



MEETINGS SCHEDULED FOR JANUARY

Location:

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

THURSDAY, JANUARY 24, 2013

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, January 24, 2013.

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

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 are met. In accordance with Minn. Stat. §462A.041, the Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.

This page intentionally blank.



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, January 24, 2013

1:00 p.m.

State Street Conference Room – 1st Floor
 400 Sibley Street, St. Paul, MN 55101

- 1. Call to Order**
- 2. Roll Call**
- 3. Agenda Review**
- 4. Approval of Minutes**
 - A. Regular Meeting of December 20, 2012
- 5. Reports**
 - A. Chair
 - B. Commissioner
 - C. Committee
- 6. Consent Agenda**
 - A. Commitment Extension, Low and Moderate Income Rental Program (LMIR)
 - Park Manor Estates, Detroit Lakes
 - B. Modification, HOME Affordable Rental Preservation (HARP)
 - Unity Place, Brooklyn Center
 - C. Loan Modification, Low and Moderate Income Rental Program (LMIR)
 - Kentucky Lane, Crystal
 - D. Modification, Ending Long-Term Homelessness Initiative Fund (ELHIF) Rental Assistance
 - Cedarview Commons and Rivertown Commons
 - E. Changes, Step Up Program Procedural Manual
 - F. Waivers, HOME Homeowner Entry Loan Program (HELP)
- 7. Action Items**
 - A. Selection, Commitment, Low and Moderate Income Rental (LMIR) and Flexible Financing for Capital Costs (FFCC) programs
 - Granite City Townhouses, St. Cloud
 - B. Proposed Revisions to the Qualified Allocation Plan (QAP) and Procedural Manual, 2014 and 2015 Housing Tax Credit (HTC) Program
- 8. Discussion Items**
 - A. 2013 Division Work Plan Summary
- 9. Informational Items**
 - A. Semi-annual Variable Rate Debt and Swap Performance Review as of January 1, 2013
- 10. Other Business**
- 11. Adjournment**

This page intentionally blank.

MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING**Thursday, December 20, 2012**

1:00 p.m.

State Street Conference Room – 1st Floor

400 Sibley Street, St. Paul, MN 55101

1. Call to Order

Chair Ken Johnson called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:01 p.m.

2. Roll Call

Members present: Joe Johnson, Gloria Bostrom, Stephanie Klinzing, Auditor Otto, Steve Johnson, John DeCramer, and Ken Johnson. Ms. Bostrom left the meeting at 2:04 p.m.

Minnesota Housing staff present: Paula Beck, Jim Cegla, Don Collier, Jessica Deegan, Joe Gonnella, Susan Haugen, Bill Kapphahn, Kurt Keena, Kasey Kier, Marcia Kolb, Julie LaSota, Diana Lund, Eric Mattson, Tonja Orr, Terri Parker, John Patterson, Leslee Post, Mary Rivers, Megan Ryan, Joel Salzer, Becky Schack, Barb Sporlein, Mike Thompson, Susan Thompson, Will Thompson, Mary Tingerthal, LeAnne Tomera, Katie Topinka, Ted Tulashie, Xia Yang.

Others present: Celeste Grant, Office of the State Auditor; Tom O’Hern, Assistant Attorney General; Chip Halbach, Minnesota Housing Partnership; Jean Lee, CHI/RRFC & APAHC; Melanie Lien, Piper Jaffray; Paula Rindels, Dorsey & Whitney; Cathy ten Broeke.

3. Agenda Review

The following changes to the agenda were announced: The agenda has been revised to reflect an additional item, 7.E., Resolution authorizing the establishment of certain accounts and securities transactions. Don Wyszynski will provide information about this item later in the meeting. The signing copies of the resolutions found on pages 23 and 24 have both been changed. Page 23, the resolution for Spruce Apartments and Transitional Housing, has corrected the resolution citation in the final paragraph to read 12-015 rather than 12-15. Page 24, the resolution for the Crossing at Big Lake Station, been changed to remove the reference to previous resolution extending the commitment. The commitment has not previously been extended.

4. Approval of the Minutes**A. Regular Meeting of November 15, 2012**

Meeting minutes approved as written, 6-0 with Ms. Bostrom abstaining.

5. Reports**A. Chair**

There was no chairman’s report.

B. Commissioner

Commissioner Tingerthal reported that Minnesota Housing had submitted four strong nominations for the Governor’s Award for Continuous Improvement in State Government, described below. Unfortunately, Minnesota Housing did not receive an award.

- Community Profiles; team members John Patterson and Jessica Deegan. The Community Profiles tool utilizes available software and is available from the Minnesota Housing website. It is used by funding applicants to find information about qualified census tracts and selection criteria. Community Profiles makes better and more consistent information available regarding funding allocations.
- Federal Inspections Pilot; team members Shannon Myers, Karen Hassan and Renee Dickinson. This pilot is a joint effort by HUD, USDA Rural Development and Treasury that tackles some true inefficiencies that exist within law that requires certain things, like inspections of properties. Affordable housing requires the layering of as many as 12 sources of funding to complete a project, with each federal funds source having its own source of compliance requirements. One of the features of the pilot is the elimination of duplicate inspections. Work on the project began in March of 2012 and, since beginning, 400 inspections have been eliminated at a savings of \$400 each. Ms. Hassan was a real leader, instigator in this working with the federal agency staff to make the pilot and these savings possible.
- Emailed vouchers: PBCA Team and Jasen Kane (BTS). Section 8 vouchers must be sent to all of our projects that have Section 8 assistance. These vouchers previously had been physically mailed each month. Moving to an electronic voucher delivery system required that the BTS department ensure that all data transmitted was secure and that any privacy concerns were addressed. Vouchers are now sent electronically, resulting in 14 fewer days processing time, a higher confidence level for building owners and \$16,000 cost savings each year.
- New Financing Structure, Finance Team. Board members are already familiar with this project, which radically changed the way bonding can be used to raise capital, changing a semi-annual distribution of proceeds to a monthly pass through structure, which made the product attractive to a wider group of investors. This change will save more than \$400,000 in interest payments in the first year alone and has made our products competitive again.
- The largest set of changes to Single Family programs in the history of the Agency went into effect on Tuesday, December 18. The agency has moved from being a first-time-homebuyer only program to offering first-time homebuyer loans, purchase loans and refinance loans. To buyers whose needs are not met by the retail market. The new downpayment assistance program is repayable on an amortizing basis, which means the Agency can use resources that are more easily replenished and expand the availability of down payment assistance to a broader spectrum of buyers. The introduction of a refinancing product required the implementation of a pipeline management system that allows the Agency to be more real-time in our pricing and management of interest rate risk. These changes required extensive work by Single Family, Finance, Accounting, BTS and Communications. Volume currently is low but we anticipate an increase in the new year. Into the final days of the launch of the new programs, the Agency did receive a disappointing ruling from FHA about the calculation of eligible income and are working hard to appeal the decision. In some of the lower income parts of the state, the ruling

means that those borrowers with very modest incomes will not be able to qualify for our programs. The outcome of the appeal may result in changes to the program manual.

Commissioner Tingerthal also shared the following:

- The deadline to apply for Quick Start has been extended. Commissioner Tingerthal and the Commissioner of Public Safety will travel to Carlton to remind those affected by the Spring 2012 flooding to apply for Quick Start; there are close to 100 people who have been declined by SBA who have not yet applied for Quick Start.
- Minnesota Housing is hosting a photography exhibit, "Homeless is my address, not my name." Photos are on display as the conference room is entered. More photos are on display throughout the agency and members were encouraged to view them. Laird Sourdif, Elaine Vollbrecht and Rosalie Kolb were recognized for their help with the project.
- Diane Bauleke was recognized for organizing the Agency blood drive for almost ten years. Mike Thompson will organize the blood drive going forward.
- The annual employee satisfaction survey was recently completed, with an 83% response rate. Results of the survey will be shared at the February meeting.
- Cathy ten Broeke, State Director to Prevent and end Homelessness was introduced.

C. Committee

There were no committee reports.

6. Consent Agenda

A. Approval, Changes, Start Up and Step Up Procedural Manual

B. Approval, Waivers, Homeownership Assistance Fund (HAF)

C. Commitment Extensions

- Publicly Owned Housing Program (POHP)

- **Spruce Apartments, Waconia**
- **Transitional Housing, Austin**

- Low and Moderate Income Rental (LMIR) Program

- **The Crossing at Big Lake Station, Big Lake**

D. Loan Modification, Preservation of Affordable Rental Investment Fund (PARIF)

- Holmes Greenway, Minneapolis

E. 2013 Board Meeting Dates

In response to a question from Mr. Steve Johnson, Mary Rivers stated that, for any newly refinanced loans, an existing second mortgage would be again subordinated and the terms would remain the same. Any second loan must be repaid if a loan is sold or transferred and refinancing is only allowed for loans within the Agency's portfolio using the Agency's refinance product. **MOTION:** Ms. Klinzing moved approval of the consent agenda. Mr. DeCramer seconded the motion. Motion carries 7-0.

7. Action Items

A. Approval, Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Homeownership Finance Bonds, 2013 Series A (GNMA and FNMA Pass-through Program)

Don Wyszynski requested approval of this item, noting that other state HFAs have replicated the structure and taken advantage of the savings as well. The new structure is changing everything for the whole industry. Mr. Wyszynski requested approval on a not-to-exceed

basis. He noted that the first transaction utilizing this structure was 100% GNMA securities, which have a perception of being stronger than FNMA securities; the second transaction was not to exceed 25% FNMA and the change did not impact investor interest. The current sale will be not-to-exceed 35% FNMA. The sale will occur in January with closing in February. Chair Johnson noted that members received the preliminary official statement and resolution in advance of the meeting. The group also discussed fiscal cliff issues and the impact on securities prices and investor interest. **MOTION:** Ms. Bostrom moved approval. Mr. Joe Johnson seconded the motion. Motion carries 7-0.

B. Selection, Resident Owned Manufactured Home Parks Pilot Program - Stonegate Manufactured Home Community, Lindstrom

Commissioner Tingerthal described the program for board members, stating that it allows residents to work together to purchase their manufactured housing community. The structure of the program has ROC USA in the top loss position, which sufficiently mitigates risk to the Agency. The program is treated as an investment using Pool 2 resources. Minnesota Housing is the only HFA in the country that has participated in these transactions and they have performed well. Mr. Dan Walsh requested approval of this item, stating that Stonegate would be the second manufactured housing community to be underwritten by the Agency using this program and that it complies with all of Minnesota Housing's pilot program requirements. The transaction is fully-funded and feasible. Items of concern to Agency staff include that the community has a private well supply. This concern has been mitigated by the fact that the well complies with Department of Health best practices and replacement of all well components is included in the reserves. In response to a question from Mr. Joe Jonson, Mr. Walsh stating that part of ROC USA's model is to certify technical assistance providers in each state in which they have deals and that North Country Foundation has been certified to provide technical assistance in Minnesota. The 1% technical assistance fee is paid to North Country Foundation and covers their expenses related to providing governance advising and asset management services, including inspections. In response to a question from Mr. DeCramer, Ms. LaSota stating that subsequent new residents must be members of the co-op and membership involves a \$150 equity contribution. In response to a question from Chair Johnson, it was also noted that the loan is secured by the land and that ROC's evaluation includes the evaluation of nearby parks. The appraisal looks at a sales comparison that utilizes current zoning classification that is just the land. Commissioner Tingerthal added that, one of the reasons this model was developed was to address the needs of manufactured home parks in the areas where rezoning is a concern because values would be higher if used for another use. The program is a way for residents to avoid having their park sold out from underneath them and being displaced. **MOTION:** Auditor Otto moved approval. Mr. Joe Johnson seconded the motion. Motion carries 7-0.

C. Selections, Commitments, Rental Rehabilitation Deferred Loan (RRDL) Program

Ms. Susan Haugen presented this request, stating that the program targets small communities in Greater Minnesota and is designed to be a one-stop-shop for developers and local administrators who want to develop a small program or assist a single project. This is a two year pilot program and staff are using the information received through

program participants to further develop and adjust the program to ensure its success. The pilot began last February and will terminate in February of 2014. The first reporting period was in August and staff will return in February with a preliminary report of program progress and if adjustments or modifications are needed to make the program successful. In response to a question from Mr. DeCramer, Ms. Haugen stating that approximately 10% of each administrator's portfolio will be monitored each year. In response to a question from Ms. Bostrom, Ms. Haugen stating that Mazeppa is just north of Rochester and that the seven administrators listed on the map are the only authorized program administrators. **MOTION:** Mr. DeCramer moved approval. Ms. Klinzing seconded the motion. Motion carries 7-0.

D. Acquisition and Transfer of Willow Run II Apartments

Ms. Julie LaSota presented this request. Willow Run is an 84-unit development in Willmar with a Section 8 HAP contract that covers half of the units. Minnesota Housing provided HOME funds several years ago to replace the roof and to complete interior updating. The development currently is in foreclosure with HUD. Under current law, HUD may restrict or negotiate a sale prior to advertising the property for sale under the foreclosure statute. The property is of interest to the Agency because we have financing in the property and want to ensure it remains affordable. The property is located in a high growth area with a large immigrant population. Staff have negotiated a price of \$390,500 with HUD. HUD will bid their debt and costs at the foreclosure sale and if HUD is the successful bidder, they will convey title to Minnesota Housing. The Agency will then convey title to South West Minnesota Housing Partnership (SWMHP). SWMHP has experience in the area, with the resident population and with federal programs. Ms. LaSota stated that the board report has background information about how the sale is conducted and the authority under which the Agency can conduct this transaction. Staff are currently in the process of due diligence, as is SWMHP. The request of the board is that staff be given approval to enter into the transaction, provided that, once completed, due diligence indicates the transaction is suitable for both the Minnesota Housing and for SWMHP. In response to a question from Ms. Klinzing, Ms. LaSota stating that staff are concerned about lead, mold and asbestos at the property. Riders will be entered into if these contaminants are found. An Agency architect, SWMHP and an environmental company completed inspection last week. The transaction will not move forward until results of the inspection are received. In response to a question from Mr. DeCramer, Ms. LaSota stated that staff expects to know if they will move forward with the transaction in 30-120 days. Commissioner Tingerthal stated that the ability of HUD to negotiate a sale with a state or local government has been in place for some time but is not used very frequently. Agency staff have been in touch with the New York City HFA which has used this conveyance mechanism to get their insights on how the negotiated sales move forward and any issues they have experienced being parties to these transactions. The Commissioner stated that she does not see these transactions as ones that will be brought frequently. This property is of special concern to the Agency because staff are familiar with it, it is in a critical area due to a jobs related housing shortage, and because the Agency currently has financing in the property. In response to a question from Chair Johnson, it was stated that SWMHP currently has about 1,000 units in its portfolio and

uses Lloyd Management for property management services. **MOTION:** Auditor Otto moved approval. Mr. DeCramer seconded the motion. Motion carries 7-0.

E. Resolution Authorizing the Establishment of Certain Accounts and Securities Transactions

Mr. Wyszynski requested approval of this resolution is required by the financial institution, stating that it is a standard authorization allowing staff to enter into transactions with financial institutions. The typical client in these relationships is a mortgage bank; the Agency may be the only HFA with whom the institution has worked. It is a standard agreement that would be required by all entities with whom business is done. The resolution acknowledges that the CFO and finance director can enter into these agreements and participate in forward selling. In response to Mr. Steve Johnson, Mr. Wyszynski stated that the counterparties are taking reservations and the sales will be locked in on delivery the transactions are not without risk but several HFAs have been functioning in the TBA market for a number of years. **MOTION:** Ms. Bostrom moved approval. Auditor Otto seconded the motion. Motion carries 7-0.

8. Discussion Items

A. 2012 Affordable Housing Plan and Strategic Plan Final Progress Report

Mr. John Patterson presented this report, noting the following:

- The Agency has met 90% of its financing opportunities target. The programs that did not expend or commit their target amounts included LMIR. This is due to the interest rate. The work to become a MAP lender and a GNMA issuer. These actions will allow access to lower interest rates. Home improvement production is also down. This past June, the programs were redesigned in an attempt to improve activity.
- Tax credits were strong and the Agency was able to finance at a lower price per unit
- Overall good performance on the return on net assets.
- Delinquency rates jumped from June to September. This was the result of our servicer being required to make some changes and a backlog that occurred as a result. Commissioner Tingerthal added that, because the service fell behind, it will likely be several months before an improvement is seen in delinquency rates.

Chair Johnson stated that the numbers are very good considering the volatile market. No action needed.

9. Informational Items

A. Reporting Non-Compliance with Agency Policy and Procedures

B. Repayment of HOME Funds, HOME HELP Program

Information items; no action needed.

10. Other Business

11. Adjournment.

The meeting was adjourned at 2:07 p.m.



AGENDA ITEM: 6.A.
MINNESOTA HOUSING BOARD MEETING
January 24, 2013

ITEM: Park Manor Estates, Detroit Lakes – D0406

CONTACT: Dan Walsh, 651-296-3797
 dan.walsh@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 requests adoption of the attached resolution extending the commitment for the referenced development to allow additional time for the finalization of due diligence items.

FISCAL IMPACT:

Funding for this loan was previously approved under the 2012 Affordable Housing Plan (AHP) LMIR program budget and the loan will be made at an interest rate and on terms consistent with what was described in the AHP.

This LMIR loan will generate \$123,906 in fee income (construction oversight fee and origination fee) as well as interest earnings, which will help offset Agency operating costs.

MEETING AGENCY PRIORITIES:

Promote and support successful homeownership Preserve federally-subsidized rental housing
 Address specific and critical needs in rental housing markets Prevent and end homelessness
 Prevent foreclosures and support community recovery Strengthening Organizational Capacity

ATTACHMENT(S):

- Background
- Resolution

BACKGROUND

At its July 26, 2012 meeting, the Minnesota Housing Finance Agency Board approved this development for a commitment of \$4,610,184 under the Low and Moderate Income Rental (LMIR) program, executing resolution 12-049. Due to higher syndication proceeds, the LMIR mortgage decreased to \$4,367,400.

The development requests a commitment extension due to an unexpected delay caused by a change in housing tax credit investor. The developer has resolved the issue, and review of closing due diligence for the development is currently in process. Staff requests a six-month extension to allow for a construction loan.

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

RESOLUTION NO. MHFA 13-

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT MODIFICATION
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM**

WHEREAS, the Board has previously authorized the issuance of a loan commitment for the development hereinafter named by its Resolution No. MHFA 12-049; and

WHEREAS, it is the desire of the Agency to extend the expiration date to allow for closing of the 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 loan commitment expiration date for the Park Manor Estates development from January 26, 2013 to July 31, 2013.

THAT, the amount of the LMIR amortizing loan shall not exceed \$4,367,400.

THAT, except for the extended commitment expiration date and loan amount, all other terms and conditions of MHFA Resolution No.12-049 remain in effect.

Adopted this 24th day of January 2013.

CHAIRMAN

This page intentionally blank.



AGENDA ITEM: 6.B.
MINNESOTA HOUSING BOARD MEETING
January 24, 2013

ITEM: Unity Place, Brooklyn Center – D0232

CONTACT: Susan Thompson 651-296-9838
 susan.thompson@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:

Request adoption of a Resolution authorizing the modification to increase the HOME Affordable Rental Preservation deferred loan commitment in the amount of \$280,000.

FISCAL IMPACT:

The current Affordable Housing Plan includes \$11 million in federal HOME funds for new preservation activity. Funding for the above referenced loan falls within the approved budgets and the loans will be made at an interest rate and on terms consistent with the AHP. The HOME Affordable Rental Preservation (HARP) loan is funded from federal appropriations. Funding of this loan will assist the Agency in meeting its' HOME commitment and expenditure deadlines.

MEETING AGENCY PRIORITIES:

Promote and support successful homeownership Preserve federally-subsidized rental housing
 Address specific and critical needs in rental housing markets Prevent and end homelessness
 Prevent foreclosures and support community recovery Strengthening Organizational Capacity

ATTACHMENT(S):

- Background
- Resolution

The Minnesota Housing Finance Agency (Agency) Board, at its November 17, 2011, meeting, approved this development for processing under the HOME Affordable Rental Program (HARP). Subsequently, at the February 23, 2012 meeting, the Board authorized a commitment of \$135,000 under the Preservation Affordable Rental Investment Fund (PARIF) program. The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION:	SELECTION		COMMITMENT		VARIANCE	
Total Development Cost	\$3,000,000		\$3,280,000		\$280,000	
Gross Construction Cost	\$2,763,325		\$3,016,750		\$253,425	
Agency Sources:						
HARP	\$2,865,000		\$3,145,000		\$280,000	
PARIF	\$135,000		\$135,000		\$0	
Total Agency Sources	\$3,000,000		\$3,280,000		\$280,000	
Loan-to-Cost Ratio						
	100%		100%			
Gross Rents:						
Unit Type	# of DU	Rent	# of DU	Rent	# of DU	Rent
2 BR	56	\$922	56	\$922	0	\$0
2 BR	5	\$920	5	\$920	0	\$0
3 BR	51	\$1,001	51	\$1,001		
Total Number of Units	112		112		0	

Factors Contributing to Variances:

Increased rehabilitation costs are the result of a combination of contractor bids 6% higher than budgeted, and an increase to contingency recommended by Staff to address unanticipated needs during the rehabilitation.

Additional third-party investigations as well as additional architectural work were needed during due diligence to identify and confirm work scope resulting in higher soft costs.

Other significant events since Board Selection:

None.

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

RESOLUTION NO. MHFA 13-

**RESOLUTION APPROVING COMMITMENT MODIFICATION
HOME AFFORDABLE RENTAL PRESERVATION (HARP) PROGRAM**

WHEREAS, the Board has previously authorized the commitments for the development hereinafter named by its Resolution Nos. MHFA 11-063 with an expiration date of July 17, 2013; and 12-009, with an expiration date of September 30, 2013; and,

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

WHEREAS, Agency staff has determined that there are increased rehabilitation costs due to contractor bids being 6% higher than budgeted and a recommended higher contingency to address unanticipated needs during the rehabilitation.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby increases the funding commitment on the development noted below, and hereby confirms the renewal of said commitment, subject to any revisions noted:

1. Unity Place – D0232
 - Increase HARP Loan funding commitment from \$2,865,000 to \$3,145,000
2. Except for the increased funding commitment, all other terms and conditions of MHFA Resolution Nos. 11-063 and 12-009 remain in effect.

Adopted this 24th day of January, 2013.

CHAIRMAN

This page intentionally blank.



AGENDA ITEM: 6.C.
MINNESOTA HOUSING BOARD MEETING
January 24, 2013

ITEM: Kentucky Lane, Crystal – D1953

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 recommends adoption of a resolution approving modification of the existing Low and Moderate Income Rental (LMIR) first mortgage.

FISCAL IMPACT:

The proposed loan modification will result in a net loss to the Agency of approximately \$710,766 in interest income.

MEETING AGENCY PRIORITIES:

Promote and support successful homeownership Preserve federally-subsidized rental housing
 Address specific and critical needs in rental housing markets Prevent and end homelessness
 Prevent foreclosures and support community recovery Strengthening Organizational Capacity

ATTACHMENT(S):

- Background
- Resolution

Background

Kentucky Lane is a 68 unit walk-up apartment complex located in Crystal; the property was constructed in 1967. In December 2000, the Agency provided a bond financed LMIR/Risk Share first mortgage and low income housing tax credits which were used to fund acquisition and capital improvements. As part of the acquisition, the current owner assumed an existing LMIR Incentive loan which was increased by \$48,764 due to a funding gap.

The development is located in an area that has a high concentration of rental property; much of the competition is of newer design with amenities and rents in line with the condition of the property. Because of this, the development has been unable to increase rents to Agency approved levels and has had higher than average vacancies. As a result, the development has been experiencing negative cash flow for several years; since 2008 the development has lost an average of \$29,885 per year and is projected to lose \$23,339 in 2012. The debt coverage ratio is less than 1.

Assigned Agency asset management staff has been working with the owner to resolve resident, vacancy and cash flow issues. Minor improvements of re-decorating, painting common areas, replacing hallway carpet and increased grounds maintenance will improve the curb appeal. Maintaining management expertise will assist in resolving resident vacancy issues. Unfortunately, the owner has been unable to maintain staffing or complete capital improvements because of the negative cash flow situation.

The proposed loan modification reduces the interest rate from 7.29 percent to 5 percent resulting in a reduction of the annual debt service from \$238,328 to \$200,323. The reduced debt service payments increases operating cash which will provide for an increase in payroll expense and an increase in the monthly deposit into the replacement cost reserve to the current underwriting benchmark of \$450 per unit per month (50 percent increase) and a debt coverage ratio that is greater than 1. The term of the loan will remain unchanged.

The 5 percent interest rate is based on the Agency's Rate of Return Index for January, 2013 and is consistent with Agency loan modification policies.

Although the proposed loan modification will result in a net loss to the Agency of approximately \$710,766 in interest income over the term of the loan, the modification will financially stabilize the development and ensure repayment of the outstanding debt.

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

RESOLUTION NO. MHFA 13-

**RESOLUTION APPROVING LOAN MODIFICATION
LOW and MODERATE INCOME RENTAL PROGRAM**

WHEREAS, the Minnesota Housing Finance Agency (Agency) heretofore loaned \$3,402,960 for permanent loan financing for a multifamily rental housing development known as Kentucky Lane in Crystal, MN, MHFA Development No. 1953 (the Development); and

WHEREAS, Agency staff has proposed an agreement to facilitate the continued operation of the Development based on the following terms:

1. Agency staff will modify the terms of the existing first mortgage by:
 - a. Reducing the interest rate from 7.29 percent to 5 percent; and
2. Closing will occur by January 31, 2014.

