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 11-

RESOLUTION APPROVING MORTGAGE COMMITMENT EXTENSION
LOW AND MODERATE INCOME RENTAL PROGRAM

WHEREAS, the Board has previously authorized the issuance of a commitment on the development hereinafter named by its Resolution No. MHFA 10-35; and

WHEREAS, Agency staff has requested an extension of the expiration date to allow for closing of the loan as an End Loan; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby extends the commitment expiration date on the development noted below to the date indicated below, and hereby confirms the renewal of said commitment, subject to any revisions noted:

1. New Castle Townhomes – D6236
    - Extend LMIR Closing Date (Commitment Expiration Date) from December 31, 2011 to June 30, 2012; and

2. Except for the extended commitment expiration date, all other terms and conditions of MHFA Resolution No. 10-35 remain in effect.

Adopted this 15th day of December, 2011

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CHAIRMAN

AGENDA ITEM: 10.A
MINNESOTA HOUSING BOARD MEETING
December 15, 2011

ITEM: 2012 Board Meeting Schedule

CONTACT: Mary Tingerthal, 651-296-5738
mary.tingerthal@state.mn.us

REQUEST:

☐ Approval ☐ Discussion ☑ Information

TYPE(S):

☑ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
Review dates of 2012 meetings.

FISCAL IMPACT:
None.

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

☐ Preserve Existing Affordable Housing ☐ Prevent and End Long-term Homelessness

ATTACHMENT(S):

- Memo: Meeting Schedule

400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

Date: December 15, 2011

TO: **Minnesota Housing Board Members**

FROM: Mary Tingerthal
Commissioner

SUBJECT: Board Meeting Schedule for 2012

Regular Board meetings for 2012 have been scheduled as listed below. All meetings will begin at 1:00 p.m. and will be conducted in the first floor State Street conference room at the Agency's office, located at 400 Sibley Street, St. Paul, 55101. With the exception of the June, August, November and December meetings, all meetings will take place on the fourth Thursday of each month.

Program, Finance and Audit Committee meetings will be scheduled as needed. Members will be notified of the dates and times of these meetings as they are scheduled.

2012 Schedule of Minnesota Housing Finance Agency Board Meetings

January 26
February 23
March 22
April 26
May 24
June 21 *(one week early due to NCSHA Housing Credit Conference)*
July 26
August 30 *(one week late to allow for completion of annual audit and related work)*
September 27
October 25
November 15 *(one week early due to Thanksgiving Holiday)*
December 20 *(one week early due to Christmas Holiday)*