NOW THEREFORE, BE IT RESOLVED:

Contingent upon Minnesota Housing obtaining agreement by the Owner to a five year prohibition against pre-payment, Minnesota Housing will modify the terms of the existing first mortgage on the above-described terms and conditions.

Adopted this 24th day of January, 2013.

CHAIRMAN

This page intentionally blank.



AGENDA ITEM: 6.D.
MINNESOTA HOUSING BOARD MEETING
January 24, 2013

ITEM: Cedarview Commons and Rivertown Commons D3589

CONTACT: Elaine Vollbrecht, 651-296-9953
 elaine.vollbrecht@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 adoption of the attached resolution to award previously committed ELHIF rental assistance grant funds to a new rental assistance sponsor due to the loss of the original sponsor.

FISCAL IMPACT:

None

MEETING AGENCY PRIORITIES:

Promote and support successful homeownership Preserve federally-subsidized rental housing
 Address specific and critical needs in rental housing markets Prevent and end homelessness
 Prevent foreclosures and support community recovery Strengthening Organizational Capacity

ATTACHMENT(S):

- Background
- Resolution

Background

Episcopal Community Services, Inc. (ECS) has been the Rental Assistance Sponsor of the ELHIF rental assistance funding for Cedarview Commons and Rivertown Commons, owned by The Cornerstone Group, since 2009. These properties are in the Minnesota Housing LMIR First Mortgage portfolio. ELHIF Sponsor-Based Rental Assistance funding provided rental assistance under the guidelines of the Housing Trust Fund rental assistance program for twenty long-term homeless households at the properties, most of them families with children.

In August 2012, Minnesota Housing was notified by the Cornerstone Group that ECS would no longer provide rental assistance sponsorship or supportive services after the end of the year. ECS made the decision to redirect their organization's activities away from direct social service and toward support of the Episcopal Church anti-poverty initiatives, to ensure financial sustainability for their organization. The Minnesota Housing Board of Directors approved a one year renewal award of \$140,000 for ELHIF rental assistance to ECS effective October 1, 2012 so that rental assistance could continue until alternative arrangements could be made.

Minnesota Housing Supportive Housing staff met with The Cornerstone Group to discuss options for both supportive services and rental assistance responsibilities, and suggested several experienced organizations. The Cornerstone Group then contacted and met with representatives of a number of these.

In December 2012, The Cornerstone Group selected the YWCA of St. Paul (YWCA) to provide supportive services and to assume the rental assistance responsibilities. The YWCA is experienced with supportive housing and the Housing Trust Fund rental assistance program, and currently administers two Housing Trust Fund tenant-based rental assistance grants serving families in the St. Paul area.

The ELHIF rental assistance grant in effect between Minnesota Housing and ECS was terminated by Minnesota Housing as of December 31, 2012, utilizing the mutual termination clause in the grant agreement.

The balance of the \$140,000 2012-2013 ELHIF rental assistance grant is \$111,844. A new grant between Minnesota Housing and the YWCA in this amount will be effective January 1, 2013 through September 30, 2013. The grant will be subject to application for renewal for future funding.

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

RESOLUTION NO. MHFA xx-xxx

RESOLUTION APPROVING GRANT COMMITMENT
ENDING LONG-TERM HOMELESSNESS INITIATIVE FUND (ELHIF) RENTAL ASSISTANCE

WHEREAS, the Minnesota Housing Finance Agency Board previously authorized commitments to organizations for the extension of grant terms and additional funding to provide rental assistance for families who are low income, near homeless, homeless or long-term homeless.

WHEREAS, the Minnesota Housing Finance Agency has terminated the agreement of one previously approved Grantee, and will reallocate the committed funds to the Grantee named below.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to enter into a grant agreement using previously committed Agency resources as follows:

1. The Agency staff shall review and approve the following Grantee the total recommended for nine months commencing January 1, 2013;

<ul style="list-style-type: none"> • YWCA of St. Paul 	D3589	\$111,844
--	-------	-----------
2. The issuance of a grant agreement in form and substance acceptable to the Agency staff and the closing of the individual grants shall occur no later than two months from the adoption date of this Resolution; and
3. The sponsor and such other parties shall execute all such documents relating to said grants, to the security therefore, as the Agency, in its sole discretion, deems necessary.

Adopted this 24th day of January, 2013.

CHAIRMAN

This page intentionally blank.



AGENDA ITEM: 6.E.
MINNESOTA HOUSING BOARD MEETING
January 24, 2013

ITEM: Changes, Step Up Program Procedural Manual

CONTACT: Kirsten Partenheimer, 651-297-3656
 kirsten.partenheimer@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 requests approval of two changes to the Step Up Program Procedural Manual:

- Clarify eligible refinance types; and
- Clarify that the minimum borrower cash investment requirement applies only to purchase transactions

FISCAL IMPACT:

These minor clarifications are not expected to have a significant fiscal impact to the Agency.

MEETING AGENCY PRIORITIES:

Promote and support successful homeownership Preserve federally-subsidized rental housing
 Address specific and critical needs in rental housing markets Prevent and end homelessness
 Prevent foreclosures and support community recovery Strengthening Organizational Capacity

ATTACHMENT(S):

- Background
- Step Up Program Procedural Manual Changes

BACKGROUND:

The Board approved the Step Up Program Procedural Manual in July ahead of the homeownership program redesign that was implemented on December 18, 2012. The redesign included simplifying the first-time homebuyer program (Start Up) and adding a program for non-first-time homebuyers to purchase or refinance a home (Step Up).

Feedback from Minnesota Housing's participating lenders is crucial during the transition period following changes of this magnitude to the Agency's mortgage loan programs. Lenders have sought clarification on the following two items:

- Eligible refinance types; and
- Minimum borrower cash investment requirement as it applies to refinance transactions

The new manual language clarifies that refinance transactions may be either no-cash-out or limited-cash-out in order to allow borrowers the flexibility of receiving nominal cash back at closing.

The language also clarifies that borrowers receiving a Monthly Payment Loan as part of a refinance transaction are not required to provide a minimum borrower contribution of \$1,000 or 1% of the purchase price. The minimum borrower contribution requires that borrowers place their own funds in the transaction in order to increase their commitment to performing on the loan. However, refinance transaction borrowers have demonstrated through their years of on-time mortgage payments the ability and willingness to perform on the loan. In addition, refinance transactions differ from purchase transactions in that no new money goes into the transaction and any equity in place stays due to the Agency's no-cash and limited-cash-out policy.

Step Up Program Procedural Manual

Chapter 4 – Loan Eligibility

4.01 Eligible Loans

The Master Servicer purchases closed loans from Lenders under contract in Minnesota Housing's Mortgage Loan Programs. The Lender must warrant that the following criteria have been met for each loan submitted for purchase.

Minnesota Housing will purchase loans originated pursuant to industry standard guidelines under the Step Up program as follows:

- Purchase transactions
- Refinance transactions
 - ◇ No cash out and,
 - ◇ Limited cash out.

Eligible loan products include:

- Conventional Fannie Mae HFA Preferred™ with the Desktop Underwriter® (DU®) findings of Approve/Eligible;
- Fannie Mae HFA Preferred Risk Sharing™;
 - ◇ originated by participating lenders that have fully executed the HFA Preferred Risk Sharing™ Supplement to the Participation Agreement; and
 - ◇ with DU® findings of Approve/Eligible;
- Federal Housing Administration (FHA) purchase or refinance transactions;
- FHA Streamlined Refinance as follows:
 - ◇ Limited to Borrowers with loans currently serviced by US Bank
 - ◇ FHA 203(k) Streamlined Purchase or Refinance/Repair;
- Veterans Administration (VA); and
- Rural Development (RD).

Loans purchased by Minnesota Housing must satisfy the following criteria:

- All local, state and federal laws and regulations including those relating to affirmative action, fair housing, equal opportunity, truth-in-lending and wrongful discrimination in residential housing have been met;
- The loan must be originated and closed in, or assigned to, the name of the Lender that is a party to the Participation Agreement and that has gained an Individual Commitment of funds from Minnesota Housing via the HDS SF Web Application.

Chapter 5 – Downpayment and Closing Cost Loans

5.02 Monthly Payment Loan Borrower Eligibility

Cash Investment

A minimum cash investment of the lesser of 1% of the purchase price or \$1,000, including prepaids, is required only for purchase loans. The cash investment must come from the Borrower's assets and may not be a gift, grant, loan or sweat equity contribution.



AGENDA ITEM: 6.F.
MINNESOTA HOUSING BOARD MEETING
January 24, 2013

ITEM: Waivers, HOME Homeowner Entry Loan Program

CONTACT: Emily Strong, 651-296-3631
 emily.strong@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 requests a Board waiver under the HOME Homeowner Entry Loan Program (HOME HELP) for a technical error by the lender. This HOME HELP lender provided downpayment and closing cost assistance of \$10,000 to a first-time homebuyer purchasing their home through Minnesota Housing's Community Activity Set Aside Program (CASA), which was funded with mortgage revenue bonds. HOME HELP is funded with federal HOME funds.

FISCAL IMPACT:

There is no fiscal impact as this loan will be purchased with HOME funds as originally intended if the waiver is approved.

MEETING AGENCY PRIORITIES:

Promote and support successful homeownership Preserve federally-subsidized rental housing
 Address specific and critical needs in rental housing markets Prevent and end homelessness
 Prevent foreclosures and support community recovery Strengthening Organizational Capacity

ATTACHMENT(S):

- Background

The HOME HELP program distinguishes between two types of waivers for lender error: 1) an alternate entry-cost assistance waiver; and 2) a regular HOME HELP waiver. An alternate entry-cost assistance waiver may be warranted when a lender originates a loan under the HOME HELP program, but does not comply with HOME requirements and the Agency uses its Homeownership Assistance Fund to reimburse the lender which results in a modest financial loss to the Agency. A regular HOME HELP waiver is available when a lender has complied with the Department of Housing and Urban Development's HOME fund requirements, but does not comply with Minnesota Housing program requirements, and the waiver results in no financial loss to the Agency.

The waiver requested is a regular HOME HELP waiver for the following loan from Wintrust Mortgage and is summarized below:

- Loan Number 0012615204. The borrower did not qualify as a first-time homebuyer, which is a Minnesota Housing HOME HELP program requirement. Since the Federal HOME funds allow for use with non-first-time homebuyers, staff determined that the borrower would qualify for the HOME HELP funds and the lender could be paid for the HOME HELP loan using Federal HOME funds. The first mortgage had already been purchased and, in accordance with current practice, securitized as a non-MRB security. This is the first regular HOME HELP waiver recommended for Wintrust Mortgage.

The Agency does not charge the lender a fee for a regular HOME HELP error, though technical assistance is provided, because no financial loss is incurred. The primary cost to the Agency is opportunity cost, which is defined as not being able to serve the intended borrowers due to scarce resources being diverted to ineligible borrowers.

The lender, Wintrust Mortgage, has acknowledged its oversight and modified its processes to include more detailed reviews of Minnesota Housing's guidelines.



AGENDA ITEM: 7.A.
MINNESOTA HOUSING BOARD MEETING
January 24, 2013

ITEM: Granite City Townhomes, St. Cloud – D1477

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:

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 Low and Moderate Income Rental (LMIR) program commitment in the amount of \$748,619 and a deferred funding commitment in the amount of \$696,648 under the Flexible Financing for Capital Costs (FFCC) program, both 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 \$110 million in new activity for the LMIR program (including \$20 million from the Housing Investment Fund (Pool 2)) and \$4 million in new activity under the FFCC program (funded through the Housing Affordability Fund – Pool 3). Funding for these loans falls within the approved budgets and, the loans will be made at interest rates and terms consistent with what is described in the AHP. Additionally, the LMIR loan should generate \$34,730 in fee income (origination fee and construction oversight fee) as well as interest earnings which will help offset Agency operating costs.

MEETING AGENCY PRIORITIES:

Promote and support successful homeownership Preserve federally-subsidized rental housing
 Address specific and critical needs in rental housing markets Prevent and end homelessness
 Prevent foreclosures and support community recovery Strengthening Organizational Capacity

ATTACHMENT(S):

- Background
- Development Summary
- Resolution

Background

Granite City Townhomes is a 24 unit Low Income Housing Tax Credit (LIHTC) development located in the West End neighborhood of St. Cloud. The development was financed in 1996 with tax credits issued by a suballocator, a first mortgage funded by Wells Fargo and a deferred \$240,000 Affordable Rental Income Fund (ARIF) loan from Minnesota Housing. The ARIF loan matures November 2026 and is accruing interest at a rate of 7% per annum; the current outstanding balance is \$520,560.

The original owner /borrower was the Housing Coalition of St. Cloud. The Housing Coalition provided many services including homeless shelters and transitional housing. In the mid-1990's they obtained financing for the construction of three LIHTC developments; Granite City Townhomes, Woodland Village and Granite Hill Homes.

By 2005, the Housing Coalition had begun experiencing funding and organizational issues. In 2009, the Housing Coalition notified Agency staff that they were intending to dissolve their organization and sell all their assets. Minnesota Housing and Greater Minnesota Housing Fund (GMHF) became involved and attempted to assist in resolving the issues; both agencies invested funds to correct health & safety issues and winterizing uninhabitable buildings. Unfortunately, the Housing Coalition had already determined the direction of the organization. When the Housing Coalition closed its doors on April, 2010, St. Cloud lost a significant number of shelter beds and transitional housing units.

Early in 2010, Minnesota Housing and GMHF approached Sand Companies to gauge their interest in acquiring the three tax credit developments. After several conversations with the tax credit investors and the first mortgage lenders, Minnesota Housing and GMHF were able to facilitate a transfer from the Housing Coalition of St. Cloud to Sand Companies. The tax credit investors agreed to exit at the time of the transfer on December 31, 2010, the first mortgage lenders agreed to accept a reduced payoff amount and Minnesota Housing agreed to allow Sand Companies to assume our existing deferred loans. GMHF provided short term financing for the acquisition of \$340,000 is now due and will be repaid from the proposed LMIR loan proceeds.

At the time Sand Companies acquired Granite City Townhomes, it had burgeoning gang issues, a very high vacancy rate, a poor reputation in the community and significant deferred maintenance. In less than two years, the gang issues have been eliminated, occupancy is at or near 100%, and the development's reputation is now favorable.

In order to maintain the high level of occupancy and favorable reputation, the physical condition of the development needs to be addressed. Currently 88% of the households have Section 8 vouchers; a significant amount of funds have had to be expended in each unit to correct deferred maintenance issues so that they pass inspection by the HRA. The proposed work scope includes replacement of siding, windows and a new playground area. Interior improvements include new cabinetry, fixtures and flooring. A site office and maintenance storage area will be constructed on the end of the building. The development does not have funds required to complete the needed rehabilitation but can support amortizing debt.

The total development cost for refinance and rehabilitation is estimated at \$1,595,267. Staff is proposing a LMIR Risk Share first mortgage in the amount of \$748,619, which is the maximum supportable debt. The funding gap will be funded through a FFCC deferred loan in the amount of \$696,648 and a deferred loan from GMHF in the amount of \$150,000. The term of the deferred loans is 30 years at 0% interest.

Board Agenda Item: 7.A.
Attachment: Background

To further the stabilization efforts of Minnesota Housing and GMHF, staff is proposing to modify the existing ARIF loan to be coterminous with the new financing and reduce the interest rate from 7% to 0% per annum. The proposed 0% interest rate is consistent with Agency deferred loan program policies and past practices.

DEVELOPMENT:

Name: Granite City Townhomes App#: M16379
 Address: 433 & 435 33rd Avenue North
 City: St. Cloud County: Stearns Region: CMIF

MORTGAGOR:

Ownership Entity: Granite City Townhomes, LLC
 General Partner/Principals: SCA Associates/Leo M. Sand

DEVELOPMENT TEAM:

General Contractor: Sand Companies Inc.; Waite Park
 Architect: Sand Companies Inc.; Waite Park
 Attorney: Law Office of PJ Fuchsteiner, Waite Park
 Management Company: Sand Companies Inc., Waite Park

CURRENT FUNDING REQUEST/ PROGRAM AND TERMS:

\$ 748,619 LMIR First Mortgage
 Funding Source: Housing Investment Fund (Pool 2)
 Interest Rate: 4.75%
 MIP Rate: 0.25%
 Term (Years): 30
 Amortization (Years): 30

\$ 696,648 Flexible Financing Cap Costs
 Funding Source: Housing Affordability Fund (Pool 3)
 Interest Rate: 0.00%
 Term (Years): 30

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY*
2BR	8	954	\$ 682	\$ 682	\$ 27,280
3BR	16	1,059	\$ 964	\$ 964	\$ 38,560
TOTAL	24				

NOTES: *Under the LMIR program, when in conjunction with the Housing Tax Credit program, rents are affordable at 50% AMI with household incomes up to 60% AMI.

PURPOSE:

Granite City Townhomes consists of two 2-story buildings totaling twenty-four townhome units. The buildings were constructed in 1997 with housing tax credits from the City of St. Cloud. The development is at the end of its initial 15 year compliance period. The owners are requesting Agency financing to complete the needed capital improvements and modification of an existing deferred loan. In addition to refinancing an existing Greater Minnesota Housing Fund (GMHF) loan. Rents will remain affordable during the extended use period of the tax credit program and term of Minnesota Housing financing.

TARGET POPULATION:

The development is available for general occupancy, families with children, and single heads of household with children and individuals/family of color.

PROJECT FEASIBILITY:

GMHF has committed \$150,000 in new deferred funding. The proposal will be fully funded upon the Agency Board's approval of the LMIR and deferred loan funding commitments and loan modification of the existing ARIF loan, the development will be well positioned to close soon.

DEVELOPMENT TEAM CAPACITY:

Sand Companies, Inc. will continue to own and manage the property. Their existing portfolio consists of tax credit developments; twelve Minnesota Housing first mortgages and supportive housing. In addition, they have commercial management experience overseeing six Country Inn hotels.

Sand Companies' reports and responses to Minnesota Housing's asset management issues are timely and accurate, the buildings are maintained in good condition and curb appeal is good. The company has the capacity and staff is appropriately trained to take on additional developments. The overall average in management fees is 6.5 percent.

PHYSICAL AND TECHNICAL REVIEW:

The architect and contractor are both affiliated with the developer. The developer has successfully provided these services for several other developments funded by Minnesota Housing. The proposed work scope addresses both exterior and interior rehab needs. Major improvements include: windows, siding, drainage, garage doors, landscaping, site lighting, playground, cabinets, flooring, doors and security upgrades. In addition, a site office and maintenance storage area will be constructed.

MARKET FEASIBILITY:

This building is currently 83 percent occupied (2 vacant units); vacant units are quickly re-rented. Sand Companies maintains a good relationship with the St. Cloud HRA for Section 8 tenant based voucher referrals. The development is close to elementary, middle and high schools and is located within walking distance of multiple services and job opportunities; a transit line runs directly in front of the development.

St. Cloud is experiencing positive population growth; between 2000 and 2011, the city grew in total population from 59,107 to 68,066. Although the city is not experiencing positive job growth, St. Cloud ranks third in overall jobs for Greater Minnesota.

DEVELOPMENT COST SUMMARY (estimated):

	Total	Per Unit
Total Development Cost	\$1,595,267	\$66,469
Gross Rehabilitation Cost	\$973,000	\$40,542
Payoff of existing GMHF loan	\$340,000	\$14,167
Total LMIR Mortgage (Including 4% DCE)	\$748,619	\$31,192
First Mortgage Loan-to-Cost Ratio		47%
First Mortgage Loan-to-Value (\$1.48 million appraised value)		51%
Agency Deferred Loan Sources		
Flexible Financing Cap Costs	\$696,648	\$29,027
Total Agency Sources	\$1,445,267	\$60,219
Total Loan-to-Cost Ratio		91%
Total Loan-to-Value (\$1.48 million appraised value)		98%
Other Non-Agency Sources		
GMHF	\$150,000	\$6,250
Total Non-Agency Sources	\$150,000	\$6,250

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

RESOLUTION NO. MHFA 13-

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM
AND FLEXIBLE FINANCING FOR CAPITAL COSTS (FFCC) PROGRAM
AND LOAN MODIFICATION AFFORDABLE RENTAL INCOME FUND (ARIF) 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:	Granite City Townhomes
Sponsor:	Granite City Townhomes, LLC
Guarantors:	Leo M. Sand, Jim Sand & Jaime Thelen, Waite Park
Location of Development:	St. Cloud, MN
Number of Units:	24
General Contractor:	Sand Companies, Inc., Waite Park
Architect:	Sand Companies, Inc., Waite Park
Amount of Development Cost:	\$1,595,267
Amount of LMIR Mortgage:	\$748,619
Amount of FFCC Deferred Loan:	\$696,648

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

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to modify the existing ARIF loan and to issue a commitment to provide a construction and permanent mortgage loan to said applicant from the Housing Investment Fund (Pool 2 under the LMIR Program) and approves deferred funding from the Housing Affordability Fund (Pool 3 under the FFCC program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall be \$748,619; and
2. The Initial Closing of the LMIR loan shall be on or before July 31, 2013 (which shall also be the LMIR Commitment Expiration Date); and
3. The interest rate on the permanent LMIR loan shall be 4.75 percent per annum plus .25 percent per annum HUD Risk Share MIP, with monthly payments based on a 30 year amortization; and
4. The term of the permanent LMIR loan shall be 30 years; and
5. The amount of the FFCC deferred loan shall be \$696,648; and
6. The Initial Closing of the FFCC loan shall be on or before July 31, 2013 (which shall also be the FFCC Commitment Expiration Date); and
7. Repayment of the FFCC loan shall be deferred at 0 percent and is due upon maturity or repayment of the LMIR loan; and
8. Agency staff shall review and approve the Mortgagor; and
9. 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
10. Leo M. Sand, Jim Sand and Jamie Thelen shall guarantee the mortgagor's payment obligation under the LMIR Building Loan Agreement, LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and
11. The sponsor, the builder, 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 loan, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deem necessary.
12. The existing deferred ARIF loan will be modified by:
 - a. Reducing the interest rate to 0 percent; and
 - b. Extending the term from November, 2026 to the date that is coterminous with the LMIR first mortgage.

Adopted this 24th day of January 2013.

CHAIRMAN



AGENDA ITEM: 7.B.
MINNESOTA HOUSING BOARD MEETING
January 24, 2013

ITEM: Proposed Revisions to the Qualified Allocation Plan (QAP) and Procedural Manual, 2014 and 2015 Housing Tax Credit (HTC) Program

CONTACT: Kayla Schuchman, 651-296-3705
 kayla.schuchman@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 recommending adoption of a motion for approval of the proposed revisions for the 2014/2015 Housing Tax Credit Qualified Allocation Plan (QAP) and Procedural Manual.

FISCAL IMPACT:

This is a federally sponsored program not funded from state appropriations and will not have any fiscal impact on the Agency's financial condition.

MEETING AGENCY PRIORITIES:

Promote and support successful homeownership Preserve federally-subsidized rental housing
 Address specific and critical needs in rental housing markets Prevent and end homelessness
 Prevent foreclosures and support community recovery Strengthening Organizational Capacity

ATTACHMENT(S):

Background

Timetable

Attachment 1 – 2014/2015 Housing Tax Credit Program, QAP and Procedural Manual Proposed Revisions

Attachment 2 – Community Economic Integration Methodology

Attachment 3 – Workforce Housing Communities Methodology

Attachment 4 – Preservation Geographic Priority Areas

Attachment 5 – Minimizing Transportation Costs and Promoting Access to Transit Methodology

Attachment 6 – Cost Containment Methodology

Attachment 7 – High Need Foreclosure Methodology

BACKGROUND:

The Federal Tax Reform Act of 1986 created the Housing Tax Credit Program (HTC) for qualified residential rental properties. The HTC program is the principal federal subsidy contained within the tax law for acquisition/substantial rehabilitation and new construction of low-income rental housing.

Section 42 of the Internal Revenue Code (IRC), requires that state allocating agencies develop a Qualified Allocation Plan (QAP) for the distribution of the tax credits within their jurisdiction. The QAP is subject to modification or amendment to ensure the provisions conform to the changing requirements of the IRC, applicable state statute, the changing environment and to best promote the Agency's strategic priorities. Staff has reviewed the HTC program and is preparing the necessary modifications.

In the past, Minnesota Housing has published an annual QAP in March of each year, with applications for tax credits governed by that QAP due in June of that same year. Minnesota Housing has received feedback over the last several QAP cycles that the three month timeframe that developers have to pursue and submit applications for developments that meet the priorities in the QAP is insufficient. As such, staff is proposing a one-time only two-year QAP, the 2014/2015 QAP, which will allow for an ongoing adjustment in the annual schedule to provide an additional year to developers between publication of the annual QAP and the application due date.

On January 16, 2013, staff will meet with tax credit suballocators to review proposed revisions for the 2014/2015 QAP and to adopt the tentative 2014/2015 HTC Program Schedule.

The cities of Minneapolis and St. Paul, and Dakota and Washington counties will continue to administer tax credits within their jurisdictions and the cities of Duluth, St. Cloud, and Rochester are expected to again enter into a Joint Powers Agreement with the Agency to administer their 2014 housing tax credits.

A summary of the proposed revisions for the 2014/2015 QAP and Manual will be made available for public review on the Agency's web site following Board approval along with a notice of the upcoming HTC 2014/2015 QAP public hearing. The Agency invites comments from tax credit developers, industry representatives, and the public regarding the Allocation Plan at a public hearing scheduled for February 20, 2013. Staff will review all comments, and changes will be incorporated into the HTC QAP and/or Manual where appropriate. The Board will review the Final 2014/2015 HTC QAP and Procedural Manual revisions at its April 4th Board meeting.

Upon obtaining final Agency Board and Governor approval of the HTC QAP and Procedural Manual, the Request for Proposals for 2014 Round 1 and Round 2 will be issued, application materials will be posted on Minnesota Housing's website and staff will provide technical assistance to applicants.

TIMETABLE:**2014/2015 HTC PROGRAM SCHEDULE**

February 20, 2013	Minnesota Housing 2014/2015 HTC Public Hearing
April 4, 2013	Agency Board asked to approve final 2014/2015 QAP and Manual
April 29, 2013	Publish RFP for HTC 2014 Rounds 1 and 2
June 18, 2013	HTC 2014 Round 1 and 2013 MF Consolidated RFP Application Deadline
October 24, 2013	Agency Board asked to approve HTC 2014 Round 1 selection recommendations
January 28, 2014	HTC 2014 Round 2 Application Deadline (Tentative date)
April 24, 2014	Agency Board asked to approve HTC 2014 Round 2 selection recommendations (Tentative date)
April 21, 2014	Publish RFP for HTC 2015 Rounds 1 and 2 (Tentative date)
June 10, 2014	HTC 2015 Round 1 and 2014 MF Consolidated RFP Application Deadline (Tentative date)
October 23, 2014	Agency Board asked to approve HTC 2015 Round 1 selection recommendations (Tentative date)
January 27, 2015	HTC 2015 Round 2 Application Deadline (Tentative date)
April 23, 2015	Agency Board asked to approve HTC 2015 Round 2 selection recommendations (Tentative date)

This page intentionally blank.

Board Agenda Item: 7.B.
Attachment: Attachment 1

**2014/2015 Housing Tax Credit Program, QAP and Procedural Manual
Proposed Revisions**

**2014/2015 Housing Tax Credit Program, QAP and Procedural Manual
Proposed Revisions****Statutory**

No statutory changes are proposed.

Qualified Allocation Plan and/or Procedural Manual**1. Revise targeting of the State Designated Basis Boost.**

The Housing and Economic Recovery Act of 2008 (HERA) allowed states to set standards for determining which areas and projects shall receive the state designated basis boost and define the criteria as part of the Agency's QAP and express its reasons for such determination. To further target the state designated basis boost, staff proposes revising the criteria to include projects that involve economic integration as eligible for the boost. The proposed revision is consistent with the Economic Integration scoring criterion under the proposed 2014/2015 QAP, and is also consistent with the priority for deferred loan funding made available in the Multifamily Consolidated Request for Proposals for developments that provide or maintain housing opportunities for households with a wide range of incomes and housing needs within the proposed housing. The proposed language is as follows (revisions underlined/black lined):

State Designated Basis Boost – Buildings Designated by State Housing Credit Agency [pursuant to 42(d)(5)(B)(v)]

It is the goal of Minnesota Housing to optimize the use of all available sources of funding for multifamily developments; including private investor equity, amortizing loans and deferred loans to produce the maximum number of affordable rental units in the most sustainable, quality, cost effective and geographically diverse developments possible which meet Minnesota Housing's strategic priorities. Consistent with this goal, the following criteria will be used to determine if, when, and in what amount, Minnesota Housing will provide a basis boost for housing tax credit developments on a building by building basis to obtain financial feasibility.

- a. Development must meet state identified housing priorities as evidenced by competitive tax credit score and involve community revitalization, historic preservation, preservation of existing federally assisted buildings, including those eligible for points under preservation of existing tax credits in the self-scoring worksheet, housing with rents affordable to households at or below 30 percent of median income, including households experiencing long-term homelessness, ~~or~~ housing in response to significant proposed expansions in area employment or natural disaster recovery efforts, or economically integrated housing providing at least 25 percent but not greater than 80 percent of the total units in the project as qualified HTC low income units (not including full-time manager or other common space units).
- b. Funding gaps remain for top ranking tax credit developments.
- c. Credits allocated in connection with the basis boost shall be no more than needed to achieve financial feasibility.

*Note: Requests by Applicants/Developers to Minnesota Housing to apply the 30% State designated basis boost must be formally made in writing. The request should clearly outline the reasons supporting

the request and clearly demonstrate how the proposal meets the criteria established by Minnesota Housing for receiving boost considerations.

2. Add clarification to the QAP regarding the preservation award ceiling.

The 2013 QAP provided that in Round 1, Minnesota Housing will establish a preservation award ceiling of 2/3 for each regional pool, Metropolitan and Greater Minnesota, while reserving the right to exceed the 2/3 ceiling if qualifying new construction proposals are not available or do not rank competitively. For the 2014/2015 QAP, staff proposes keeping this 2/3 preservation ceiling, which acknowledges the importance of continuing to add to the supply of affordable housing, and to clarify in the QAP that this 2/3 ceiling does not apply to the RD/Small Project Set-Aside nor the nonprofit set-asides. The proposed revision is a clarification and not a policy change. The amount of funding in each of these set-asides is usually insufficient to fund more than one or two developments. To require the tax credits in these set-asides to be split so that no more than 2/3 of each set-aside is awarded to a preservation development, with the remainder going into a new construction development, would be administratively difficult, and would require partially funding two or more developments rather than fully funding one or two developments to the maximum extent possible. This would delay projects from becoming fully funded, also delaying the Agency's deployment of resources.

3. Add clarification to the Procedural Manual regarding the Administrative Errors/Appeals Process.

The Procedural Manual provides that if an applicant believes that Minnesota Housing has misinterpreted, was not aware of a submission item, or miscalculated the applicant's selection points or credit amount at the time of application/reservation, the applicant may appeal, submitting in writing evidence supporting their position within five business days of Minnesota Housing's notification of application status. In recent years, given the prevalence of email communication, after selection decisions are announced multiple different staff often receive questions about selection decisions via email message. Email messages could be construed to be written evidence as required by the appeals process spelled out in the Procedural Manual, though an applicant sending an email message may simply be looking for clarification or explanation about a selection decision, and not intending to appeal. Because of the difficulty of determining at what point an emailed question constitutes an appeal, staff recommends requiring all appeals to be submitted on hard copy with an original signature, so that email messages do not constitute an appeal under the Procedural Manual.

4. Add clarification to the Procedural Manual regarding the Waiting List process.

The Procedural Manual provides that in Round 2, eligible applications will be maintained on a waiting list until the end of the year in the event Minnesota Housing receives National Pool credits or returned credits. The Manual states that if an application is not selected for a reservation of tax credits by the end of the calendar year, there will be no further consideration. At times, a project may be under consideration for an award of tax credits under the current year's waiting list established through Round 2, and through Round 1 of the next credit year. Staff recommends adding the clarification to the Procedural Manual that if a project on the waiting list is awarded its credit request through Round 1 it will no longer be eligible to receive credits through the waiting list. The proposed revision is a clarification, and not a policy change.

5. Add requirement to the Procedural Manual that Minnesota Housing will require an as-is appraisal for applications including an acquisition cost of over \$100,000.

To help ensure the cost reasonableness of developments awarded tax credits, staff proposes requiring an Agency ordered as-is appraisal to support acquisition costs in excess of \$100,000 identified at the time of application, except that appraisals will not be required for properties on tribal land, given the difficulties involved in appraising these properties. All costs incurred for the appraisal will be the responsibility of the applicant.

6. Require all 2014 and 2015 proposals to utilize the floating tax credit applicable percentage rate.

At the time of publication of the 2013 QAP, the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008 and before December 31, 2013 was set to a flat 9 percent applicable percentage. 2013 construction proposals were allowed to use the fixed 9 percent rate if there was a high degree of certainty that they would place in service before December 31, 2013. Because of the longer timelines and higher uncertainty associated with new construction proposals, the Procedural Manual required these projects to close on financing and begin construction by February 28, 2013.

The American Taxpayer Relief Act of 2012, passed by Congress on January 1, 2013, extends the flat 9 percent applicable percentage to be available for any new building placed in service after enactment of the provision, with respect to any tax credit allocations made before January 1, 2014. While the long-term goal of the National Council of State Housing Agencies (NCSHA) and housing advocates is to permanently fix the applicable percentage to the 9 percent flat rate, currently the fixed 9 percent rate will not be available to tax credit allocations made on or after January 1, 2014. Proposals selected for 2015 tax credits will not receive an allocation of credits until 2015, and proposals selected for 2014 tax credits are very unlikely to receive an allocation of credits prior to December 2014. For funding rounds of 2014 and 2015 tax credits, unless Congress extends the flat 9 percent rate prior to the application due date, applicants must utilize the floating 9 percent rate.

The following are refinements to existing priorities based on experience and additional data:

7. Revise the Economic Integration scoring criterion.

Points available under the 2013 QAP for developments located in higher income communities were not substantial enough to have a significant influence on where developments were sited, or which developments were selected. Staff proposes increasing the points available for those developments located in first tier economic integration communities from 1 point to 3 points and for second tier economic integration communities from 2 points to 5 points. Placing increased priority on developments located in high-income areas responds to public feedback about the importance of economic integration in local communities. The proposed methodology for this scoring criterion also moves from defining rural areas in Greater Minnesota as those areas outside of the counties containing the five largest non-Metro cities to defining rural areas as those areas outside of Greater Minnesota Metropolitan Statistical Areas. This change makes Minnesota Housing's definition consistent with the federal concept and definition. Refer to Attachment 2 for further information on regional definitions and the methodology used for this scoring criterion.

Further, points available in the 2013 QAP for this scoring criterion for developments providing mixed-income housing were hard for applicants to obtain because no more than 50% of units were allowed for low income households, and few if any developments were able to obtain these points due to difficulties associated with the financial structuring of mixed income developments at the required low income percentages. To make

these points more feasible for applicants to obtain, and to therefore encourage more applicants to structure developments as mixed-income, staff proposes revising the low income percentage requirements to allow for a larger percentage (80%) of low income units in the property, allowing applicants to obtain more of the tax credit resources associated with such units necessary to make the development financially feasible.

Current:

One (1) or Two (2) Points will be awarded to projects that meet one of the following (check one box below):

- The proposed housing provides project economic integration by providing at least 25 percent but not greater than 50 percent of the total units in the project as qualified HTC low income units (does not include full-time manager or other common space units) * - **2 points**

OR

To promote economic integration, projects are awarded points for being located in higher income communities that are close to jobs.

- The proposed housing is located in a census tract eligible for **1 point**
- The proposed housing is located in a census tract eligible for **2 points**

Proposed (revisions underlined/black lined):

~~One (1) or Two (2) Points will be awarded to projects that meet one of the following (check one box below):~~

- The proposed housing provides project economic integration by providing at least 25 percent but not greater than 50~~80~~ percent of the total units in the project as qualified HTC low income units (does not include full-time manager or other common space units) * - **2 points**

OR

To promote economic integration, projects are awarded points for being located in higher income communities that are close to jobs.

- The proposed housing is located in a census tract eligible for ~~1~~**3** point
- The proposed housing is located in a census tract eligible for ~~2~~**5** points

8. Revise the Project Location – Top Growth Communities scoring criterion, retitle as Workforce Housing Communities.

The 2013 criterion awarded points to projects that were located in the top 10 cities/townships in the 7 county metro area and top 20 cities/townships in Greater Minnesota with the highest household or job growth from 2000-2010, including a 5-10 mile buffer area around the cities/townships eligible for points (5 mile buffer around the metro area cities and a 10 mile buffer around greater Minnesota cities/townships) intended to recognize normal commuting patterns. For the 2014/2015 QAP, staff proposes revising this criteria to focus exclusively on jobs rather than jobs and households, and changing the period of analysis for job growth from 10 years to 5 years. The new methodology proposed for the 2014/2015 QAP is to provide points to Metro area developments in the top five communities in terms of total jobs as of 2011, and in the top 10 communities in terms of job growth for the period 2006 – 2011, for communities that had at least

2,000 jobs as of 2011. For Greater Minnesota, the recommended methodology is to award points for developments that experienced any job growth from 2000 to 2011 for communities that had at least 2,000 jobs as of 2011, and to the top ten communities in terms of total jobs. In addition, similar to the 2013 QAP, a modest commuted of 5 miles in the Twin Cities Metro, and 10 miles in Greater Minnesota, is proposed around top job and job growth communities.

Staff proposes removing household growth as a factor in determining top growth communities, as focusing on household growth could encourage urban sprawl, and the development of housing in communities that don't have a corresponding growth in jobs. Staff also proposes using five years of data rather than ten to determine the level of job growth in a community, as given the recession, the level of growth that was occurring in a community ten years ago may not be indicative of, or relevant to, what is happening in that community now.

In addition, recognizing the potential impact on applicants of such large changes in communities receiving priority, as well as the planning timeframe required for applicants to site a development and prepare for application to Minnesota Housing, staff is proposing for the 2014/2015 QAP to award points to communities based on both the new methodology proposed, and to communities receiving points under the methodology used in the 2013 QAP. Given this, communities eligible for Project Location points under the 2013 QAP would continue to be eligible under the 2014/2015 QAP, along with communities eligible under the new methodology and analysis. Minnesota Housing posted potential changes to the Top Growth Community/Workforce Housing criterion in October 2012, and the proposed scoring criterion was analyzed and revised based on public feedback received.

Refer to Attachment 3, where Tables 1, 2, 3, and 4 identify the top growth cities/townships and the maps display the buffer areas eligible for points. The maps will be a layer in the community profiles interactive mapping tool so applicants can easily check location in relation to these areas.

9. Revise the Financial Readiness to Proceed scoring criterion.

In the 2012 QAP, this scoring criterion was revised so that projects having no funding gap and not requesting deferred loan funding through the Multifamily RFP would receive 20 points. The goal of this change was to encourage projects to leverage external funding sources and maximize scarce Agency deferred loan resources. While this change in the 2012 QAP resulted in a large share of selected tax credit developments having no Agency deferred loan funding awards, this change has also raised concerns. Determining whether a project has a funding gap of zero dollars at this early stage in a development, prior to construction pricing being bid and prior to the terms of funding commitments being fully determined, has been difficult to do consistently, and documentation submittals provided to evidence a zero dollar funding gap often were preliminary and did not demonstrate a development's readiness to proceed. This 2012 revision to the scoring criterion also substantially limits the flexibility of Minnesota Housing to provide deferred loan financing to projects that meet Agency priorities but require deferred loan resources, and limits the ability of Minnesota Housing to provide deferred loan resources to projects when necessary to ensure high quality construction. Concerns for quality would increase without further extension of the flat 9 percent applicable percentage by Congress, or if tax credit prices decrease. To address these concerns, while continuing to prioritize developments that obtain outside funding, and that have made progress in securing the funding necessary to proceed toward closing, staff recommends removing the 20 point option for projects with no funding gap and no request for deferred loan funding, but providing additional points to projects that are

substantially funded. Staff also recommends adding language to clarify the calculation used to determine how many points a project is eligible for.

Current:

Minnesota Housing shall award points to applicants who have secured funding **commitments** for one or more funding sources at the time of application except that commitments for funding from Minnesota Housing and Funding Partners (i.e. Minnesota Department of Employment and Economic Development, Family Housing Fund, Greater Minnesota Housing Fund, Metropolitan Council Local Housing Incentive Account, Minnesota Green Communities) are only included if obtained in a previous funding cycle/round.

Commitment documentation must state the amount, terms and conditions and be executed or approved by the lender or contributor and the applicant. Documentation containing words synonymous with “consider” or “may”, (as in “may award”) regarding the commitment will not be considered acceptable.

The calculation below must exclude first mortgage financing and any anticipated proceeds from the current tax credit request.

Syndication proceeds from tax credits awarded in a previous cycle/round may be included if verification is included in the application. Acceptable verification is an executed syndicator agreement or executed Letter of Intent from the syndicator which is acceptable to Minnesota Housing;

The executed Letter of Intent must:

- Be current within 15 days of submission of the application
- Contain a projected closing date for the development
- Contain a projected equity price for the purchase of the credit
- Contain a detailed explanation of the assumptions being used by the syndicator to arrive at the projected equity price

Total eligible funding secured, awarded or committed (excluding first mortgage financing and any anticipated proceeds from the current tax credit request) \$_____ Divided by Total Development Cost \$ equals Percentage of Funds Committed _____% (round to nearest tenth)

- 50% or more of funding secured, awarded or committed – **10 points**
- 40% to 49.9% or more of funding secured, awarded or committed – **8 points**
- 30% to 39.9% or more of funding secured, awarded or committed – **6 points**
- 20% to 29.9% of funding secured, awarded or committed – **4 points**
- 10% to 19.9% of funding secured, awarded or committed – **2 points**
- 9.9% and below of funding secured, awarded or committed – **0 points**

OR

- Minnesota Housing competitive round projects **with no funding gap and no request for deferred loan funding through the Multifamily Consolidated RFP** exclusive of amortizing first mortgages and proceeds from the tax credits requested at the time of this application*. – **20 points**

*Projects that have secured all of the necessary funding are expected to proceed more quickly and add to the affordable housing supply, therefore, developments awarded points in this Selection Priority are expected to make significant progress towards closing within 180 days of selection. Significant progress towards closing includes but is not limited to establishing and maintaining site control, completion of infrastructure, obtaining all required municipal approvals, demonstration of financial feasibility including commitments for interim and permanent financing and firm commitment for syndication or executed limited partnership agreement. A subsequent request for deferred loan funding prior to issuance of 8609 or failure to submit sufficient documentation of such continued and significant progress to Minnesota Housing may result in the development's housing tax credit award being rescinded and subsequently awarded to other competitive tax credit developments.

Proposed (revisions underlined/black lined):

Minnesota Housing shall award points to applicants who have secured funding **commitments** for one or more funding sources at the time of application except that commitments for funding from Minnesota Housing and Funding Partners (i.e. Minnesota Department of Employment and Economic Development, Family Housing Fund, Greater Minnesota Housing Fund, Metropolitan Council Local Housing Incentive Account, Minnesota Green Communities) are only included if obtained in a previous funding cycle/round.

Commitment documentation must state the amount, terms and conditions and be executed or approved by the lender or contributor and the applicant. Documentation containing words synonymous with "consider" or "may", (as in "may award") regarding the commitment will not be considered acceptable.

The calculation below must exclude first mortgage financing and any anticipated proceeds from the current tax credit request.

Syndication proceeds from tax credits awarded in a previous cycle/round may be included if verification is included in the application. Acceptable verification is an executed syndicator agreement or executed Letter of Intent from the syndicator which is acceptable to Minnesota Housing;

The executed Letter of Intent must:

- Be current within 15 days of submission of the application
- Contain a projected closing date for the development
- Contain a projected equity price for the purchase of the credit
- Contain a detailed explanation of the assumptions being used by the syndicator to arrive at the projected equity price

Total eligible funding secured, awarded or committed (excluding first mortgage financing and any anticipated proceeds from the current tax credit request) \$ _____ Divided by Total Development Cost (excluding first mortgage financing and any anticipated proceeds from the current tax credit request) \$ _____ equals Percentage of Funds Committed _____% (round to nearest tenth)

- 70% or more of funding secured, awarded or committed – **14 points**
- 60% to 69.9% of funding secured, awarded or committed – **12 points**
- 50% ~~or more~~ to 59.9% of funding secured, awarded or committed – **10 points**

- 40% to 49.9% or more of funding secured, awarded or committed – **8 points**
- 30% to 39.9% or more of funding secured, awarded or committed – **6 points**
- 20% to 29.9% of funding secured, awarded or committed – **4 points**
- 10% to 19.9% of funding secured, awarded or committed – **2 points**
- 9.9% and below of funding secured, awarded or committed – **0 points**

OR

- Minnesota Housing competitive round projects **with no funding gap and no request for deferred loan funding through the Multifamily Consolidated RFP** exclusive of amortizing first mortgages and proceeds from the tax credits requested at the time of this application*. – **20 points**

~~*Projects that have secured all of the necessary funding are expected to proceed more quickly and add to the affordable housing supply, therefore, developments awarded points in this Selection Priority are expected to make significant progress towards closing within 180 days of selection. Significant progress towards closing includes but is not limited to establishing and maintaining site control, completion of infrastructure, obtaining all required municipal approvals, demonstration of financial feasibility including commitments for interim and permanent financing and firm commitment for syndication or executed limited partnership agreement. A subsequent request for deferred loan funding prior to issuance of 8609 or failure to submit sufficient documentation of such continued and significant progress to Minnesota Housing may result in the development's housing tax credit award being rescinded and subsequently awarded to other competitive tax credit developments.~~

10. Revise priorities under the Preservation scoring criterion, create three separate scoring criteria – Preservation of Federally Assisted Units, Preservation of Existing Housing Tax Credits, and Stabilization.

The 2013 QAP provides 20 points for preservation of any federally assisted property that is at risk of loss within two years due to the ability to convert to market rate housing, serious physical condition issues and deterioration of the capacity of current ownership or management. Similarly, 10 points were provided for preservation of any existing housing tax credit property at risk of loss due to the ability to convert to market rate housing or due to physical deterioration or deterioration of the capacity of current ownership or management.

The 2013 QAP combined Preservation of Federally Assisted Housing and Preservation of Existing Housing Tax Credits into one scoring criterion in an attempt to simplify the Self-scoring worksheet. While this was effective with the structure of last year's QAP, given the greater detail and definition being recommended around Preservation, separating these categories for the 2014/2015 QAP will provide greater simplicity.

For the 2014/2015 QAP, staff also recommends a revised definition of federally assisted units. The revised definition is simpler and more inclusive, and provides that only federal assistance not scheduled to sunset or expire is eligible for points under Preservation of Federally Assisted Units. This revised definition will be incorporated into the QAP as well as the Self-scoring worksheet.

For the 2014/2015 QAP, staff proposes a three-tiered preservation strategy. The approach of using three tiers will allow Minnesota Housing to differentiate and prioritize among levels of risk presented by different conditions and events in the life of an affordable housing property. It also will allow the Agency to take a more proactive approach to preservation.

- The first tier identified is for properties at imminent risk of loss, which is proposed to have the highest priority. To be considered at imminent risk, a property with existing housing tax credits must be eligible to opt out of the tax credit program within one year, and a property with federal assistance must be eligible to opt out of the federal assistance within three years. In addition, to be considered at imminent risk, these properties would need to be located in a strong market, and to be positioned to convert to market rate housing. Properties with federal assistance would also need to be in an area experiencing job or household growth to be considered for this highest preservation tier. Refer to Attachment 4, where Tables 2 and 3 identify job and household growth areas for the purpose of this scoring criterion. An interactive tool through the community profiles will be made available to assist applicants and staff in determining whether a property is located in an area eligible for points under this risk tier. Federally Assisted units at imminent risk would be eligible for 30 points, and Existing Tax Credit units at imminent risk would be eligible for 10 points.
- The second tier proposed is for properties identified as being at high risk of loss. To be considered at high risk of loss, a property with existing housing tax credits must be eligible to opt-out of the tax credit program within one year, and a property with federal assistance must be eligible to opt-out of the federal assistance within six years and be located in an area experiencing growth (as defined in Attachment 4) or with a large need for subsidized units, as evidenced by third party data. In addition, to be considered at high risk, all properties would need to have either substantial physical deterioration or deterioration in ownership capacity that puts the property at risk. Federally Assisted units at high risk would be eligible for 25 points, and Existing Tax Credit units at high risk would be eligible for 7 points. Both the first and second tiers are reflected under the proposed Preservation of Federally Assisted Units and Preservation of Existing Housing Tax Credit Units scoring criteria.
- The third tier proposed is stabilization, which is proposed to receive the lowest priority. To be considered a stabilization project, a property with existing federal assistance, housing tax credits or deferred loans from Minnesota Housing or Interagency Stabilization Group (ISG) partner funders that is older than 15 years must have a collaborative, long-term, and cost-effective stabilization plan.

The three risk tiers are proposed to be exclusive of each other so that points cannot be claimed under both high risk and imminent risk in the Preservation of Federally Assisted Units scoring criterion or under both high risk and imminent risk in the Preservation of Existing Housing Tax Credit Units scoring criterion, and so that points can only be claimed in stabilization if points are not also claimed under Preservation of Federally Assisted Units or Preservation of Existing Housing Tax Credit Units.

Along with this tiered approach, it is recommended that points be made mutually exclusive in the scoring criteria of Preservation of Federally Assisted Units and Rental Assistance. Under the 2013 QAP a federally assisted development was eligible for points under the Rental Assistance scoring criterion for any units that had a secure long term rent assistance contract, as well as points for these same units under Preservation. Because under Preservation in this scenario, an applicant was stating that the federal assistance was at risk of loss, it is not logical to also award points to the applicant for having a secure long term contract under the Rental Assistance criterion. To eliminate this inconsistency, it is recommended that an applicant cannot take points for the same units in these two scoring categories. In order to still give consideration to the number

of the units with rent assistance being preserved, bonus points are recommended to account for the number of units with federal assistance being preserved in a development under the Preservation of Federally Assisted Units scoring criterion. The number of bonus points available is based on unit count thresholds developed separately for properties in the Twin Cities Metro or Greater Minnesota MSAs, and for properties in rural areas of Greater Minnesota. Refer to Attachment 4, where Table 1 identifies which areas are considered part of the Metro or Greater Minnesota MSA category. An interactive tool through the community profiles will be made available to assist applicants and staff in determining the location in the Metro/MSA or rural categories.

In addition, rather than requiring that applicants document intent to opt out of the federal assistance or existing housing tax credits, as required in the 2013 scoring criterion, the revised scoring criteria require only that the owners are eligible to opt out. In practice, requiring documentation of intent to opt out encourages applicants to provide notice to public agencies and residents that they will be exiting the program in order to obtain points, which represents an unnecessary disruption to residents.

Lastly, the 2013 Preservation of Federally Assisted Units scoring criterion required that an as-is appraisal be submitted to Minnesota Housing after selection for properties where an identity of interest exists. Because staff is recommending that an as-is appraisal be required for all tax credit applications that include an acquisition price of over \$100,000 other than those on tribal land, it is no longer necessary to call out the appraisal requirement for this specific case. Reference to the preservation-specific appraisal requirement will also be removed from the Procedural Manual.

Current:

Points will be awarded to projects that either Preserve Federally Assisted Units or Preserve Existing Tax Credit Housing (check one box below):

Preservation of Federally Assisted Units – 20 Points

These points are available to projects that are at risk of loss of project based federal assistance within two years.

DEFINITION - Any housing receiving project based rental assistance, operating subsidies, or mortgage interest reduction payments. This includes public housing, Section 236 and Section 221(d)(3) interest reduction payments, and any development with project based Section 8, rent supplement, rental assistance payments contract, or are effectively project based by written contract (e.g. NAHASDA).

In order to obtain the related points, the owner shall continue renewals of existing project based housing subsidy payment contract(s) for as long as the assistance is available; and shall maintain the Credit units in the Project for at least 30 years and shall agree that sections 42(h)(6)(E)(i)(II) and 42(h)(6)(f) of the code shall not apply to the project. Except for “good cause” the owner must not evict existing subsidized residents and must continue to renew leases for those residents.

Please indicate the reason why property is at risk of loss within two years (check all that apply):

1. Prepayment/opt-out/mortgage maturity and conversion to market rate housing. Minnesota Housing, at its sole discretion, must agree that a market exists for a conversion to market rate housing.

Attach evidence, including eligibility dates, with copies of relevant expiring contracts, filing documents of intent to opt out, loan documents that describe the ability to pre-pay the financing including required approvals and/or penalties AND documentation to fully evidence 1a. or 1b. below (check the box(es) that apply):

- 1a. Conversion risk due to strategic location:
Attach a map detailing the strategic location and include specific proximity to services, transit and employment centers.
- 1b. Conversion risk due to market differential:
Attach at least three market comparables for each bedroom size to indicate what market rents might be achievable at the property without the federal assistance restrictions.
2. Serious physical condition issues:
Attach evidence with a copy of the most recent REAC inspection report or other evidence of physical deterioration that would threaten the HAP contract.
3. Deterioration of capacity of current ownership/management entity:
Attach a narrative description of the history and issues.
- Preservation of Existing Housing Tax Credit Units – 10 Points**
These points are available only to existing Minnesota Housing tax credit projects applying for tax credits from Minnesota Housing’s competitive allocation process (consolidated RFP) and qualified tax exempt projects applying for a preliminary determination letter from Minnesota Housing as the credit allocator.

To obtain the related points, the existing tax credit housing must meet all of the following

1. The development received a Minnesota Housing allocation of housing tax credits and is eligible to and will exercise their option under the provisions of Section 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (Qualified Contract) within the next 12 months (developments that have exercised their option to opt out under the Qualified Contract process are not eligible for points in this category).
2. Applicant agrees to maintain the Housing Tax Credit Units in the development for at least 30 years.
3. The proposal will not result in the displacement of existing low and moderate income residents;

AND either 4a. or 4b below (check one)

- 4a Units must be considered at risk of going to market rents, where the market rents of comparable units exceed the tax credit rent limits by 10 percent and the proposed rents will increase by more than 30 percent within two years of the Housing Tax Credit Application date. The risk of conversion must be supported by information contained in the application and with final determinations made by Minnesota Housing;
- or
- 4b Tax credit units would no longer remain decent, safe, and affordable due to physical deterioration or deterioration of capacity of current ownership/management entity.

Note: For ease of reading and given the scale of the language changes, this section is not presented in black-line format.

Proposed (Preservation of Federally Assisted Units):

DEFINITION – Any housing receiving project based rental assistance, operating subsidies, or mortgage interest reduction payments under a U.S. Department of Housing and Urban Development (“HUD”) or U.S. Department of Agriculture Rural Development (“RD”) program that is not scheduled to sunset or expire.

In order to obtain the related points, the owner shall continue renewals of existing project-based housing subsidy payment contract(s) for as long as the assistance is available.

Imminent Risk of Loss – 30 Points

1. To obtain these points, the existing federal assistance must be at risk of loss within three years of application date for the following reasons:

- Prepayment/opt-out/mortgage maturity and conversion to market rate housing.

Attach evidence (narratives), including eligibility dates, with copies of relevant expiring contracts, loan documents that describe the ability to pre-pay the financing including required approvals and/or penalties AND documentation to fully evidence all of the following:

- Location in either a jobs growth area or household growth area (as published by Minnesota Housing); and
- Market for conversion evidenced by significant rent differential and low vacancy rate for market rate comparable units (comparable units to be validated by Minnesota Housing at Minnesota Housing’s discretion); and
- The property’s ability to command market rents as evidenced by direct comparison to local market comparable units and amenities. Conversion scenario must result in sufficient additional revenue to support improvements and amenities necessary to match market comparable units.

Minnesota Housing, at its sole discretion, must agree that a market exists for a conversion to market rate housing.

High Risk of Loss – 25 Points

1. To obtain these points, the existing federal assistance must be at risk of loss under one of the following two thresholds:

- Contract expiration/opt-out or mortgage maturity/prepayment within six years of application date and the local need for subsidized units can be demonstrated by third party data evidencing rent-burdened population; or

- Contract expiration/opt-out or mortgage maturity/prepayment within four to six years of application date and property is located in either jobs growth area or household growth area (as published by Minnesota Housing);

AND

either 2a. or 2b. is true.

2. Reason for high risk of loss:

- 2a. Substantial physical needs identified by third party assessment to support the following conclusions:
- i. As-is condition of property does not meet Minnesota Housing's minimum design standards, and
 - ii. Repair/replacement of major physical plant components have been identified which will result in 15+ years sustained operations of federally assisted units, and
 - iii. Identified scope of work required to meet minimum design standards exceeds the available reserves.

Attach evidence of most recent REAC score or RD classification, outstanding code violations or other inspection results that threaten sustained operations under the federal assistance.

Attach worksheet showing certification of the costs related to repair or replacement of physical improvements not currently meeting Minnesota Housing's design standards and available reserves.

OR

- 2b. A change in ownership is necessary due to deterioration of capacity as evidenced by threat to units remaining decent, safe, and affordable due to events such as:
- i. Bankruptcy/insolvency
 - ii. Self determination of diminishing or insufficient capacity by nonprofit board

Number of units preserved – 1-10 additional points

1. To obtain these points, score for the appropriate number of federally assisted units proposed for preservation:
 - 1a. Metro or Greater Minnesota MSA*
 - 12-30 units – **1 point**
 - 31-60 units – **3 points**
 - 61-100 units – **5 points**
 - 101+ units – **10 points**

* Greater Minnesota MSA (Metropolitan Statistical Area) as defined by HUD: Duluth, St. Cloud, Fargo/Moorhead, Rochester, Mankato, LaCrosse, Grand Forks, Minneapolis/St. Paul MSA outside of the 7 county metro (including Chisago, Isanti, Sherburne, and Wright Counties)

1b. Greater Minnesota / Rural

- 8-20 units – **3 points**
 21-40 units – **5 points**
 41+ units – **10 points**

Proposed (Preservation of Existing Housing Tax Credit Units):

These points are available only to existing Minnesota Housing tax credit projects applying for tax credits from Minnesota Housing's competitive allocation process (consolidated RFP) and qualified tax exempt projects applying for a preliminary determination letter from Minnesota Housing as the credit allocator.

To obtain the related points, the existing tax credit housing must meet all of the following:

1. The development received a Minnesota Housing allocation of housing tax credits and is eligible to exercise their option under the provisions of Section 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (Qualified Contract) within the next 12 months (developments that have exercised their option to opt out under the Qualified Contract process are not eligible for points in this category); and
2. Applicant agrees to maintain the Housing Tax Credit Units in the development for at least 30 years; and
3. The proposal will not result in the displacement of existing low and moderate income residents;

AND either 4a. or 4b. is true (check one)

4a. **Imminent Risk of Loss –10 points**

Attach evidence including eligibility dates and copies of relevant documents that describe option to file for Qualified Contract and to fully evidence both of the following:

- Market for conversion evidenced by significant rent differential and low vacancy rate for market rate comparable units (comparable units to be validated by Minnesota Housing at Minnesota Housing's discretion); and
- The property's ability to command market rents as evidenced by direct comparison to local market comparable units and amenities. Conversion scenario must result in sufficient additional revenue to support improvements and additional amenities necessary to match market comparable units.

4b. **High Risk of Loss – 7 Points**

Due to:

- Substantial physical needs identified by third party assessment to support the following conclusions:
- i. As-is condition of property does not meet Minnesota Housing's minimum design standards; and
 - ii. Repair/replacement of major physical plant components have been identified which will result in 15+ years sustained operations of Housing Tax Credit units; and
 - iii. Identified scope of work required to meet minimum design standards exceeds the available reserves.

Attach evidence of most recent UPCS (Uniform Physical Condition Standards) findings, outstanding code violations or other inspection results that threaten sustained operations under the housing tax credit program.

Attach worksheet showing certification of the costs related to repair or replacement of physical improvements not currently meeting the Minnesota Housing's design standards and available reserves.

OR

- A change in ownership is necessary due to deterioration of capacity as evidenced by threat to units remaining decent, safe, and affordable due to events such as:
- i. Bankruptcy
 - ii. Self determination of diminishing or insufficient capacity by nonprofit board

Proposed (Stabilization):

These points are available only to properties with existing federally assisted units or previously funded by tax credits or deferred loans from Minnesota Housing or ISG partner funders that are not also claiming points for Preservation of Federally Assisted Units or Preservation of Existing Housing Tax Credit Units.

Applicants must provide narratives to support the approach of a planned, long term and cost effective stabilization that meets all of the following criteria:

Stabilization - 5 points

1. Suitability for long term stabilization:
 - a. 15 or more years have passed since initial loan closing or most recent tax credit placed in service date; and
 - b. Operating feasibility shows duration of at least 20 years; and
 - c. ISG vote to confirm collaborative funder commitment and feasibility of the development's stabilization proposal;

AND

2. Collaborative relationship in place:
 - a. Property claims and is deemed eligible for the following points:
 - i. Financial Readiness to Proceed - Minimum of 6 points; and
 - ii. Federal/Local/Philanthropic Contributions - Minimum of 8 points;

AND

3. Affordability and Cost Effectiveness:
 - a. Property claims and is deemed eligible for points under preference priority of Serves Lowest Income Tenants/Rent Reduction; and
 - b. Per unit TDC is at or below the moderate cost containment thresholds published for preference priority Cost Containment.

11. Revise the Minimizing Transportation Costs and Promoting Access to Transit scoring criterion.

In the 2013 QAP projects in the Twin Cities Metro received 3 points if located within a one half mile radius of a completed or in progress LRT, BRT, or commuter rail station, and 2 points for promoting access to public transportation including developments located within one quarter mile of a high service public transportation fixed route stop, within one half mile of an express bus route stop, within one half mile of a park and ride, or within a Transit Improvement Area designated by the Minnesota Department of Employment and Economic Development (DEED). Refer to Attachment 5 for further definition of these elements.

Given the importance of transit access in increasing livability and affordability of housing, for the 2014/2015 QAP, staff proposes raising the priority for Metro area developments located near fixed transitway stations from 3 points to 5 points. For transitways or stations not yet completed, staff also proposes moving from awarding points to projects near stations that are part of in-progress transitways toward awarding points for projects near stations that are part of planned transitways. Under the 2013 QAP, in-progress transitways were defined as substantially funded lines. For the 2014/2015 QAP, planned transitways are proposed to include projects with plans that have been adopted by the Metropolitan Council Transportation Policy Plan, that are in the stages of advanced design or under construction. Refer to Attachment 5 for more details on the definition of a planned transitway or station. Planned transitways are easier to define consistently than in-progress transitways. Further, awarding points to projects near planned transitways will allow the Agency to be more proactive in financing affordable housing near transit in markets that are anticipated to experience growing demand. Lastly, using the proposed definition of planned transitways will allow the Agency flexibility to award points for transitway stations entering advanced design and being adopted by the Metropolitan Council after publication of the Agency's QAP.

To better differentiate between areas that are not near fixed transitway stations, but have better access to transit than many areas in the Metro, a middle tier of scoring, with 4 points available, is proposed for developments located within one quarter mile of a fixed route stop on Metro Transit's Hi-Frequency Network, which provide high-frequency service throughout the day. The QAP makes 2 points available for developments in areas with general evening and morning commuter access to public transit. Points under Access to Public Transportation are available to a sizeable portion of the Twin Cities Metro area, and a large portion of projects in the Metro area submitted under the 2013 QAP received these points. In contrast, fixed route stops on Metro Transit's Hi-Frequency Network provides a much more targeted priority area for projects near bus service operating every 15 minutes or better most of the day on weekdays and Saturdays.

Under the 2013 QAP, developments in Greater Minnesota were eligible for 3 points if located within one half mile of a public transportation fixed route stop, including express bus stop and park and ride stations, if

located within a Transit Improvement Area designated by DEED, or if located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs and either within one mile of at least four community facilities or with access to dial-a-ride services. This scoring tier encompasses many areas and a large portion of applicants in Greater Minnesota meet the criterion of this scoring tier. In order to better differentiate among areas served by transit and that are walkable, as well as to be consistent with the scoring tiers proposed for the Metro area, staff proposes splitting the scoring into two tiers, with 5 and 2 points being available.

- To encourage more targeted locations with the best access to transit and walkability in Greater Minnesota, 5 points are proposed for developments located within one quarter mile of a public transportation fixed routed stop, or for developments that are located in close proximity to jobs and that meet both of the following criteria: within one half mile of four community facilities and with access to dial-a-ride services.
- The QAP will make 2 points available in Greater Minnesota for developments located within one half mile of a public transportation fixed routed stop, for developments within one and one-half mile of a park-and-ride lot, or for developments that are located in close proximity to jobs and that meet one of the following criteria: within one mile of four community facilities or with access to dial-a-ride services.

For both the proposed 5 and 2 point scoring tiers for Greater Minnesota, close proximity to jobs is revised from being within a census tract that is within 5 miles of 2,000 low and moderate wage jobs to being within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, and within 5 miles of 5,000 jobs for rural census tracts. This revision is necessary to account for the fact that rural census tracts are geographically much larger than urban tracts, and therefore are likely to be near more jobs.

For both the Metro area and Greater Minnesota, whether a development is within an area designated by DEED as a Transit Improvement Area has been removed as a criterion for points, as this criterion was redundant. All DEED-designated Transit Improvement Areas meet the proposed eligibility criteria for 5 points in both the Metro and in Greater Minnesota.

Refer to Attachment 5, where the maps in Figures 1, 2, and 3, and census tracts in Table 1 identify those areas meeting components of this scoring criterion. An interactive tool will be made available to assist applicants and staff in determining the location in areas eligible for points, through the community profiles.

Current:

Metropolitan Area:

To receive 3 Points for Transit Oriented Development in the Metropolitan area, a development must be:

- Located within a one half mile radius of a completed or in progress LRT, BRT, or commuter rail station

To receive 2 Points for promoting access to public transportation in the Metropolitan area, a development must be:

- Located within one quarter mile of a high service public transportation fixed route stop; or

- Located within one half mile of an express bus route stop; or
- Located within one half mile of a park and ride; or
- Located within a Transit Improvement Area designation by MN Department of Employment and Economic Development (DEED).

Greater Minnesota:

To receive 3 Points for promoting access to transit, a development in Greater Minnesota must be:

- Located within one half mile of a public transportation fixed route stop (including express bus stop and park and ride stations); or
- Located within a Transit Improvement Area designation by MN Department of Employment and Economic Development (DEED); or
- The proposed housing is within a census tract that is within 5 miles of 2,000 low and moderate wage jobs **AND** meets one of the below:

- The proposed housing is within 1 mile of at least four different types of facilities listed below.**

Attach a map identifying the property location with exact distances to at least four of the following facility types: supermarket/convenience store, public school, library, licensed child care center, usable park space/dedicated walking or biking trails, bank, medical or dental office, post office, laundry/dry cleaner, pharmacy, place of worship, community or civic center that is accessible to residents, arts or entertainment center, police station, fire station, fitness center/gym, restaurant, neighborhood serving retail, office building/employment center; or

- The proposed housing has access to demand response/dial-a-ride* services during standard workday hours.**

Applicants must provide documentation of access and availability of service and describe how the service is a viable transit alternative that could be used for transportation to work, school, shopping, services and appointments.

*Minnesota Department of Transportation defines dial-a-ride as: *“A demand-responsive service in which the vehicle is requested by telephone and vehicle routing is determined as requests are received. Origin-to-destination service with some intermediate stops is offered. Dial-A-Ride is a version of the taxicab using larger vehicles for short-to-medium distance trips in lower-density subregions”.*

At the time of application, the applicant must submit a map identifying the location of the project with exact distances to the eligible public transit station/stop and include a copy of the route, span and frequency of service.

Proposed:**Metropolitan Area:**

To receive ~~35~~ Points for Transit Oriented Development in the Metropolitan area, a development must be:

- Located within a ~~one half mile radius~~ of a completed or ~~in progress~~ planned LRT, BRT, or commuter rail station

To receive 4 Points for proximity to public transportation in the Metropolitan area, a development must be:

- Located within one quarter mile of a fixed route stop on Metro Transit's Hi-Frequency Network

To receive 2 Points for ~~promoting access~~ proximity to public transportation in the Metropolitan area, a development must be:

- Located within one quarter mile of a high service public transportation fixed route stop; or
- Located within one half mile of an express bus route stop; or
- Located within one half mile of a park and ride; or
- ~~Located within a Transit Improvement Area designation by MN Department of Employment and Economic Development (DEED).~~

Greater Minnesota:

To receive 5 points for promoting access to transit, a development in Greater Minnesota must be:

- Located within one quarter mile of a public transportation fixed route stop; or
- Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts, **AND** meets **BOTH** of the following:
- The proposed housing is within one half mile of at least four different types of facilities listed below.**

Attach a map identifying the property location with exact distances to at least six of the following facility types: supermarket/convenience store, public school, library, licensed child care center, usable park space/dedicated walking or biking trails, bank, medical or dental office, post office, laundry/dry cleaner, pharmacy, place of worship, community or civic center that is accessible to residents, arts or entertainment center, police station, fire station, fitness center/gym, restaurant, neighborhood serving retail, office building/employment center; and

- The proposed housing has access to demand response/dial-a-ride* services during standard workday hours.**

Applicants must provide documentation of access and availability of service and describe how the service is a viable transit alternative that could be used for transportation to work, school, shopping, services and appointments.

To receive ~~23~~ Points for promoting access to transit, a development in Greater Minnesota must be:

- Located ~~within~~ between one quarter mile and one half mile of a public transportation fixed route stop ~~(including express bus stop and park and ride stations);~~ or
- Located within one and one half mile of a park and ride served by fixed route public transportation; or
- ~~Located within a Transit Improvement Area designation by MN Department of Employment and Economic Development (DEED);~~ or
- ~~The proposed housing is~~ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts, **AND** meets one of the ~~below~~ following:

- The proposed housing is within ~~1~~one mile of at least four different types of facilities listed below.**

Attach a map identifying the property location with exact distances to at least four of the following facility types: supermarket/convenience store, public school, library, licensed child care center, usable park space/dedicated walking or biking trails, bank, medical or dental office, post office, laundry/dry cleaner, pharmacy, place of worship, community or civic center that is accessible to residents, arts or entertainment center, police station, fire station, fitness center/gym, restaurant, neighborhood serving retail, office building/employment center; or

- The proposed housing has access to demand response/dial-a-ride* services during standard workday hours.**

Applicants must provide documentation of access and availability of service and describe how the service is a viable transit alternative that could be used for transportation to work, school, shopping, services and appointments.

*Minnesota Department of Transportation defines dial-a-ride as: *“A demand-responsive service in which the vehicle is requested by telephone and vehicle routing is determined as requests are received. Origin-to-destination service with some intermediate stops is offered. Dial-A-Ride is a version of the taxicab using larger vehicles for short-to-medium distance trips in lower-density subregions”.*

At the time of application, the applicant must submit a map identifying the location of the project with exact distances to the eligible public transit station/stop and include a copy of the route, span and frequency of service.

12. Add Cost Containment scoring criterion.

The Agency included cost avoidance/cost reduction in its QAP for a number of years, however it was difficult to value and enforce cost avoidance measures. The proposed cost containment scoring criterion is much more concrete and objective, and will provide stronger incentive for applicants to seek cost savings. Refer to Attachment 6 for a listing of the low and moderate cost thresholds and a description of the methodology.

If a project receives points under this criterion, failure to keep project costs under the selected cost threshold will be considered an unacceptable practice and will result in negative points in the applicant's next new tax credit submission equal to points awarded in this scoring criterion. This language will be added to the Unacceptable Practices section in the Procedural Manual.

The Cost Containment selection priority will be one of several tools that Minnesota Housing will use to assess costs. Besides the cost containment scoring priority, the Agency will continue to use its predictive cost model to test cost reasonableness for all projects. The model uses cost data from tax credit properties completed since 2003, industry cost data from RSMMeans, and regression analysis to predict total project costs. Based on a project's characteristics (building type, building characteristics, project size, project location, population served, financing, etc.), the model predicts the total development costs. During the tax credit selection process, the proposed total development costs for all projects will be compared with the predicted costs to assess cost reasonableness, regardless of whether the project receives points under this selection priority. The Agency wants to ensure that all costs are reasonable, particularly if a project does not get points for having lower costs. In addition, Minnesota Housing underwriters and architects will continue to use their professional judgment to assess cost reasonableness.

This selection priority and predictive model are consistent with a policy adopted by the National Council of State Housing Agencies (NCSHA) in December 2011. The policy states:

In addition to carefully rationing the amount of Housing Credit allocated to eligible developments, as federally required, each Allocating Agency should develop a per unit cost limit standard. That standard should be based on total development costs, including costs not eligible for Housing Credit financing and costs funded from sources other than the Housing Credit...Finally, each Allocating Agency should regularly review its QAP and related allocation guidelines with the goal of reducing development costs.

The Agency proposed addition of a cost containment scoring criterion for the 2013 QAP, with projects meeting moderate-cost thresholds to receive 5 points, and projects meeting low-cost thresholds to receive 10 points. Because these cost thresholds were new and stakeholders felt that they did not have sufficient time to fully assess them, Minnesota Housing decided to wait a year to include them in the QAP. In October 2012, Minnesota Housing published a revised proposed cost containment scoring criterion incorporating revisions based on public comment received through the 2013 QAP development process, including addition of a large family cost category, and proposing to lower the amount of points available in the initial implementation of this scoring criterion. Based on additional public comments received, the revised scoring criterion proposed now also includes a 10% cost adjustment for developments located in tribal communities. In addition, Minnesota Housing increased the cost thresholds for Greater Minnesota slightly.

Minnesota Housing will monitor impacts of this scoring criterion once implemented, and propose adjustments in future QAP's as necessary based on experience and more current data. In the current financial and political environment, Minnesota Housing and all housing finance agencies need to demonstrate that they are using housing tax credits and other public resources as cost effectively as possible.

Proposed:

Projects that have per unit total development costs at or below the following thresholds will receive 3 or 5 points.

- To receive 5 points, total development costs must be at or below the applicable low cost threshold
- To receive 3 points, total development costs must be at or below the applicable moderate cost threshold

(Refer to Attachment 6 for proposed cost thresholds)

13. Revise methodology used for the Temporary Priority – Foreclosed Properties scoring criterion.

Minnesota Housing now obtains proprietary foreclosure data from a different source than used in the 2013 QAP. Slight modifications to the High Need Foreclosure Methodology were made to align the foreclosure analysis to be consistent with the data reporting of the new data vendor.

Further, the Methodology for Greater Minnesota was modified so that foreclosure rates in Greater Minnesota communities are compared to the average for Greater Minnesota rather than the statewide average. This change results in more areas in Greater Minnesota being eligible for points under this criterion, and was made based on feedback that the Agency has received that the foreclosure problem in Greater Minnesota is structurally different than the foreclosure problem in the Metro area.

Refer to Attachment 7 for details on the revised High Need Foreclosure Methodology.

Summary of Scoring Criteria Impact:

1. Economic Integration scoring criterion:

The proposed revision to community economic integration increases the maximum point value from 2 to 5. The proposed revision for mixed income developments has no impact on scoring.

2. Workforce Housing/Project Location – Top Growth Communities scoring criterion:

The proposed revision maintains the maximum 5 point value.

3. Financial Readiness to Proceed scoring criterion:

The proposed revision decreases the maximum point value from 20 to 14.

4. Preservation of Federally Assisted Units, Preservation of Existing Housing Tax Credit Units, and Stabilization scoring criteria:

The proposed revision increases the maximum point value for Preservation of Federally Assisted Units from 20 to 40 points, and adds an additional scoring tier of 25 points. The proposed revision to Preservation of Existing Housing Tax Credit Units maintains the maximum 10 point value, with the addition of a new 7 point tier. The addition of the Stabilization scoring criterion adds a 5 point value.

5. Minimizing Transportation Costs and Promoting Access to Transit scoring criterion:

The proposed revision increases the maximum point value from 3 to 5 and adds a 4 point tier in the Metro. In Greater Minnesota, the proposed revision increases the maximum point value from 3 to 5 points by adding a 5 point tier, and decreases the existing scoring tier from 3 to 2 points.

6. Cost Containment – Per Unit Cost Limits scoring criterion:

The addition of the scoring criterion adds 5 and 3 point values.

7. Temporary Priority - Foreclosed Properties scoring criterion:

The proposed revision has no impact on point values.

General Administrative and Clarifications:

Perform various administrative checks for spelling, formatting, text and instruction corrections and clarifications within QAP, Manual, Self-Scoring Worksheet, and other 2014 and 2015 tax credit program related documents.

Community Economic Integration Methodology

Community economic integration is defined by Minnesota Housing in two tiers based on median family income and access to jobs.

For applicants to be awarded 3 or 5 points for community economic integration, the proposed housing needs to be located in a community (census tract) with the median family income meeting or exceeding the region's¹ 40th percentile based on data published in the American Community Survey (ACS) for 2011. For each region, the 40 percent of census tracts with the lowest incomes are excluded from receiving points. The census tract must also meet or exceed the region's 20th percentile for low and moderate wage jobs² within five miles based on data published by the Local Employment Dynamics program of the US Census for 2010. For each region, the 20 percent of census tracts with the fewest low and moderate wage jobs within five miles also are excluded. To promote economic integration, the criteria identify higher income communities that are close to low and moderate wage job centers.

This document includes maps of the census tracts that meet the following two tiers of community economic integration as well as a list of census tracts by county for each tier. Table 1 shows the number of jobs within five miles that achieves the 20th percentile by region and both the 40th and 80th percentile for Median Family Income by region. Maps 1 and 2 display the census tracts that meet these criteria. Interactive tools will be made available to assist applicants and staff in determining their location in these areas, through the community profiles at www.mnhousing.gov/communityprofiles/.

First Tier Community Economic Integration – 3 Points

Meet or exceed the 40th percentile of median family income (but less than the 80th percentile) and meet or exceed the 20th percentile of low and moderate wage jobs within 5 miles.

Second Tier Community Economic Integration – 5 Points

Meet or exceed the 80th percentile of median family income and meet or exceed the 20th percentile of low and moderate wage jobs within 5 miles.

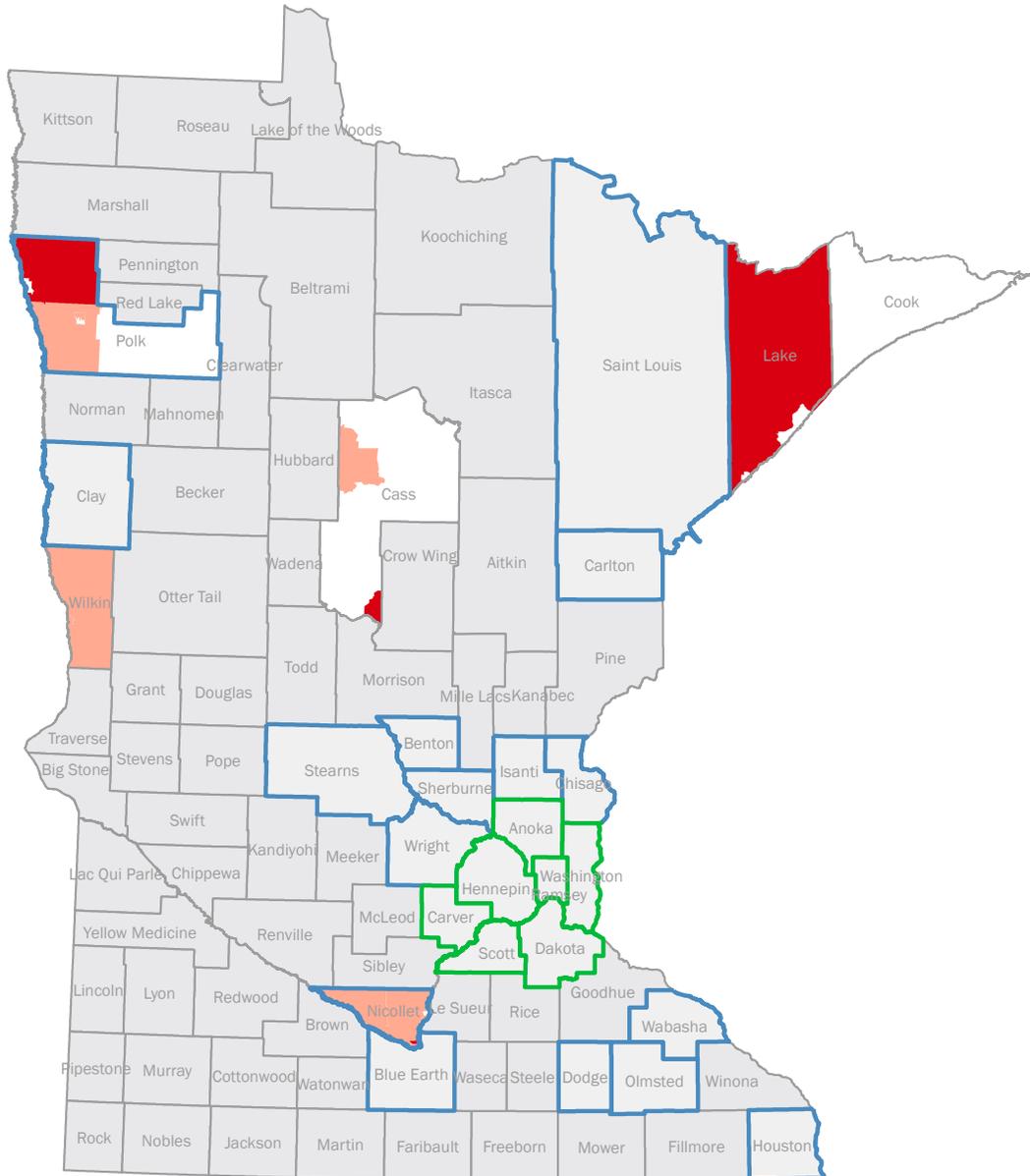
¹ For the purpose of assessing income and access to jobs, Minnesota Housing is defining three regional categories based 1) Twin Cities 7 County Metropolitan Area, 2) Counties making up Greater Minnesota MSAs, including: Duluth, St. Cloud, Rochester, Mankato/North Mankato, Grand Forks, and La Cross, the four Twin Cities MSA counties outside of the 7 county metro, and 3) Balance of Greater Minnesota. The purpose of the regional split is to acknowledge that incomes and access to jobs varies by region. A higher income community close to jobs in the metro is very different than a higher income community close to jobs in rural Greater Minnesota.

² Low and moderate wage jobs are those with a monthly earning less than or equal to \$3,333, using LED data from the US Census (2010).

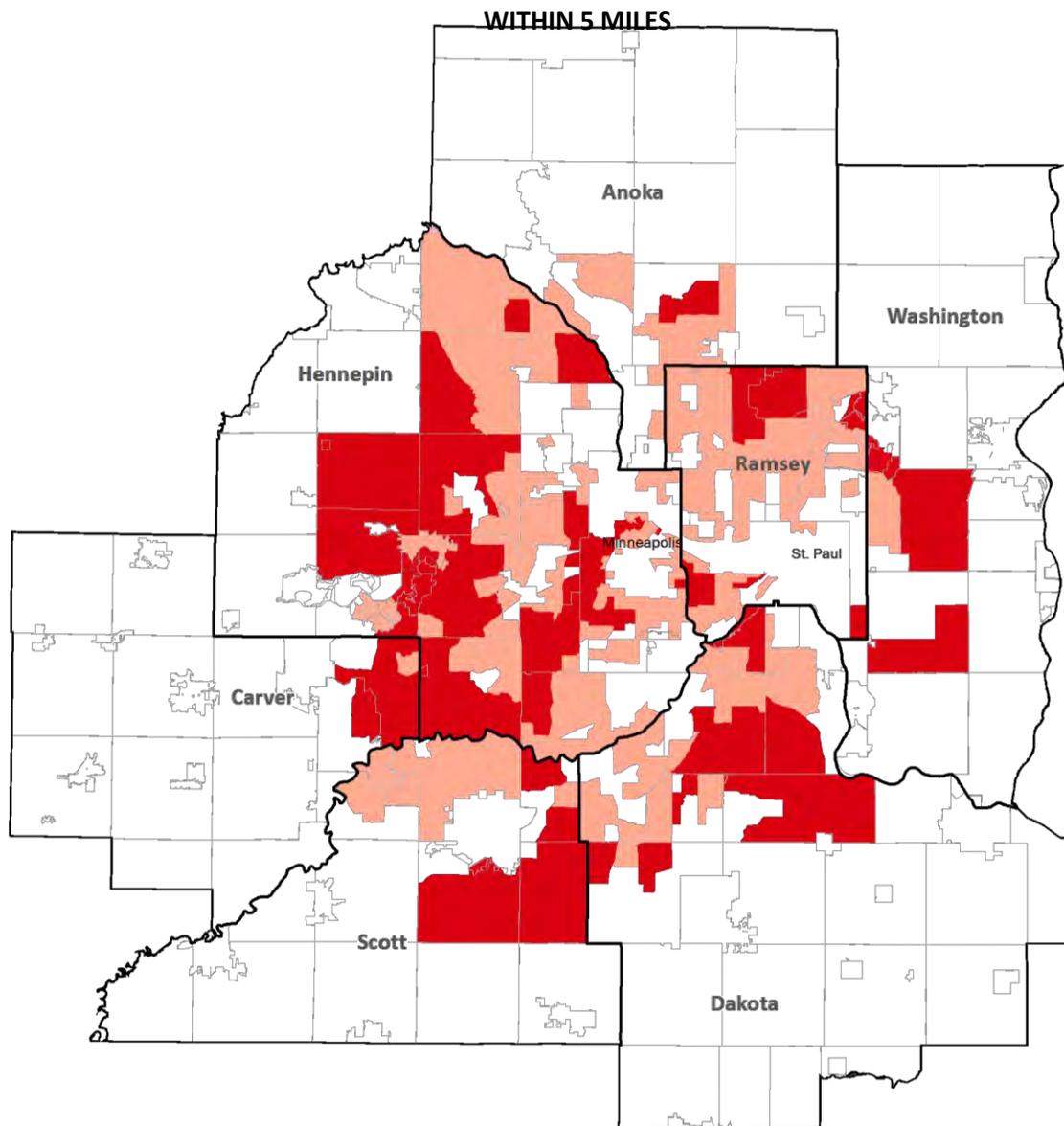
Table 1 – Jobs and Median Family Income Thresholds by Region

Community Economic Integration	Twin Cities (Outlined in Green)	Non Metro MSAs (Outlined in Blue)	Greater Minnesota
Jobs within 5 miles / 20 th percentile	24,884	3,386	1,596
Med Family Income / 40 th percentile	\$72,714	\$64,375	\$56,429
Med Family Income / 80 th percentile	\$104,881	\$79,156	\$66,563

MAP 1 – CENSUS TRACTS MEETING REGION’S 40TH AND 80TH PERCENTILE THRESHOLDS FOR MEDIAN INCOME & 20TH PERCENTILE FOR LOW AND MODERATE WAGE JOBS WITHIN 5 MILES



MAP 2 – TWIN CITIES 7 COUNTY METRO DETAIL - CENSUS TRACTS MEETING REGION’S 40TH AND 80TH PERCENTILE THRESHOLDS FOR MEDIAN INCOME & 20TH PERCENTILE FOR LOW AND MODERATE WAGE JOBS



Twin Cities 7 County Metro

Jobs within 5 miles / 20 th percentile	24,884
Med Family Income / 40 th percentile	\$72,714
Med Family Income / 80 th percentile	\$104,881

Census Tract Listing by County for Economic Integration
Twin Cities Metro Tracts (denotes tract achieves second tier)*

County/Tract	County/Tract	County/Tract	County/Tract	County/Tract
Anoka	607.26	117.04	240.06	262.07
502.08	607.27	118	242	262.08
506.05	607.28	119.98	244	263.01
506.1	607.29	120.01	245	263.02
507.02	607.3	121.02	247	264.02
507.07	607.31	201.01	248.01	264.03
507.11	607.32	208.01	253.01	264.04
507.12	607.33	209.02	256.01	265.05
508.09	607.34	210.02	256.03	265.07
508.13	607.35	212	256.05	265.08
508.16	607.38	214	257.01	265.09
508.19	607.39	215.04	257.02	265.1
508.21	607.42	215.05	258.01	265.11
510.01	607.44	216.01	258.02	265.12
512.03	607.45	216.02	258.05	266.05
Carver	607.48	217	259.03	266.06
905.03	608.06	218	259.05	266.09
906.01	608.11	219	259.06	266.1
906.02	608.12	222	259.07	266.11
907.01	608.13	223.01	260.05	266.12
907.02	608.14	227	260.06	266.13
909	608.16	228.01	260.07	267.06
Dakota	608.19	229.01	260.13	267.07
601.03	608.22	229.02	260.14	267.08
605.05	608.24	230	260.15	267.1
605.06	608.25	231	260.16	267.11
605.07	610.03	233	260.18	267.12
605.08	Hennepin	235.01	260.2	267.13
606.03	3	235.02	260.21	267.14
606.04	6.01	236	260.22	267.15
606.05	6.03	237	261.01	267.16
606.06	38	238.01	261.03	268.11
607.09	81	238.02	261.04	268.12
607.13	106	239.01	262.01	268.2
607.14	107	239.02	262.02	268.22
607.16	110	239.03	262.05	268.23
607.17	117.03	240.03	262.06	269.03

Board Agenda Item: 7.B.
Attachment: Attachment 2

County/Tract	
269.06	
269.07	*
269.08	
269.1	
271.01	*
272.01	*
273	
274	*
275.01	
275.04	*
1012	
1030	
1031	
1036	*
1037	
1039	*
1044	
1051	*
1054	
1055	*
1056	
1065	*
1066	
1075	
1076	

County/Tract	
1080	*
1089	
1090	*
1091	*
1098	*
1099	
1105	
1108	
1109	
1111	
1112	*
1113	*
1114	*
1115	*
1116	*
1226	
1256	
1261	
1262	*
Ramsey	
301	
302.01	
303	
306.02	
332	

County/Tract	
333	
349	*
350	*
351	*
352	
353	
355	
357	*
358	*
360	
363	*
364	*
365	
366	
367	
375	
376.01	
401	
402	*
403.01	
403.02	
404.02	
405.03	
405.04	
406.01	*

County/Tract	
406.03	
406.04	
407.03	*
407.04	
407.05	
407.06	*
407.07	*
408.01	
408.03	
409.01	
410.01	
410.02	
411.04	
411.05	
411.06	
413.01	
413.02	
415	
416.01	
417	
419	
421.02	
422.02	
423.01	
425.03	*

County/Tract	
426.01	
429	
430	*
Scott	
802.01	*
802.03	
802.05	*
803.01	
803.02	
805	
806	
807	
810	*
Washington	
703.03	*
704.05	*
704.06	*
709.06	
709.07	
709.09	
709.11	
710.18	*

Greater Minnesota tracts begin on next page.

Greater Minnesota Tracts (* denotes tract achieves second tier)

County/Tract	
Becker	
4503	
4504	*
4506	
4507	*
4508	
Beltrami	
4501	
4502	*
4503	*
4507.01	
Benton	
202.05	
203	
211.01	
Blue Earth	
1701	
1702	
1709	
1713	*
1716	*
Brown	
9602	*
9604	*
9605	
9607	*
Carlton	
703	*
704	
Cass	
9400.01	
9608.01	*
Chippewa	
9503	
9505	
9506	
Chisago	
1101	

County/Tract	
1102	
1104.01	
1104.02	
1105.01	
1105.02	*
1106	*
Clay	
202.02	
205	*
301.04	
301.06	
301.07	*
Cottonwood	
2701	
2703	
Crow Wing	
9504	
9505.01	*
9505.02	
9508	
9509	*
9513.01	
9513.02	
9514	
9517	
Dodge	
9501	*
9504	
Douglas	
4501	
4505	
4507.01	
4507.02	
4508	
4509	*
4510	*
Fillmore	
9601	

County/Tract	
9602	*
9604	
9606	
Freeborn	
1801	
1802	
1803	
1804	*
1807	*
1810	
Goodhue	
801.02	*
802	
803	*
804	*
805	*
806	*
808	
809	*
Hubbard	
701	
702	
707	
Isanti	
1301	
1303.01	
1303.02	
1304	
1305.01	
1305.02	
1306	
Itasca	
4807	*
4808.01	
4808.02	
4809	
Jackson	
4801	

County/Tract	
4802	
4803	
Kandiyohi	
7801	*
7802	
7803	
7804	*
7806	*
7807	
7811	
7812	*
Koochiching	
7902	
7903	
Lac Qui Parle	
1801	
1802	
1803	
Lake	
3701	*
Le Sueur	
9501	*
9502	*
9503	
9505	
9506	*
Lyon	
3601	*
3602	*
3603	*
3604	*
3605	
3606	
Marshall	
801	
802	
Martin	
7902	

County/Tract	
7903	
7904	
7905	
McLeod	
9501	
9502	*
9503	
9504	*
9505	*
9506	*
9507	
Meeker	
5601	
5602	
5604	
5605	*
5606	
Mille Lacs	
1704	
1705	
1706	
Morrison	
7802	
7803	*
7804	
7805	
7808	
Mower	
2	*
9	*
10	
12	
13	
14	*
Murray	
9001	
9003	
Nicollet	

Board Agenda Item: 7.B.
Attachment: Attachment 2

County/Tract	County/Tract	County/Tract	County/Tract	County/Tract
4801	9605	Rock	1701.98	9502
4802	9608 *	5701	1704	9503
4804	9611	Roseau	Stearns	Wilkin
4805.01	9617 *	9701	3.02	9501
4805.02 *	Pennington	9702	4.01	9502
4806	901	9703	4.02 *	Winona
Nobles	903 *	Saint Louis	10.01	6701
1051	905	1	101.01 *	6702
1053	Pine	2	101.02 *	6703
1056	9501	3	102	6704
Olmsted	9506	4	111	6706
1	9508	5 *	112	6707
4 *	Pipestone	6	113.01	6708 *
5	4601	7 *	113.02	6709 *
6	Polk	10 *	113.04	Wright
9.01	204 *	11 *	114	1001
9.03 *	205	22	Steele	1002.02 *
10	206	36	9601 *	1002.03 *
11 *	Pope	101	9602 *	1002.04
12.01 *	9701	102	9603 *	1003
12.02 *	9702	103 *	9605 *	1005
12.03 *	9703	104	9606	1007.01
13.01 *	9704	105	9607 *	1007.02
13.02 *	Redwood	106 *	Stevens	1007.03 *
14.02 *	7502	111	4801 *	1008.01 *
15.01 *	7504	134	4802 *	1008.02 *
15.02	Renville	151	4803	1009
15.03 *	7902 *	152	Swift	1010 *
16.01	7903	157	9602	1011
16.02 *	Rice	Sherburne	9603 *	Yellow Medicine
16.03 *	701 *	301.01 *	Todd	9701
17.02	702 *	301.02 *	7905	9703
17.03 *	703 *	302 *	7907	9704
19 *	704 *	303 *	7908	
20	705.01 *	304.02	Wabasha	
22	705.03 *	304.03 *	4905	
23 *	705.04 *	304.04	Waseca	
Otter Tail	706.01	305.02 *	7901	
9601.02	706.02 *	305.03	7903 *	
9601.03	707	305.04 *	7904	
9604	708 *	Sibley	Watsonwan	

This page intentionally blank.

Workforce Housing Communities Methodology

For the purposes of consistency and planning purposes, in this QAP, the communities identified for the “top growth” communities in the 2013 QAP will continue to receive priority points in the 2014/2015 QAP. This methodology document details the new workforce housing communities for the 2014/2015 QAP (current year) first followed by the previous year’s “top growth cities” priority from the 2013 QAP.

1. CURRENT YEAR

Communities with a need for workforce housing are identified through total jobs in 2011 and job growth between 2006 through 2011. Data on jobs are from the Minnesota Department of Employment and Economic Development’s Quarterly Census of Employment and Wages³. Workforce housing areas are defined separately for the Twin Cities Metro (7 County) and Greater Minnesota. The following sections describe the eligible communities and buffers around these communities for the two regions. Applicants may find interactive maps to identify whether a property falls within these areas at www.mnhousing.gov/communityprofiles.

1.1 Twin Cities Metro

To be identified as a community needing workforce housing in the Twin Cities, the top five communities in total jobs in 2011 and the top 10 communities in job growth between 2006-2011 are selected. To meet the job growth definition, communities must meet or exceed 2,000 jobs in 2011. Areas within five miles of the communities are included for a modest commuteshed. Table 1 below and the map on page 3 list and show the communities that meet this definition.

Table 2 - Twin Cities Metropolitan Area Workforce Housing Communities

Top Communities in Total Jobs 2011	Top Communities in Job Growth 2006-2011
Bloomington, Hennepin	Brooklyn Park, Hennepin
Eagan, Dakota	Falcon Heights, Ramsey
Eden Prairie, Hennepin	Golden Valley, Hennepin
Minneapolis, Hennepin	Mahtomedi, Washington
Saint Paul, Ramsey	Maple Grove, Hennepin
	Mounds View, Ramsey
	Oak Park Heights, Washington
	Oakdale, Washington
	Richfield, Hennepin
	Shakopee, Scott

³[http://www.positivelyminnesota.com/Data_Publications/Data/All_Data_Tools/Quarterly_Census_of_Employment_Wages_\(QCEW\).aspx](http://www.positivelyminnesota.com/Data_Publications/Data/All_Data_Tools/Quarterly_Census_of_Employment_Wages_(QCEW).aspx)

1.2 Greater Minnesota

To be identified as a community in need of workforce housing in Greater Minnesota, cities must meet or exceed 2000 jobs in 2011. The top ten communities in total jobs and the all communities with job growth between 2006-2011 are included in the definition⁴, and a buffer of ten miles around the communities supports a modest commuted. Table 2 below and the map on the following page show the communities that meet this definition.

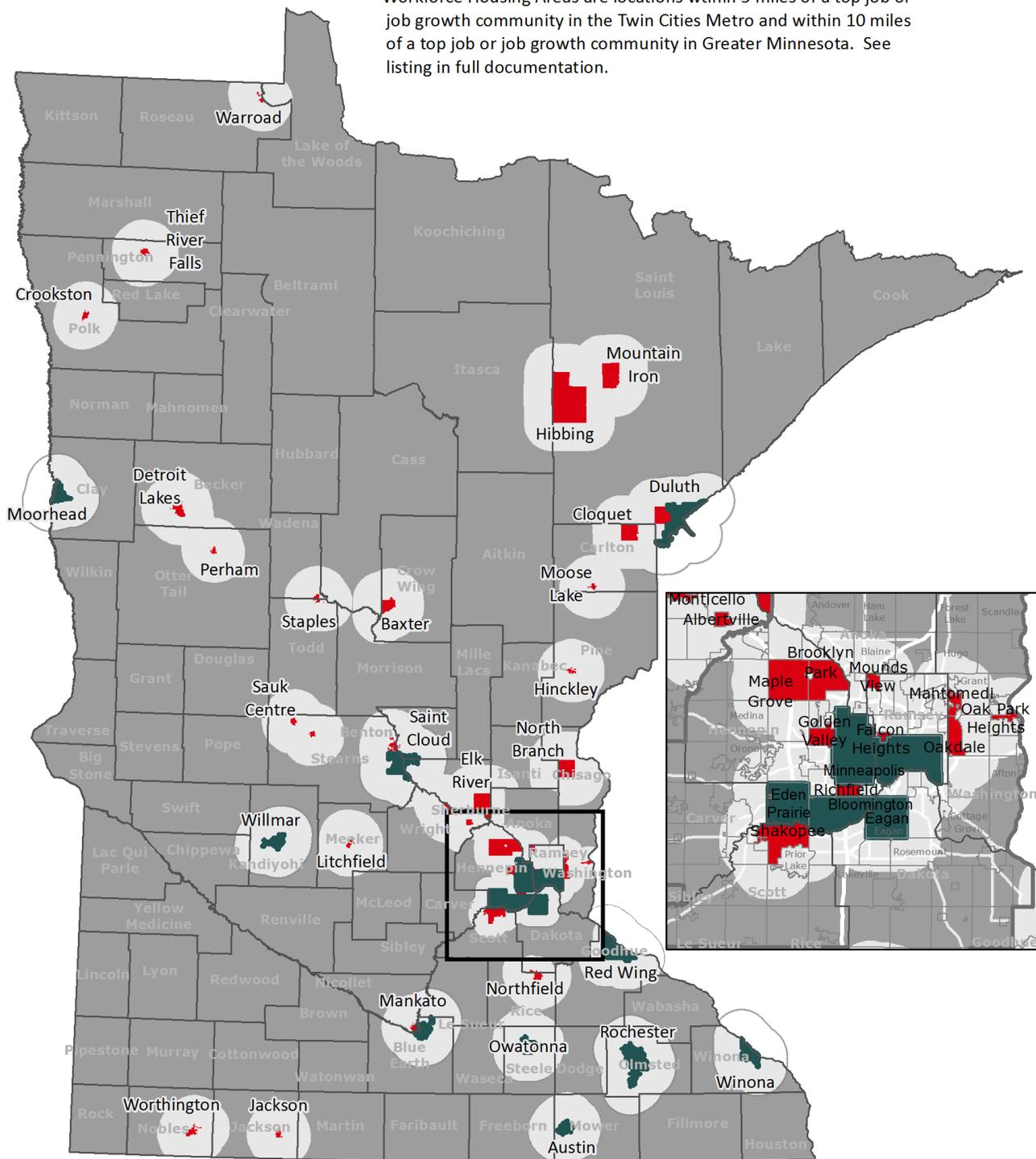
Table 3 - Greater Minnesota Workforce Housing Communities

Top Communities in Total Jobs 2011	Communities with Job Growth 2006-2011
Austin, Mower	Albertville, Wright
Duluth, Saint Louis	Austin, Mower
Mankato, largely Blue Earth	Baxter, Crow Wing
Moorhead, Clay	Cloquet, Carlton
Owatonna, Steele	Crookston, Polk
Red Wing, Goodhue	Detroit Lakes, Becker
Rochester, Olmsted	Elk River, Sherburne
Saint Cloud, largely Stearns	Hermantown, Saint Louis
Willmar, Kandiyohi	Hibbing, Saint Louis
Winona, Winona	Hinckley, Pine
	Jackson, Jackson
	Litchfield, Meeker
	Melrose, Stearns
	Monticello, Wright
	Moose Lake, Carlton
	Mountain Iron, Saint Louis
	North Mankato, largely Nicollet
	Northfield, largely Rice
	Owatonna, Steele
	Perham, Otter Tail
	Red Wing, Goodhue
	Sartell, largely Stearns
	Sauk Centre, Stearns
	Staples, largely Todd
	Thief River Falls, Pennington
	Waconia, Carver
	Warroad, Roseau
	Worthington, Nobles

⁴ When conducting time series analysis using the DEED Quarterly Census of Employment and Wages data, there is potential for reporting changes by employers from neighboring communities between the two years. This may result in a job growth figure that may not be the result of new jobs. This list includes all cities with positive job change between 2006 and 2011 regardless of these potential reporting shifts.

Workforce Housing Areas - Job Growth and Top Job Communities

Workforce Housing Areas are locations within 5 miles of a top job or job growth community in the Twin Cities Metro and within 10 miles of a top job or job growth community in Greater Minnesota. See listing in full documentation.



- Cities with Most Jobs 2011 (10 in Greater MN, 5 in Metro)
- Greater Minnesota: Any Growth; Metro: Top 10 in Growth
- 5 Mile buffer in Metro, 10 mile buffer in Greater Minnesota

Source: Minnesota Housing analysis of MN DEED QCEW data for 2006 and 2011.
See <http://www.positivelyminnesota.com/apps/lmi/qcew/AreaSel.aspx> | Updated: 12/20/2012

2. PREVIOUS YEAR | Top Growth Cities Methodology

Minnesota Housing awards 5 points for proposed housing located in or near a top growth city in households or jobs. In the Twin Cities 7 County Metro, project locations must be within 5 miles of a top growth city. In Greater Minnesota, project locations must be within 10 miles of a top growth city. Tables 3 and 4 list the top growth cities, and the map on page 5 depicts the cities and areas within the 5 and 10 mile buffers from the 2013 QAP definitions. Cities must have at least 2,000 jobs in 2010 to be included in top job growth definition.

Table 3 - Twin Cities 7 County Metro Cities

Top 10 Household Growth	Top 10 Job Growth
Blaine (pr. Anoka)	Blaine (pr. Anoka)
Eden Prairie (Hennepin)	Eagan (Dakota)
Farmington (Dakota)	Golden Valley (Hennepin)
Forest Lake (Washington)	Lakeville (Dakota)
Hugo (Washington)	Maple Grove (Hennepin)
Lakeville Dakota)	Maplewood (Ramsey)
Maple Grove (Hennepin)	Mendota Heights (Dakota)
Plymouth (Hennepin)	Richfield (Hennepin)
Shakopee (Scott)	Shakopee (Scott)
Woodbury (Washington)	Woodbury (Washington)

Table 4 - Greater Minnesota Top Growth Communities

Top 20 - Household Growth	Top 20 - Job Growth
Albertville (Wright)	Albertville (Wright)
Alexandria (Douglas)	Austin (Mower)
Baxter (Crow Wing)	Baxter (Crow Wing)
Becker (Sherburne)	Buffalo (Wright)
Big Lake (Sherburne)	Detroit Lakes (Becker)
Buffalo (Wright)	Elk River (Sherburne)
Elk River (Sherburne)	Hermantown (Saint Louis)
Grand Rapids (Itasca)	Mankato (Blue Earth)
Isanti (Isanti)	Monticello (Wright)
Mankato (pr. Blue Earth)	Moorhead (Clay)
Monticello (Wright)	North Mankato (Nicollet)
Moorhead (Clay)	Northfield (Rice)
Otsego (Wright)	Perham (Otter Tail)
Owatonna (Steele)	Red Wing (Goodhue)
Rochester (Olmsted)	Rochester (Olmsted)
Sartell (pr. Stearns)	Saint Michael (Wright)
Sauk Rapids (Benton)	Sartell (largely Stearns)
St. Cloud city (pr. Stearns)	Thief River Falls (Pennington)
St. Michael (Wright)	Waite Park (Stearns)
Wyoming (Chisago)	Worthington (Nobles)

Areas surrounding top growth cities in jobs and households

This page intentionally blank.

Preservation Geographic Priority Areas

In the preservation priority, there are two geographic based areas defined in the self-scoring worksheet, regional definition, and jobs and household growth communities. This methodology defines each. First, regional definitions, and second, the methodology for determining whether a location is within a job or household growth area. Applicants may find interactive maps to identify whether a property falls within these areas at www.mnhousing.gov/communityprofiles.

1. Regional Definitions

For the purposes of obtaining points for number of units preserved, the state is broke into three geographic regions, the Twin Cities seven county metropolitan area, Greater Minnesota counties part of a Metropolitan Statistical Area, and rural counties not included in the above. Table 1 below displays a list of counties in the Metro and Greater Minnesota MSAs.

Table 1 – Metro and MSA Counties

Region	Minnesota Counties
Duluth MSA	Carlton, Saint Louis
Fargo MSA	Clay
Grand Forks MSA	Polk
La Crosse MSA	Houston
Mankato MSA	Blue Earth, Nicollet
Rochester MSA	Dodge, Olmsted
Saint Cloud MSA	Benton, Stearns
Twin Cities 7 County Metro	Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, Washington
Twin Cities MSA (outside of 7 County Metro)	Chisago, Isanti, Sherburne, Wright

2. Job and Household Growth Communities Methodology

The methodology for determining areas with job growth is consistent with the methodology used in the “workforce housing” priority. The two priority areas differ with the workforce housing priority’s inclusion of top job centers in total jobs and the preservation priority’s inclusion of household growth.

Areas can be defined as a growth community in two ways, through job or household growth. Job growth areas are determined by a city’s job growth between 2006 through 2011, based on data from the Minnesota Department of Employment and Economic Development’s Quarterly Census of Employment and Wages⁵. Household growth areas are determined by a *census tract*’s growth in total households between 2000 and 2011, based on data from the US Census and American Community Survey.

2.1 Job Growth

To be identified as a community with job growth, the top 10 communities in job growth between 2006-2011 are selected for the Twin Cities Metro, and all communities in Greater Minnesota with job growth between 2006-2011 are selected. To meet the job growth definition, communities must meet or exceed 2,000 jobs in 2011. Areas within five miles of communities in the Twin Cities and within 10 miles of communities in Greater Minnesota are included for a modest commuteshed. Table 2 below and the map on page 2 list and show the communities that meet this definition.

Table 2 – Job Growth Communities 2006-2011

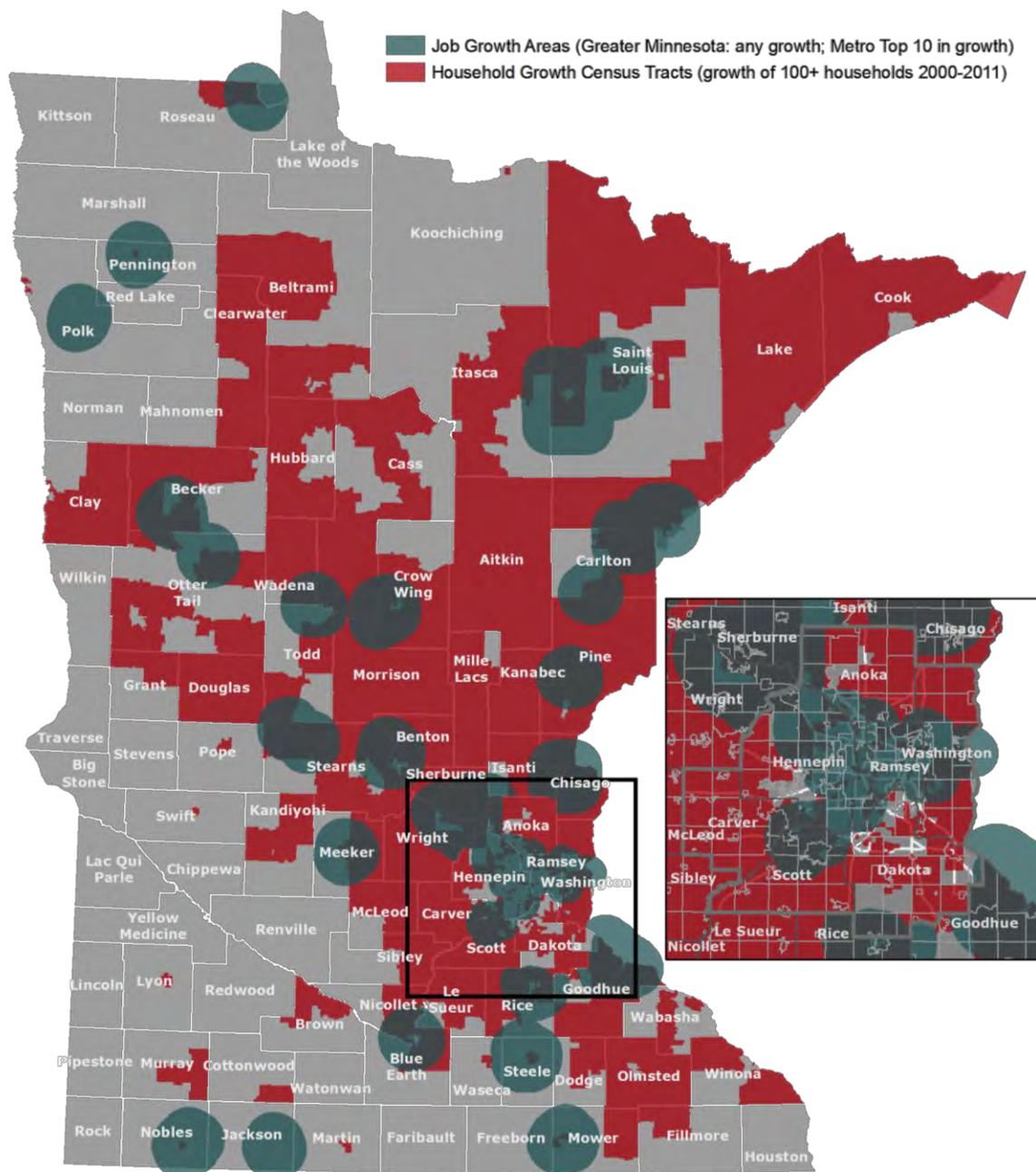
Twin Cities Top 10 Job Growth	Greater Minnesota Job Growth	
Brooklyn Park, Hennepin	Albertville, Wright	Moose Lake, Carlton
Falcon Heights, Ramsey	Austin, Mower	Mountain Iron, Saint Louis
Golden Valley, Hennepin	Baxter, Crow Wing	North Mankato, largely Nicollet
Mahtomedi, Washington	Cloquet, Carlton	Northfield, largely Rice
Maple Grove, Hennepin	Crookston, Polk	Owatonna, Steele
Mounds View, Ramsey	Detroit Lakes, Becker	Perham, Otter Tail
Oak Park Heights, Washington	Elk River, Sherburne	Red Wing, Goodhue
Oakdale, Washington	Hermantown, Saint Louis	Sartell, largely Stearns
Richfield, Hennepin	Hibbing, Saint Louis	Sauk Centre, Stearns
Shakopee, Scott	Hinckley, Pine	Staples, largely Todd
	Jackson, Jackson	Thief River Falls, Pennington
	Litchfield, Meeker	Waconia, Carver
	Melrose, Stearns	Warroad, Roseau
	Monticello, Wright	Worthington, Nobles

⁵[http://www.positivelyminnesota.com/Data_Publications/Data/All_Data_Tools/Quarterly_Census_of_Employment_Wages_\(QCEW\).aspx](http://www.positivelyminnesota.com/Data_Publications/Data/All_Data_Tools/Quarterly_Census_of_Employment_Wages_(QCEW).aspx)

2.2 Household Growth

To be identified as a community with household growth, census tracts with total household growth of 100 and greater between 2000 and 2011 are selected. An increase of 100 households represents the 60th percentile of household change statewide (60% of Census Tracts in the state had a change in households less than 100). The map below and the table beginning on page 4 list and show the census tracts that meet this definition.

Areas with Job Growth and Household Growth



Source: Minnesota Housing analysis of DEED QCEW data for 2006 and 2011, US Census 2000, and American Community Survey 2011 | Updated: 12/31/2012

Table 3 – Census Tracts with Growth in Households 100+ 2000-2011

County Tract	County Tract	County Tract	County Tract	County Tract
Aitkin	508.06	1705	9608.02	9514
7701	508.09	1708	Chisago	9516
7702	508.13	1712.02	1101	Dakota
7703	508.16	1713	1102	605.06
7704	508.18	1716	1103.01	605.07
7905.01	508.19	Brown	1103.02	605.08
7905.02	508.2	9604	1104.01	605.09
Anoka	508.21	Carlton	1104.02	606.03
501.07	509.02	701	1105.01	606.04
501.08	511.01	702	1105.02	607.21
501.09	516	703	1106	607.26
501.11	Becker	704	1107	607.29
501.14	4503	705	Clay	607.32
501.15	4505	9400	205	607.34
501.16	4506	Carver	301.02	607.35
502.1	4507	901	301.03	607.37
502.15	4508	902	301.04	607.39
502.16	4509	903.01	301.06	607.45
502.2	9400	903.02	302.01	607.46
502.21	Beltrami	904.01	302.02	607.47
502.22	4501	904.02	Clearwater	608.05
502.24	4502	905.02	2	608.06
502.25	4503	905.03	3	608.13
502.26	4507.02	906.01	Cook	608.14
502.27	9400.01	907.01	4801	608.15
502.28	Benton	907.02	9900	608.16
502.29	201	908	Cottonwood	608.17
502.3	202.02	909	2704	608.18
502.32	202.03	910	Crow Wing	608.19
502.33	202.05	911	9504	608.2
502.34	202.06	912.01	9505.01	608.21
502.35	203	912.02	9505.02	608.23
502.36	211.01	Cass	9507	608.25
502.37	211.02	9400.02	9508	608.26
504.02	Blue Earth	9602	9509	608.28
506.07	1701	9606	9511	608.29
507.07	1702	9607	9513.01	609.02
508.05	1704	9608.01	9513.02	609.04

Board Agenda Item: 7.B.
Attachment: Attachment 4

County Tract	County Tract	County Tract	County Tract	County Tract
609.05	701	267.16	1302	Martin
609.06	Hennepin	268.12	1303.01	7905
609.07	17	268.19	1303.02	McLeod
610.01	24	268.2	1304	9501
610.04	59.01	269.03	1305.01	9502
610.07	77	269.06	1305.02	9503
610.08	82	269.07	Itasca	9504
610.09	119.98	269.09	4803	9506
611.02	213	270.01	4804	9507
611.06	215.02	270.02	4807	Meeker
611.07	216.01	271.01	4808.02	5601
611.08	223.01	272.01	4809	5602
614.02	229.01	277	Kanabec	5604
615.02	230	1005	4801	Mille Lacs
Dodge	237	1019	4802	1704
9501	240.05	1034	4803	1705
9502	244	1036	4804	1706
9505	246	1044	Kandiyohi	1707
Douglas	251	1048	7801	9702
4501	258.01	1049	7803	9703
4502	260.07	1052.01	7804	Morrison
4505	260.16	1054	7805	7801
4506	260.18	1076	7806	7802
4507.01	260.19	1091	7807	7803
4507.02	260.2	1105	7810	7804
4508	260.21	1255	Koochiching	7805
4509	260.22	1258	7901	7806
4510	261.04	1260	Lake	7807
Fillmore	263.01	1261	3701	7808
9602	265.07	1262	3704	Mower
Goodhue	265.08	9800	9901	1
801.02	265.1	Hubbard	Le Sueur	9
802	265.14	701	9501	14
803	266.05	702	9502	Murray
804	266.12	704	9503	9003
806	266.13	705	9505	Nicollet
807	267.02	706	Lyon	4802
808	267.1	707	3603	4804
809	267.14	Isanti	3604	4805.01
Grant	267.15	1301	3605	Nobles

County Tract
1056
Olmsted
9.01
9.02
9.03
12.01
12.02
12.03
13.01
13.02
14.02
16.02
16.03
17.01
17.02
17.03
18
19
20
21
22
23
Otter Tail
9601.03
9605
9606
9608
9611
9612
9615
9617
Pennington
904
Pine
9501
9502
9503
9504
9505
9506

County Tract
9508
Polk
201
203
Pope
9704
Ramsey
302.02
317.02
319
332
339
342.01
342.02
346.01
360
376.01
376.02
401
404.02
405.02
405.03
405.04
406.01
406.04
407.05
407.07
408.01
408.03
411.03
412
422.02
423.01
424.01
425.04
9800
Rice
701
702
703

County Tract
705.03
705.04
706.01
708
709.01
709.02
Roseau
9701
Scott
802.01
802.02
802.04
802.05
803.01
803.02
806
807
808
809.03
809.04
809.05
810
811
812
813
Sherburne
301.01
301.02
302
303
304.02
304.03
304.04
305.02
305.03
305.04
315
Sibley
1701.98
1704

County Tract
St. Louis
3
4
9
16
101
103
104
105
106
111
112
121
124
126
128
132
139
151
155
9901
Stearns
4.01
4.02
5
10.01
101.01
101.02
102
104.01
104.02
104.03
105
106
110
111
112
113.01
113.02
114

County Tract
115
Steele
9602
9603
9607
Swift
9602
Todd
7904
7906
7907
Wabasha
4901
4905
4906
Wadena
4801
4802
Waseca
7904
7905
Washington
701.03
701.04
701.05
701.06
702.03
702.04
702.05
702.06
703.03
704.04
704.05
704.06
706.01
707.01
707.03
707.04
708.01
708.02

County Tract
709.09
709.1
709.12
710.01
710.06
710.12
710.14
710.15
710.16
710.17
710.18
711.02
712.06
712.07
712.09
713
714
Winona
6701
6705
6708
Wright
1001
1002.03
1002.04
1003
1004
1005
1007.01
1007.02
1007.03
1008.01
1008.02
1009
1010
1011
1012
1013

This page intentionally blank.

Minimizing Transportation Costs and Promoting Access to Transit Methodology

Minimizing transportation costs is defined by Minnesota Housing in three tiers (5, 4, or 2 points) for the 7 County Metro and in two tiers (5 and 2 points) for Greater Minnesota. An interactive tool will be made available to assist applicants and staff in determining the location in these areas, through the community profiles tools at <http://www.mnhousing.gov/communityprofiles/>.

Twin Cities Metropolitan Area

Tier 1 Metro - Transit Oriented Development (5 Points)

Minnesota Housing defines Transit Oriented Development areas as areas within one half mile of planned⁶ or existing LRT, BRT, or Commuter Rail Stations. As of publication, lines include: Hiawatha, Central Corridor, and Southwest LRT, Northstar Commuter Rail, and stations of the Cedar Ave and I-35W BRT lines.

Tier 2 Metro – Proximity to Hi-Frequency Transit Network (4 Points)

If not in tier 1 locations, areas located within one quarter mile of a fixed route stop on Metro Transit's Hi-Frequency Network achieve the second tier.

Tier 3 Metro – Access to Public Transportation (2 Points)

For areas not achieving tier 1 and tier 2, the third tier, access to public transportation for the Twin Cities 7 County Metro, is met for locations:

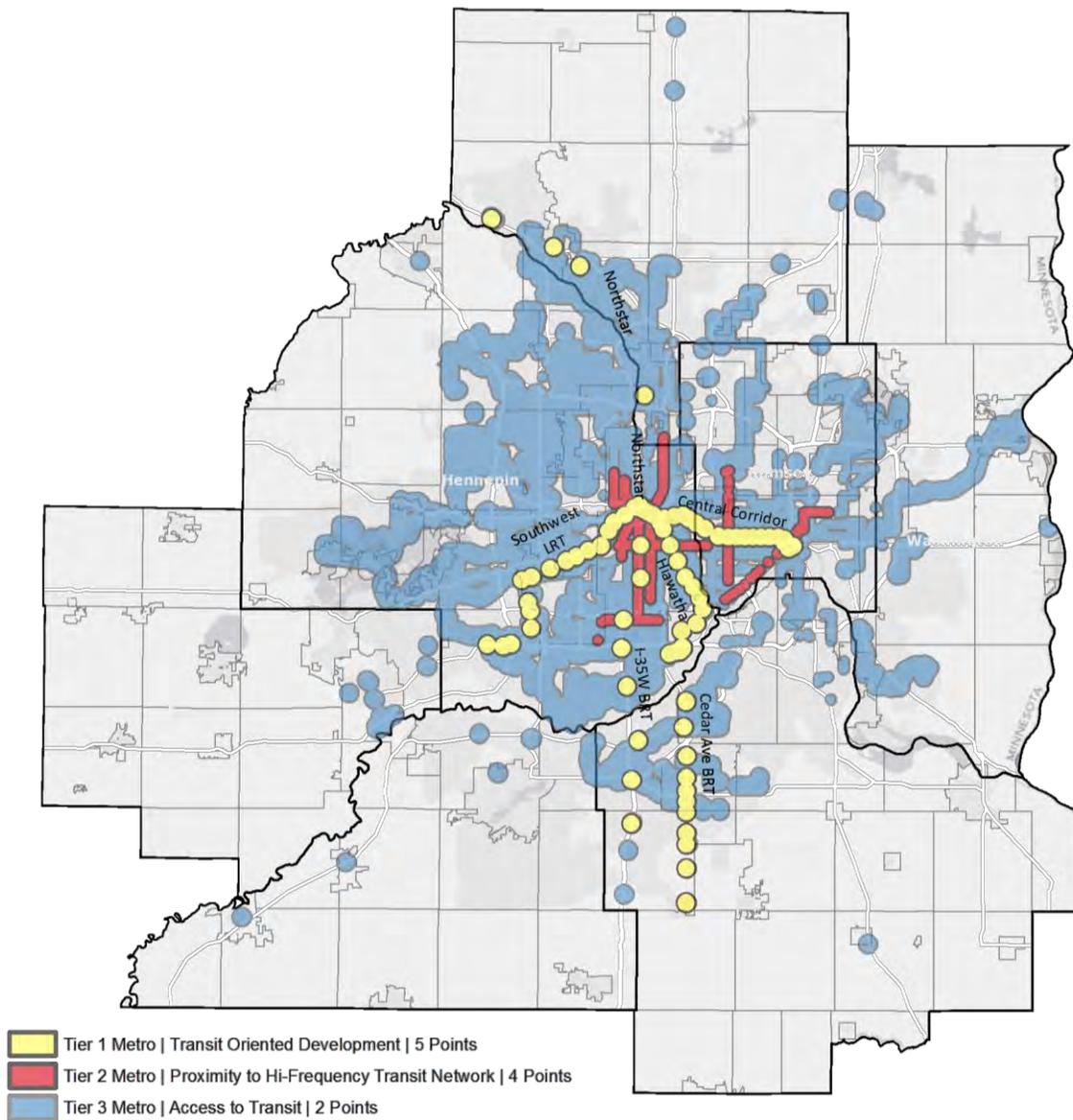
- Within one quarter mile of a high service⁷ public transportation fixed route stop; or
- Within one half mile of an express route bus stop or park and ride lot; or

The map in figure 1 on the next page displays the three tiers in the Twin Cities Metro.

⁶ Includes planned transitway stations on future transitways which are in advanced design or under construction. To be considered in advanced design, transitways would meet the following criteria: issuance of a draft EIS, station area planning underway, and adopted by the Metropolitan Council Transportation Policy Plan. Transitways entering into advanced design after publication will be eligible, but data may not be available using Minnesota Housing scoring tools.

⁷ High service fixed route stop defined as those serviced during the time period 6 AM through 7 PM and with service approximately every half hour during that time.

Figure 1 – Transportation Tiers in the Twin Cities 7 County Metro



Map Source: Minnesota Housing analysis of MetroTransit 2012 data on Hi-Frequency Network, Planned and Existing Transit Lines, bus service, and park and rides.

Greater Minnesota

In Greater Minnesota, applicants can receive points if a project is close to jobs and one of the following are met: 1) access to fixed route transit, or, 2) access to demand response/dial-a-ride service or proximity to facilities. These options are described below.

Tier 1 Greater Minnesota (5 Points)

To achieve tier 1, developments in Greater Minnesota must be:

- located within one quarter mile of a public transportation fixed route stop, or
- located within a census tract that is close to low and moderate wage jobs⁸ and meet **BOTH** of the following criteria:
 - The proposed housing is within one half mile of at least four different types of facilities: supermarket/convenience store, public school, library, licensed child care center, usable park space/dedicated walking or biking trails, bank, medical or dental office, post office, laundry/dry cleaner, pharmacy, place of worship, community or civic center that is accessible to residents, arts or entertainment center, police station, fire station, fitness center/gym, restaurant, neighborhood serving retail, or office building/employment center; **AND**
 - The proposed housing has access to regular demand-response/dial-a-ride transportation service Monday through Friday during standard workday hours (6:30 AM to 7:00 PM). Applicants must provide documentation of access and availability of service and describe how the service is a viable transit alternative that could be used for transportation to work, school, shopping, services and appointments. Applicants can find service providers by county or city at the MN Department of Transportation Transit website: <http://www.dot.state.mn.us/transit/riders/index.html>.

Tier 2 Greater Minnesota (2 Points)

To achieve tier 2, developments in Greater Minnesota that do not meet tier 1 criteria must be:

- Located between one quarter (1/4) and one half (1/2) mile of a public transportation fixed route stop; or
- Located within one and one half (1½) miles of a park and ride served by fixed route public transportation; or
- Located within a census tract that is close to low and moderate wage jobs⁹ and meet **ONE** of the following criteria:
 - The proposed housing is within 1 mile of at least four different types of facilities, as specified in the 5 point discussion, **OR**.
 - The proposed housing has access to demand response/dial-a-ride services during standard workday hours as specified in the tier 1 discussion.

The maps and tables on the following pages provide detail to support the Greater Minnesota tiered transportation priority

⁸ For urban tracts (<=25 square miles), tracts must have 2,000 jobs within 5 miles. For large, rural tracts (>25 square miles), tracts must have 5,000 jobs within 5 miles. Smaller census tracts reflect job and population centers. Low and moderate wage jobs are those with a monthly earning less than or equal to \$3,333, using LED data from the US Census (2010). Jobs that are located within 5 miles of a census tract boundary are included in the calculation.

⁹ Ibid.

- The maps in figure 2 display fixed route stops and $\frac{1}{4}$ and $\frac{1}{2}$ mile buffers in Duluth, Rochester, and St. Cloud.
- The map in figure 3 displays the census tracts that are close to low and moderate wage jobs for 2010.
- Table 1 beginning lists these census tracts. Find detailed maps by location on Minnesota Housing's website: <http://www.mnhousing.gov/communityprofiles/>.

Applicants for a development in Greater Minnesota must submit a map identifying the location of the project with exact distances to the eligible public transportation station/stop and include a copy of the route, span, and frequency of services. Applicants can find service providers by county or city at the MN Department of Transportation Transit website: <http://www.dot.state.mn.us/transit/riders/index.html> .

Figure 2 – Transit in Duluth, Rochester, and Saint Cloud

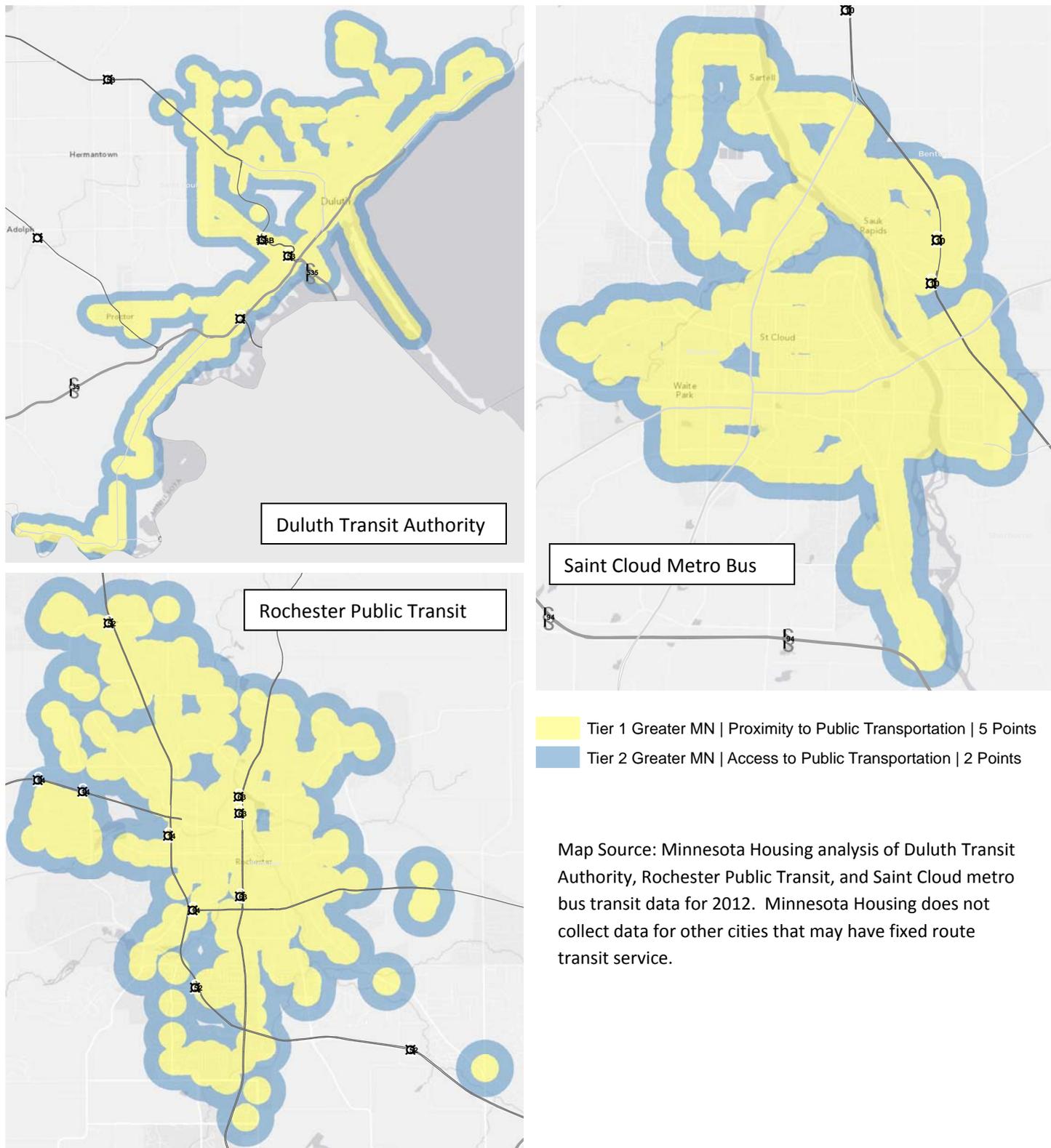
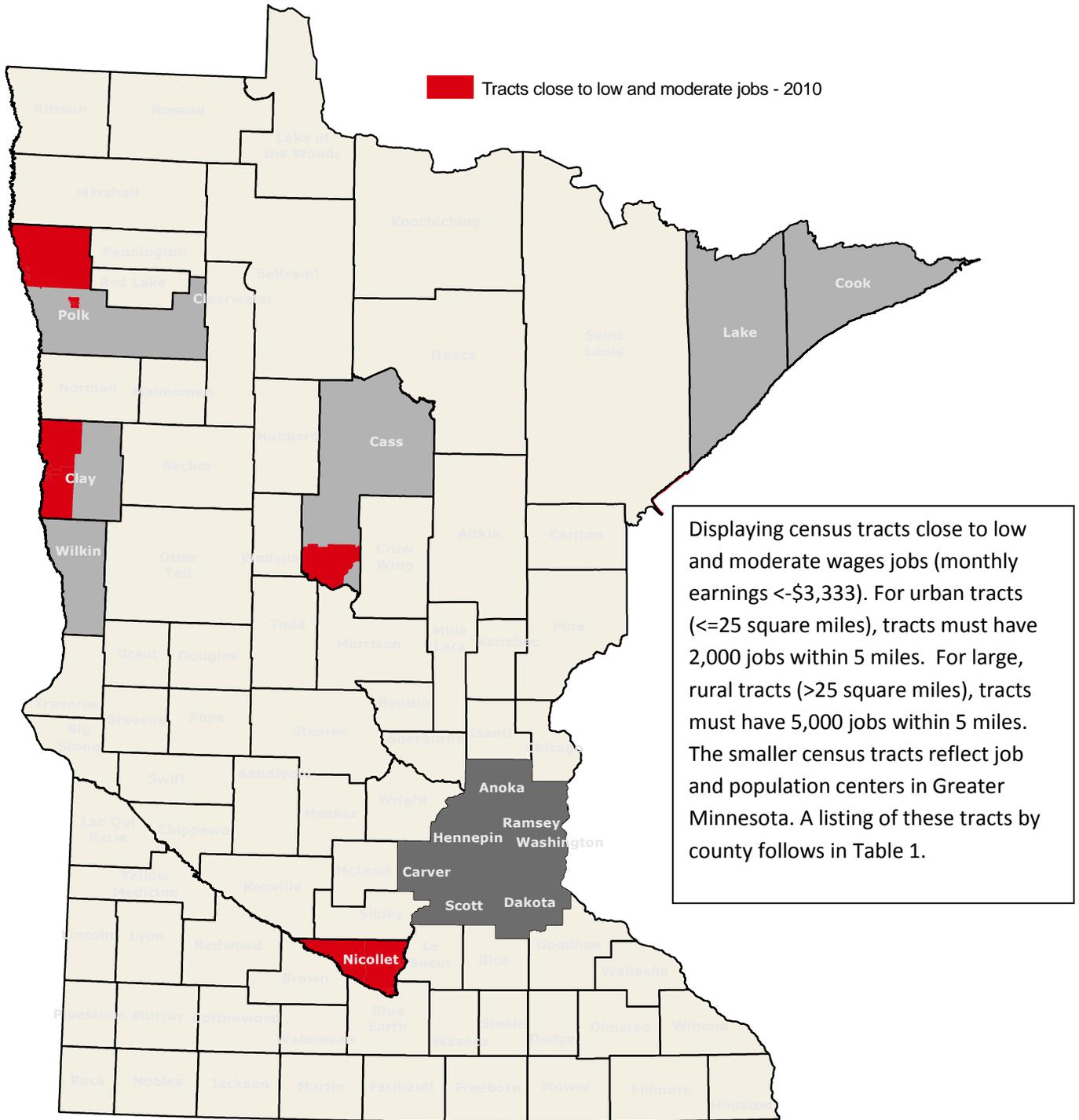


Figure 3 – Jobs in Greater Minnesota



Map Source: Minnesota Housing analysis US Census Local Employment Dynamics program data, 2010.

Table 1 Census tracts close to low and moderate wage jobs in Greater Minnesota by county

County Tract	County Tract	County Tract	County Tract	County Tract
Becker	960300	951100	130301	Marshall
450300	960400	951200	130302	80100
450400	960500	951301	130400	80200
450500	960700	951302	130501	Martin
450600	Carlton	951400	130502	790200
450700	70100	Dodge	Itasca	790300
Beltrami	70200	950500	480300	790500
450100	70300	Douglas	480700	790600
450200	70400	450500	480801	McLeod
450600	940000	450600	480802	950200
450701	Cass	450701	480900	950300
450702	960802	450702	481000	950400
Benton	Chippewa	450800	Jackson	950700
20202	950300	450900	480100	Meeker
20205	950600	451000	480400	560300
20206	Chisago	Freeborn	Kanabec	560400
20300	110301	180100	480300	Mille Lacs
21101	110302	180200	Kandiyohi	170700
21102	110401	180300	770900	Morrison
21200	110402	180400	780400	780200
Blue Earth	110501	180500	780500	780300
170100	110502	180600	780600	780600
170200	Clay	180700	780700	780700
170300	20100	180800	780800	780800
170400	20202	180900	781000	Mower
170500	20300	181000	781200	100
170600	20400	Goodhue	Koochiching	200
170700	20500	80101	790100	300
170800	20600	80102	790200	410
170900	30102	80200	Le Sueur	600
171101	30103	80300	950100	800
171202	30104	80400	950200	900
171300	30106	Hubbard	950600	1000
171600	30107	70100	Lyon	Nicollet
Brown	Crow Wing	70600	360200	480100
960101	950800	Isanti	360300	480200
960102	950900	130100	360400	480300
960200	951000	130200	360500	480400

County Tract
480501
480502
480600
Nobles
105100
105300
105400
105500
105600
Olmsted
100
200
300
400
500
600
901
902
903
1000
1100
1201
1202
1203
1301
1302
1401
1402
1501
1502
1503
1601
1602
1603
1701
1702
1703
1900
2200
2300
Otter Tail

County Tract
960600
960800
960900
961000
961100
961700
Pennington
90100
90200
90300
90400
90500
Pipestone
460200
460300
Polk
20100
20200
20300
20400
20600
20700
Pope
970400
Redwood
750200
750300
Rice
70200
70300
70400
70501
70503
70504
70601
70602
70700
70800
70901
70902
Rock

County Tract
570200
Roseau
970100
970400
Saint Louis
100
200
300
400
500
600
700
900
1000
1100
1200
1300
1400
1600
1700
1800
1900
2000
2200
2300
2400
2600
2900
3000
3300
3400
3600
3700
3800
10100
10200
10300
10400
10500
10600
11100

County Tract
12100
12200
12300
12400
12500
12600
12800
13000
13100
13200
13300
13400
13500
15100
15200
15600
15700
15800
Sherburne
30101
30102
30200
30300
30402
30403
30404
30502
30503
30504
31500
Sibley
170198
Stearns
301
302
401
402
500
601
602
701

County Tract
801
901
1001
10101
10102
10200
11100
11200
11301
11304
11400
11600
Steele
960100
960200
960300
960400
960500
960600
960700
Todd
790600
790700
Wadena
480200
Waseca
790100
790300
790400
790500
Watonwan
950200
Winona
670100
670200
670300
670400
670500
670600
670700
670800

County Tract
670900
Wright
100100
100202
100203
100204
100300
100701
100702
100703
100801
100802
100900
101000
101100
Yellow Medicine
970100

This page intentionally blank.

Cost Containment

Minnesota Housing is committed to containing the costs of the tax credit developments that it helps finance. If a development has total development costs at or below the applicable moderate-cost threshold specified in the following table, the development will receive 3 points; if the development has total development costs at or below the applicable low-cost threshold, the development will receive 5 points.

Cost Containment Thresholds

	Low Cost Thresholds (5 Points)	Moderate Cost Thresholds
New Construction Metro for Singles	\$182,000	\$203,000
New Construction Metro for Families/Mixed	\$207,000	\$229,000
New Construction Metro for Large Families	\$209,000	\$233,000
New Construction Greater MN for Singles	\$135,000	\$154,000
New Construction Greater MN for Families/Mixed	\$162,000	\$182,000
New Construction Greater MN for Large Families	\$164,000	\$186,000
Rehabilitation Metro for Singles	\$124,000	\$150,000
Rehabilitation Metro for Families/Mixed	\$158,000	\$183,000
Rehabilitation Metro for Large Families	\$165,000	\$193,000
Rehabilitation Greater MN for Singles	\$87,000	\$110,000
Rehabilitation Greater MN for Families/Mixed	\$121,000	\$145,000
Rehabilitation Greater MN for Large Families	\$128,000	\$155,000
<p>"Metro" applies to the seven-county Twin Cities metro area, while "Greater MN" applies to the other 80 counties.</p> <p>"Singles" applies to developments where the share of efficiencies and 1 bedroom units is 75% or greater.</p> <p>"Large Families" applies to developments where the share of units with 3 or more bedrooms is 50% or greater.</p> <p>"Families/Mixed" applies to all other developments.</p> <p>"New Construction" includes regular new construction, adaptive reuse to residential housing, and projects that mix new construction and rehabilitation.</p>		

When assessing projects on Tribal lands, the thresholds are 10% higher than the levels specified in the table.

If a project receives points under this criterion, failure to keep project costs under the selected cost threshold will be considered an unacceptable practice and will result in negative points awarded in the applicant's next new tax credit submission equal to points awarded in this scoring criterion.

Minnesota Housing developed the cost thresholds in the previous table by assessing the inflation-adjusted costs of the tax credit developments that Minnesota Housing has helped finance since 2003. Roughly 50% of the developments had total development costs below the moderate-cost thresholds, and 25% had costs below the low-cost thresholds.

Besides awarding cost-containment points under this criterion, Minnesota Housing will also evaluate “cost-reasonableness” of all proposed tax credits developments (even those that do not receive points under this criterion) using the Agency’s predictive cost model. The model is a regression analysis that predicts total development costs using data from developments that the Agency has financed since 2003 (adjusted for inflation) and industry construction costs from RSMMeans. The model measures the individual effect that a set of 21 explanatory variables (which includes building type, building characteristics, type of work carried out, project size, project location, population served, financing, etc.) have on costs. During the tax credit selection process, Minnesota Housing compares the proposed total development costs for all projects with the model’s predicted costs. The Agency combines the model’s results with the professional assessment of the Agency’s architects and underwriters to assess cost reasonableness overall. The purpose of the cost-reasonableness testing (on top of the cost-containment scoring) is to ensure that all developments financed by Minnesota Housing have reasonable costs, even those that do not receive points under the cost-containment criterion.

High Need Foreclosure Methodology

Foreclosed priority areas identify zip codes with the greatest foreclosure need. This document describes the high-need zip codes as well as an alternative method for quantifying foreclosure need in a community. An interactive tool will be made available to assist applicants and staff in determining their location in these zip codes, through the community profiles tools at: www.mnhousing.gov/communityprofiles/.

High Need Zip Codes Defined

Based on zip code level data purchased from CoreLogic, Minnesota Housing identified 158 residential zip codes (out of 883 statewide) with the greatest foreclosure need. Need is based on the following factors in each zip code, and received the following weights to form a composite foreclosure rate for September 2012:

- REO rate (50%),
- Foreclosure rate (30%), and
- Delinquency rate (20%)

Under this definition, high need zip codes are those with a composite rate that is at least 1 ½ times greater than the regional rate. In Greater Minnesota, zip codes are compared with Greater Minnesota rates, and in the Twin Cities Metro, rates are compared with statewide rates.

See Map 1 for the high-need zip codes. Table 1 lists the zip codes by county. If a development is in one of the listed zip codes, it is eligible for this priority.

Alternative to High Need Zip Codes

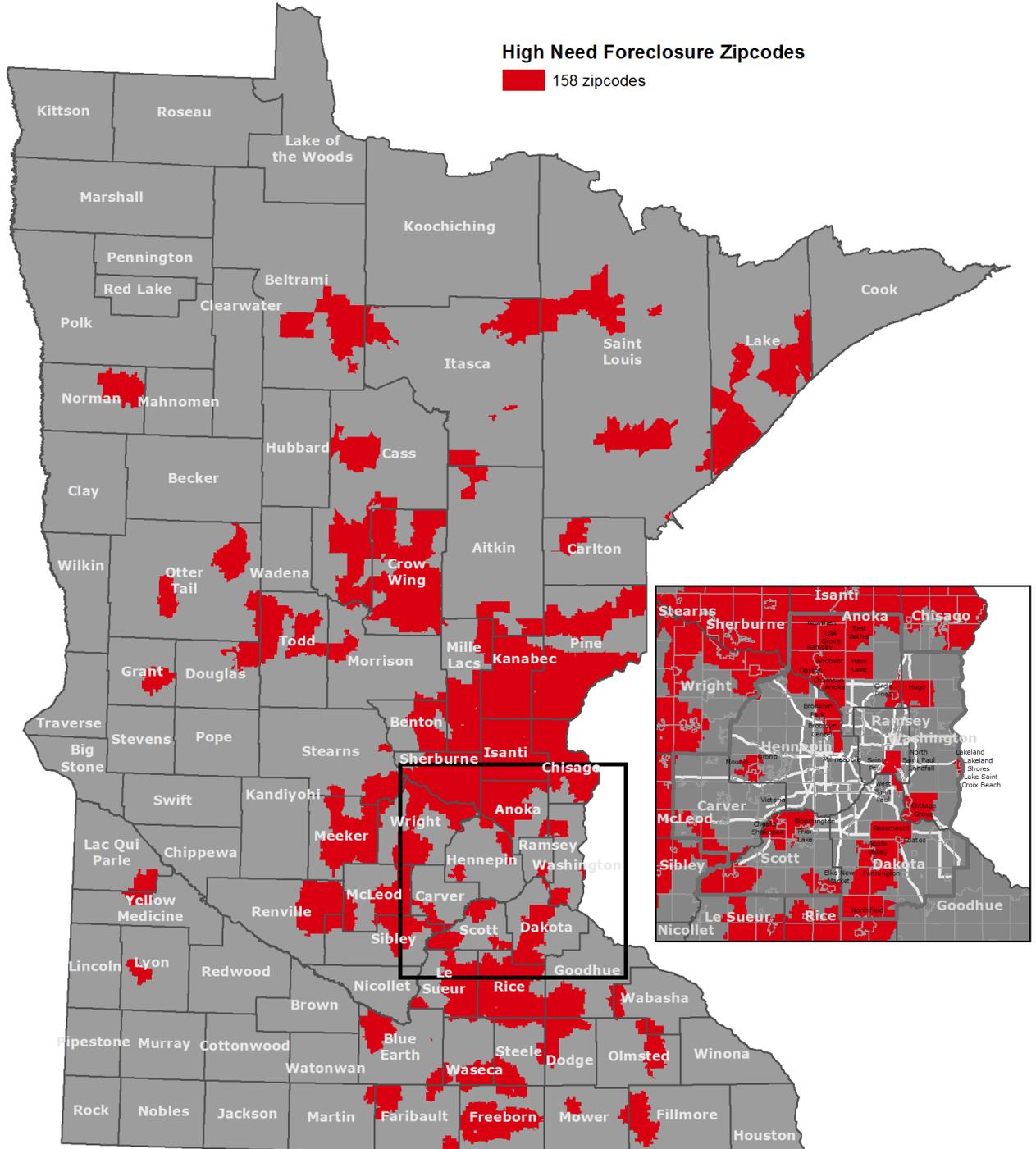
Because zip codes can contain up to 20,000 households, some high need areas are not identified by the zip code analysis. One section of a zip code may have a very high foreclosure rate, while the remaining parts of the same zip code may have a low rate, giving the zip code a lower foreclosure rate overall. To account for this shortcoming in the analysis, an applicant working outside one of the high need zip codes can still receive credit for the foreclosure priority if the development is in a community or neighborhood with at least a 7.5% sheriff-sales rate in the Twin Cities Metro area or 5% in Greater Minnesota. The rate is calculated by identifying the community or neighborhood around the development and computing the number of residential sheriff sales that occurred during 2010, 2011, and 2012 in the community or neighborhood and then dividing the three year total by the number of residential parcels in the community or neighborhood. To be eligible for the foreclosure priority, the community or neighborhood boundaries must be acceptable to Minnesota Housing and contain at least 200 residential parcels. Isolated small pockets of foreclosures are not eligible for this priority.

Each applicant seeking credit for a development in a high-need foreclosure area under the alternative definition (outside an identified high-need zip codes) must provide the following information:

1. A map showing the boundaries of the community or neighborhood and the development's location within it;
2. The number of sheriff sales that occurred in the identified community or neighborhood during 2010, 2011, and 2012 (with a separate figure for each year); and
3. The number of residential parcels in the identified community or neighborhood (not the number of households).

Finally, new subdivisions that are partially completed are not eligible to be counted in the sheriff sales calculation. A partially-completed, new subdivision is defined as a development where less than 90% of the lots have been fully developed with a residential structure and are ready to be occupied or less than 90% of the fully-developed residential structures have been occupied at some point.

Map 1 - High Need Foreclosure Zip Codes



Source: Minnesota Housing analysis of CoreLogic data for September 2012 | Updated: 12/18/2012

Notes: The index is based on each zip code's composite score based on rate of properties Real Estate Owned (REO) (50%), rate of properties in foreclosure (30%), and 90+ day delinquency rate (20%). Each zip code's rate is divided by the regional rate (Greater MN compared to Greater MN, and Metro compared to overall state rates) to compute the index score. An index score of 200 means the zip code's rate is twice the regional rate, while an index score of 50 means the zip code's rate is half the regional rate.

Table 4 - Listing of High Need Zip Codes

Primary County	Zip Code						
Aitkin	55748	Douglas	56354	McLeod	55354	Scott	55020
Anoka	55005	Faribault	56051	McLeod	55370	Scott	55054
Anoka	55011	Faribault	56068	McLeod	55385	Scott	55379
Anoka	55070	Faribault	56098	McLeod	55395	Scott	56011
Anoka	55303	Fillmore	55975	Meeker	55324	Sherburne	55308
Anoka	55304	Freeborn	56007	Meeker	55325	Sherburne	55309
Anoka	55433	Freeborn	56009	Meeker	55329	Sherburne	55319
Anoka	55448	Freeborn	56043	Meeker	55355	Sherburne	55330
Beltrami	56630	Goodhue	55946	Mille Lacs	55371	Sherburne	55398
Beltrami	56647	Goodhue	55983	Mille Lacs	56330	Sibley	55307
Beltrami	56667	Grant	56311	Mille Lacs	56342	Sibley	55338
Benton	56329	Hennepin	55327	Mille Lacs	56353	Stearns	55353
Blue Earth	56055	Hennepin	55364	Mille Lacs	56386	Stearns	56303
Blue Earth	56080	Hennepin	55411	Morrison	56475	Steele	55049
Carlton	55726	Hennepin	55412	Mower	55918	Steele	56026
Carver	55368	Hennepin	55429	Norman	56545	Todd	56437
Cass	56473	Hennepin	55430	Olmsted	55934	Todd	56438
Cass	56474	Hennepin	55443	Otter Tail	56567	Todd	56446
Cass	56484	Hennepin	55444	Otter Tail	56586	Todd	56453
Chisago	55012	Hennepin	55445	Pine	55030	Wabasha	55932
Chisago	55032	Isanti	55006	Pine	55037	Wabasha	55956
Chisago	55045	Isanti	55008	Pine	55063	Waseca	56072
Chisago	55056	Isanti	55017	Pine	55704	Washington	55016
Chisago	55069	Isanti	55040	Pine	55712	Washington	55038
Chisago	55074	Isanti	55080	Pine	55735	Washington	55043
Chisago	55079	Itasca	55722	Ramsey	55101	Washington	55071
Chisago	55084	Itasca	55764	Ramsey	55106	Wright	55301
Crow Wing	56401	Kanabec	55007	Ramsey	55107	Wright	55320
Crow Wing	56441	Kanabec	55051	Ramsey	55130*	Wright	55341
Crow Wing	56444	Kanabec	56358	Renville	55314	Wright	55349
Crow Wing	56447	Lac Qui Parle	56218	Renville	55342	Wright	55358
Crow Wing	56450	Lake	55603	Rice	55019	Wright	55362
Crow Wing	56455	Lake	55616	Rice	55021	Wright	55363
Crow Wing	56465	Le Sueur	56028	Rice	55046	Wright	55376
Crow Wing	56472	Le Sueur	56050	Rice	55052	Wright	55382
Dakota	55024	Le Sueur	56057	Rice	55057	Wright	55390
Dakota	55068	Le Sueur	56069	Saint Louis	56052		
Dakota	55075	Le Sueur	56096	Saint Louis	55723		
Dodge	55924	Lyon	56157	Saint Louis	55724		
Dodge	55985	McLeod	55336	Saint Louis	55782		
Douglas	56319			Saint Louis	55806		

***55130.** This zip code on Saint Paul's East Side is relatively new. While local data support that this zip code has significant foreclosures, the analysis did not pick up this area as a hot spot for foreclosure and thus was altered to be included as a high need zip code.

This page intentionally blank.



AGENDA ITEM: 8.A
MINNESOTA HOUSING BOARD MEETING
January 24, 2013

ITEM: 2013 Division Work Plans Summary

CONTACT: Barb Sporlein, 297-3125
barb.sporlein@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:

For informational purposes, staff is summarizing the major key initiatives in the 2013 Divisional Work Plans that implement the 2013-2015 Strategic Plan and 2013 Affordable Housing Plan.

FISCAL IMPACT:

None. These plans are consistent with the approved 2013-2015 Strategic Plan, 2013 Affordable Housing Plan and 2013 Operating Budget.

MEETING AGENCY PRIORITIES:

- Promote and support successful homeownership Preserve federally-subsidized rental housing
- Address specific and critical needs in rental housing markets Prevent and end homelessness
- Prevent foreclosures and support community recovery Strengthening Organizational Capacity

ATTACHMENT(S):

- Background
- Strategy Management Framework – Planning Documents

Minnesota Housing takes a systematic approach to its overall strategic management and performance reporting. The system includes a “family of documents” that is integrated and builds off each other. The planning documents include the Strategic Plan, Affordable Housing Plan, divisional and sectional work plans, and individual work plans (see attached outline of the planning documents). Each has corresponding performance reports including the bi-annual reports to the board, quarterly reports for divisional review meetings, regular reports for program managers and staff, and individual performance appraisals. This system creates a strategy management feedback loop for continuous improvement - the result should be an agency that gets better and better at achieving its mission.

The 2013-2015 Strategic Plan was approved by the Board in July 2012. It defines the Agency’s vision, mission, values, priorities, and strategies. The five strategic priorities are:

- 1) PRESERVE FEDERALLY-SUBSIDIZED RENTAL HOUSING
- 2) PROMOTE AND SUPPORT SUCCESSFUL HOMEOWNERSHIP
- 3) ADDRESS SPECIFIC AND CRITICAL NEEDS IN RENTAL HOUSING MARKETS
- 4) PREVENT AND END HOMELESSNESS
- 5) PREVENT FORECLOSURES AND SUPPORT COMMUNITY RECOVERY

The Strategic Plan also includes several cross-cutting principles and priorities, as well as strategies for strengthening the Agency’s organizational capacity.

The Affordable Housing Plan (AHP) is the annual business plan for carrying out the Agency’s core work for the upcoming year and implementing the Strategic Plan. It was approved by the Board in September 2012. The AHP outlines key programmatic and policy initiatives for the year, specifies program-by-program funding, and establishes production targets. In total, the plan allocates about more than \$874 million of federal, state, and agency housing resources, which will assist approximately 67,900 households or housing units.

Each division develops an annual work plan for implementing the Strategic Plan and AHP. These plans identify funding and production levels, key division/section activities, responsibilities, expected outcomes and program level measures. Below is a summary of the major, key initiatives in the divisional work plans (this is not an exhaustive list of core business or special projects):

- Deliver the recently redesigned home mortgage and enhancement programs (Start Up, Step Up);
- Deliver the single-family home improvement program (Fix Up);
- Implement the new Partner Customer Solutions Center to improve customer service for single-family lenders;
- Monitor and manage the single family loan portfolio;
- Redesign the multi-family production business processes to improve efficiency and integration;
- Implement the preservation agenda: develop comprehensive data base of existing federally assisted rental developments; develop thresholds and criteria to inform preservation funding decisions; select, review and fund existing rental developments;
- Select, review and fund new construction rental housing developments according to the AHP;
- Implement new Section 811 Supportive Housing for Persons with Disabilities Program that provides rental assistance in combination with appropriate supports and services;
- Further refine Low Income Housing Tax Credit Qualified Allocation Plan - definitions, priorities and application process – to streamline processes and better align it with the Strategic Plan and AHP;
- Continue to develop the Property On line Reporting Tool (PORT) to improve efficiency and ease of compliance activities with multifamily program partners;

Board Agenda Item: 8.A
Attachment: Background

- Implement a new loan servicing software for the Agency's amortizing and deferred loans in the multifamily portfolios so that servicing is more integrated and dynamic;
- Implement three major new financing tools and programs – Mortgage Credit Certificates, FHA Multi-Family Accelerating Processing lender, and securitization of MAP loans – to offer wider variety of loans, serve more Minnesotans, and offer better terms and rates;
- Redesign the Agency's website and intranet to make them easier to navigate and more user friendly; and
- Update the Agency Risk Profile and complete risk assessments on all agency programs.

Strategy Management Framework Planning Documents

Strategic Plan

Three year blueprint for agency's work

Vision - Mission - Priorities - Strategies

Affordable Housing Plan (AHP)

One-year plan for funding programs and implementing the Strategic Plan

- *Establishes funds available for commitment by program*
- *Identifies key initiatives*
- *Establishes production targets:
Estimated number of units & households to be assisted*
- *Provides historical, market, and policy context and rationale*

Division/Section Work Plans

Annual plans for implementing the Strategic Plan & Affordable Housing Plan

- *Linked to Strategic Plan priorities and strategies and AHP initiatives*
- *Reflects funding and production levels in AHP*
- *Identifies key division/section activities*
- *Identifies responsibilities and expected outcomes*
- *Identifies program level measures*

Individual Work Plans

Annual plans for implementing the Strategic, Affordable Housing, Divisional Plans

- *Linked to activities in the Division/Section Work Plans, which are linked to AHP initiatives and Strategic Plan priorities and strategies*
- *Reflects funding and production levels in Affordable Housing Plan*
- *Identifies specific responsibilities and activities*
- *Captures on-going core work*
- *Identifies team and individual expected outcome (including performance measures)*



AGENDA ITEM: 9.A.
MINNESOTA HOUSING BOARD MEETING
January 24, 2013

ITEM: Semi-annual Variable Rate Debt and Swap Performance Review as of January 1, 2013

CONTACT: Bill Kappahn, 651-215-5972
 William.Kappahn@state.mn.us

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: _____

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

The Agency's board-approved Debt Management Policy calls for the ongoing review and management of swap transactions including regular reporting to the board. This reporting is accomplished through the Semi-annual Variable Rate Debt and Swap Performance Report.

FISCAL IMPACT:

None.

MEETING AGENCY PRIORITIES:

Promote and support successful homeownership Preserve federally-subsidized rental housing
 Address specific and critical needs in rental housing markets Prevent and end homelessness
 Prevent foreclosures and support community recovery Strengthening Organizational Capacity

ATTACHMENT(S):

- Report Highlights
- Report: Semi-annual Variable Rate Debt and Swap Performance Review as of January 1, 2013

- All of the Agency's swap contracts were evaluated and determined to be effective hedges, at this point in time, under the accounting guidance provided by GASB 53.
- Basis Risk: During the period July 2012 to December, 2012 the variable interest received on swaps and the variable interest paid on variable rate bonds performed with the anticipated correlation. Staff continues to expect that, over time, the two rates will track each other as originally anticipated.
- Counterparty/Termination Risk: The market value of swaps, which the Agency would owe to the counterparties only if the swaps were terminated, decreased from \$39.6 million on July 1, 2012 to \$38.3 million on January 1, 2013. While the market value of a swap is a means to quantify current termination risk, it is not a suitable measure to evaluate the original decision to enter into the swap contract. Swap contracts' market values will evaporate as they approach their maturity date. The Agency does not intend to prematurely terminate any of the swap contracts, barring termination events.
- Liquidity Risk: The short-term credit ratings of all the Agency's liquidity providers were unchanged from July 1, 2012 to January 1, 2013. The Lloyds TSB Bank liquidity facilities, which expired on July 23, 2012 and August 4, 2012, were replaced with facilities from Royal Bank of Canada and Wells Fargo Bank effective July 18, 2012. The Agency expects to replace the State Street Bank liquidity facilities, which expire on March 21, 2013, with facilities from Wells Fargo Bank.
- Long-term Debt, Fixed vs. Variable Graph: Total outstanding variable rate debt remained at 17% of total long-term debt at January 1, 2013 compared to July 1, 2012.



Semiannual Variable-Rate Debt and Swap Performance Report

January 01, 2013



Semiannual Variable-Rate Debt and Swap Performance Report

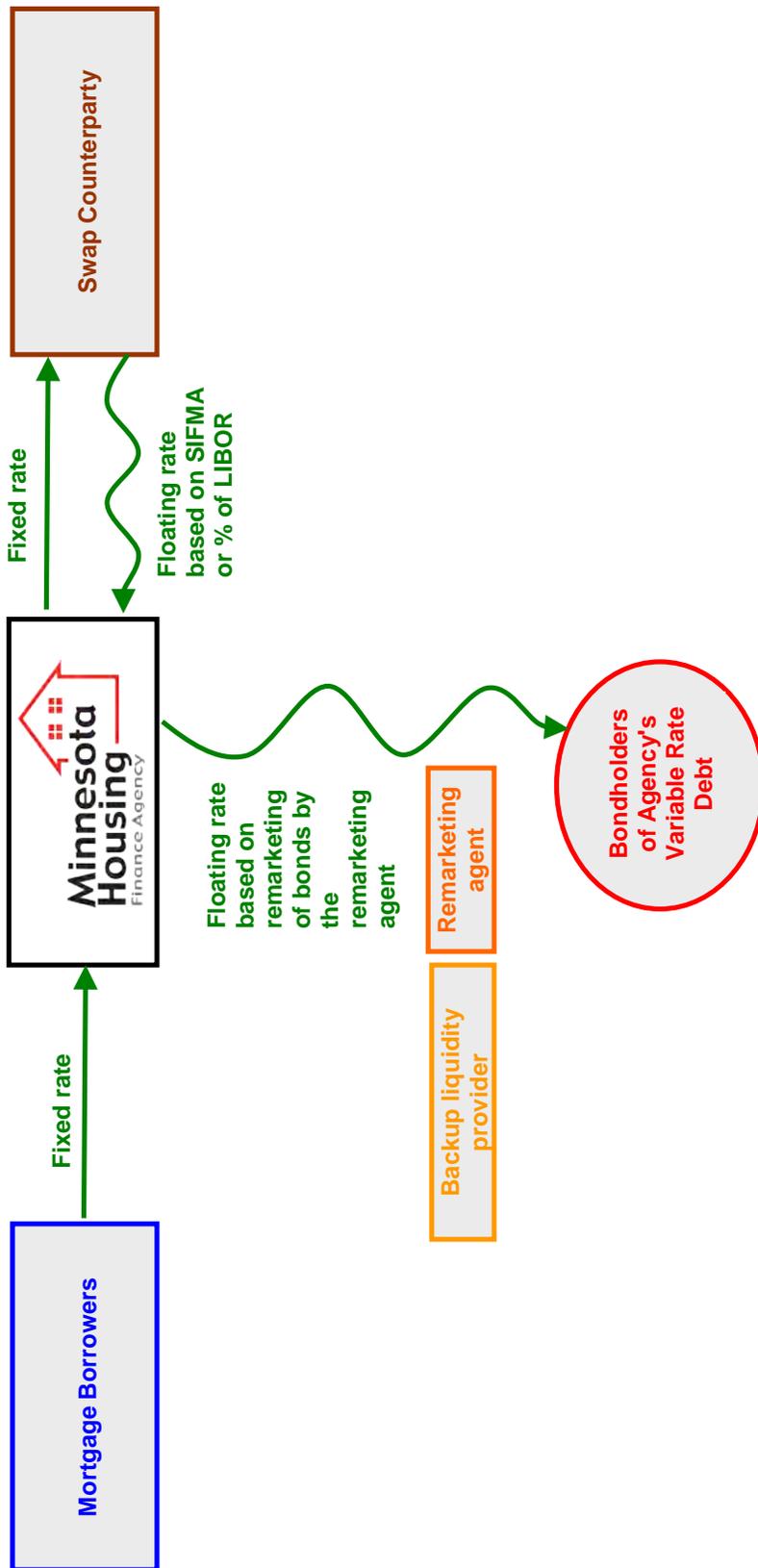
TABLE OF CONTENTS

<u>Page</u>	<u>Description</u>
1	Overview of Swap Structure: Graphic
2	Overview of Swaps
3	Basis Risk: Graphic
4	Basis Risk
5	Basis Risk for RHFB 2003, Series B: Graph
6	Counterparty/Termination Risk: Graphic
7	Counterparty/Termination Risk
8	Liquidity Risk: Graphic
9	Liquidity Risk
10	Liquidity Renewal Risk
11	Minnesota Housing Total Long Term Debt: Fixed vs. Variable: Graph
12	Annual Debt Issuance: Fixed vs. Variable: Graph
13	Glossary of Terms



Floating-to-Fixed Interest Rate Swap Structure

Overview





Overview of Swaps

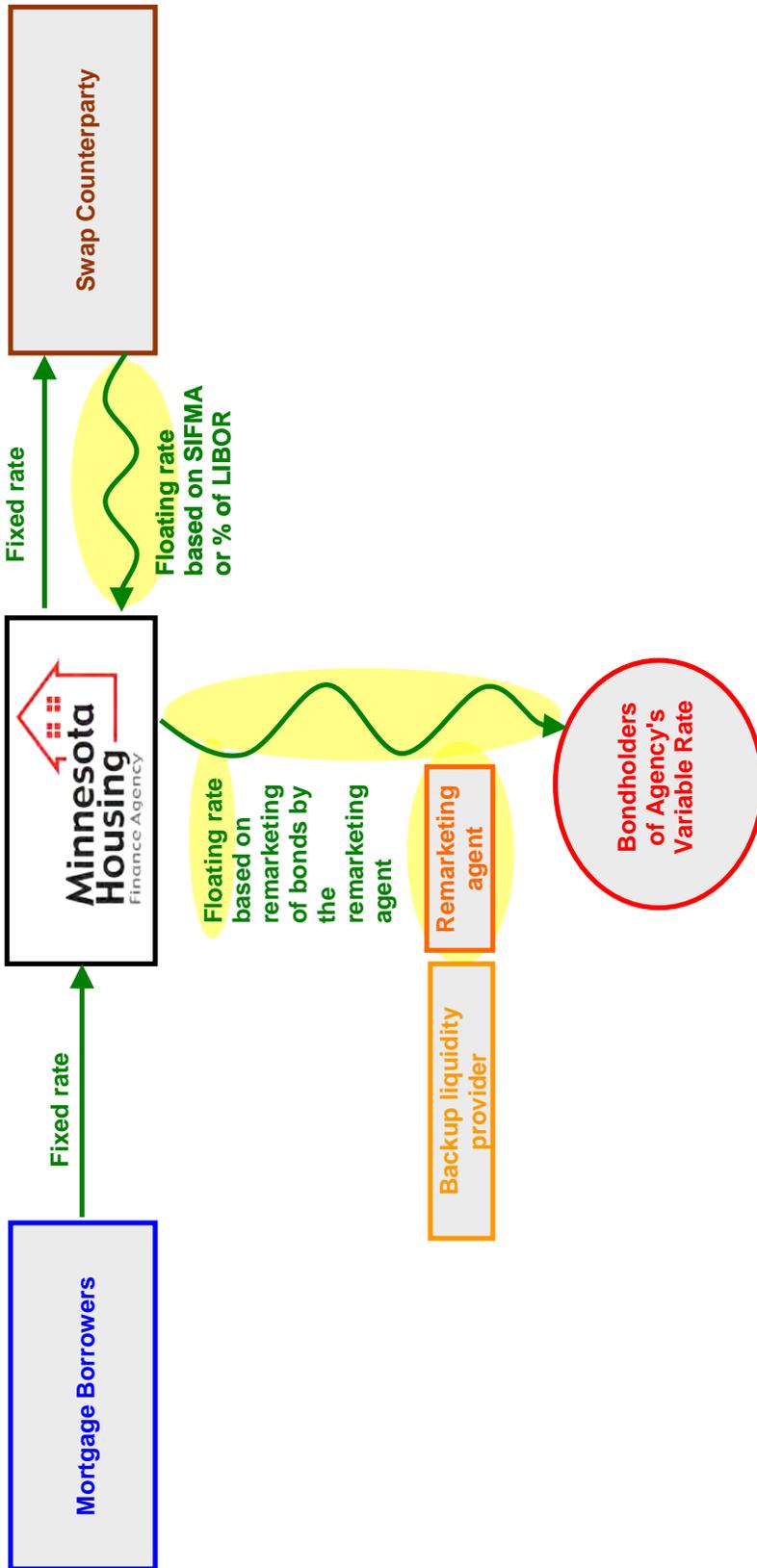
January 01, 2013

Bond Series	Issue Date	Original Notional Amount of Swap	Notional Amount Outstanding	Counterparty	Floating Rate Received
RHFB 2003 B	07/23/2003	\$ 25,000,000	\$ 22,595,000	The Bank of New York Mellon	65% of LIBOR + 23 basis points
RHFB 2003 J	10/15/2003	25,000,000	15,395,000	The Bank of New York Mellon	65% of LIBOR + 23 basis points
RHFB 2004 G	07/01/2204	50,000,000	27,295,000	Royal Bank of Canada	64% of LIBOR + 26 basis points
RHFB 2005 C	03/02/2005	25,000,000	16,830,000	The Bank of New York Mellon	64% of LIBOR + 28 basis points
RHFB 2005 I	06/02/2005	40,000,000	26,805,000	The Bank of New York Mellon	64% of LIBOR + 28 basis points
RHFB 2005 M	08/04/2005	60,000,000	38,950,000	The Bank of New York Mellon	64% of LIBOR + 29 basis points
RHFB 2006 C	03/21/2006	28,335,000	22,385,000	The Bank of New York Mellon	64% of LIBOR + 29 basis points
RHFB 2007 E (Taxable)	03/07/2007	25,000,000	11,110,000	Royal Bank of Canada	One-month LIBOR
RHFB 2007 J (Taxable)	05/17/2007	37,500,000	17,005,000	Royal Bank of Canada	One-month LIBOR
RHFB 2007 S	12/19/2007	18,975,000	18,975,000	The Bank of New York Mellon	100% of SIFMA Index Rate + 6 basis points
RHFB 2007 T (Taxable)	12/19/2007	37,160,000	23,080,000	The Bank of New York Mellon	One-month LIBOR
RHFB 2008 C	08/07/2008	40,000,000	40,000,000	Royal Bank of Canada	64% of LIBOR + 30 basis points
RHFB 2009 C	02/12/2009	40,000,000	40,000,000	Royal Bank of Canada	64% of LIBOR + 30 basis points
RHFB 2009 F	12/01/2009	34,120,000	22,390,000	Royal Bank of Canada	100% of SIFMA + 8 basis points
Totals		\$ 486,090,000	\$ 342,815,000		



Floating-to-Fixed Interest Rate Swap Structure

Basis Risk





Basis Risk

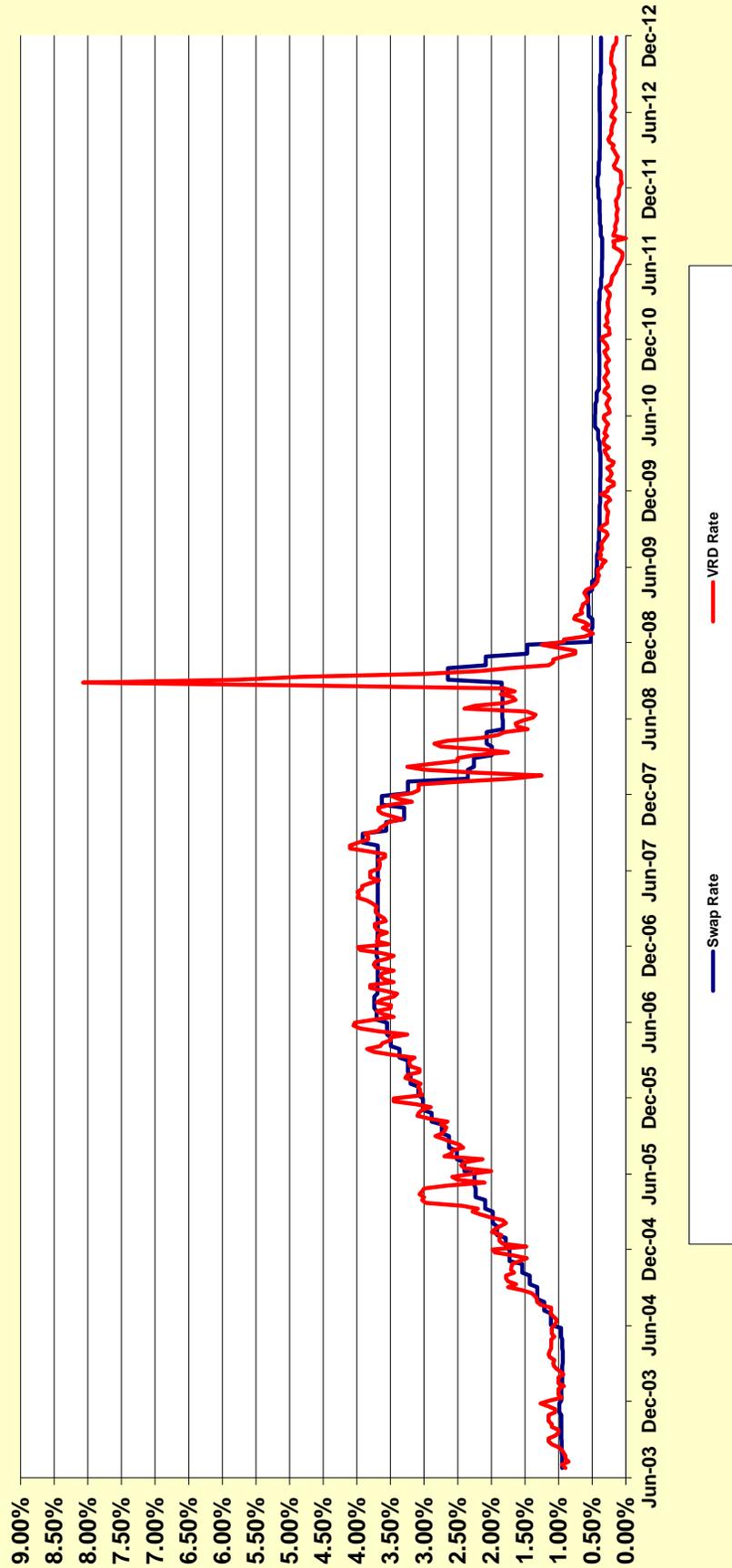
January 01, 2013

Bond Series	Issue Date	VRDO's and Swaps Outstanding	Net Variable Interest Paid (Received) Basis Risk	Contractual Swap Fixed Rate	Effective Swap Fixed Rate	Effective Rate As a Percentage of Swap Fixed Rate
RHFB 2003 B	07/23/2003	\$ 22,595,000	\$ (82,037)	3.532%	3.497%	99.01%
RHFB 2003 J	10/15/2003	15,395,000	(58,054)	4.183%	4.155%	99.33%
RHFB 2004 G	07/22/2004	27,295,000	(125,617)	4.165%	4.130%	99.16%
RHFB 2005 C	03/02/2005	16,830,000	(122,080)	3.587%	3.515%	97.99%
RHFB 2005 I	06/02/2005	26,805,000	(174,345)	3.570%	3.503%	98.12%
RHFB 2005 M	08/04/2005	38,950,000	(390,869)	3.373%	3.270%	96.95%
RHFB 2006 C	03/21/2006	22,385,000	(185,926)	3.788%	3.681%	97.18%
RHFB 2007 E (Taxable)	03/07/2007	11,110,000	123,927	5.738%	5.840%	101.78%
RHFB 2007 J (Taxable)	05/17/2007	17,005,000	196,099	5.665%	5.776%	101.96%
RHFB 2007 S	12/19/2007	18,975,000	(43,086)	4.340%	4.295%	98.96%
RHFB 2007 T (Taxable)	12/19/2007	23,080,000	318,958	4.538%	4.729%	104.21%
RHFB 2008 C	08/07/2008	40,000,000	(201,113)	4.120%	4.006%	97.23%
RHFB 2009 C	02/12/2009	40,000,000	(430,628)	4.215%	3.938%	93.43%
RHFB 2009 F	12/01/2009	22,390,000	(59,953)	2.365%	2.301%	97.29%
Totals		\$ 342,815,000	\$ (1,234,724) *			

* The cumulative net of total variable interest paid on all VRDO's (\$39,619,820) and all variable interest received from the swap counterparties (\$40,854,544).

Basis Risk - Representative Series

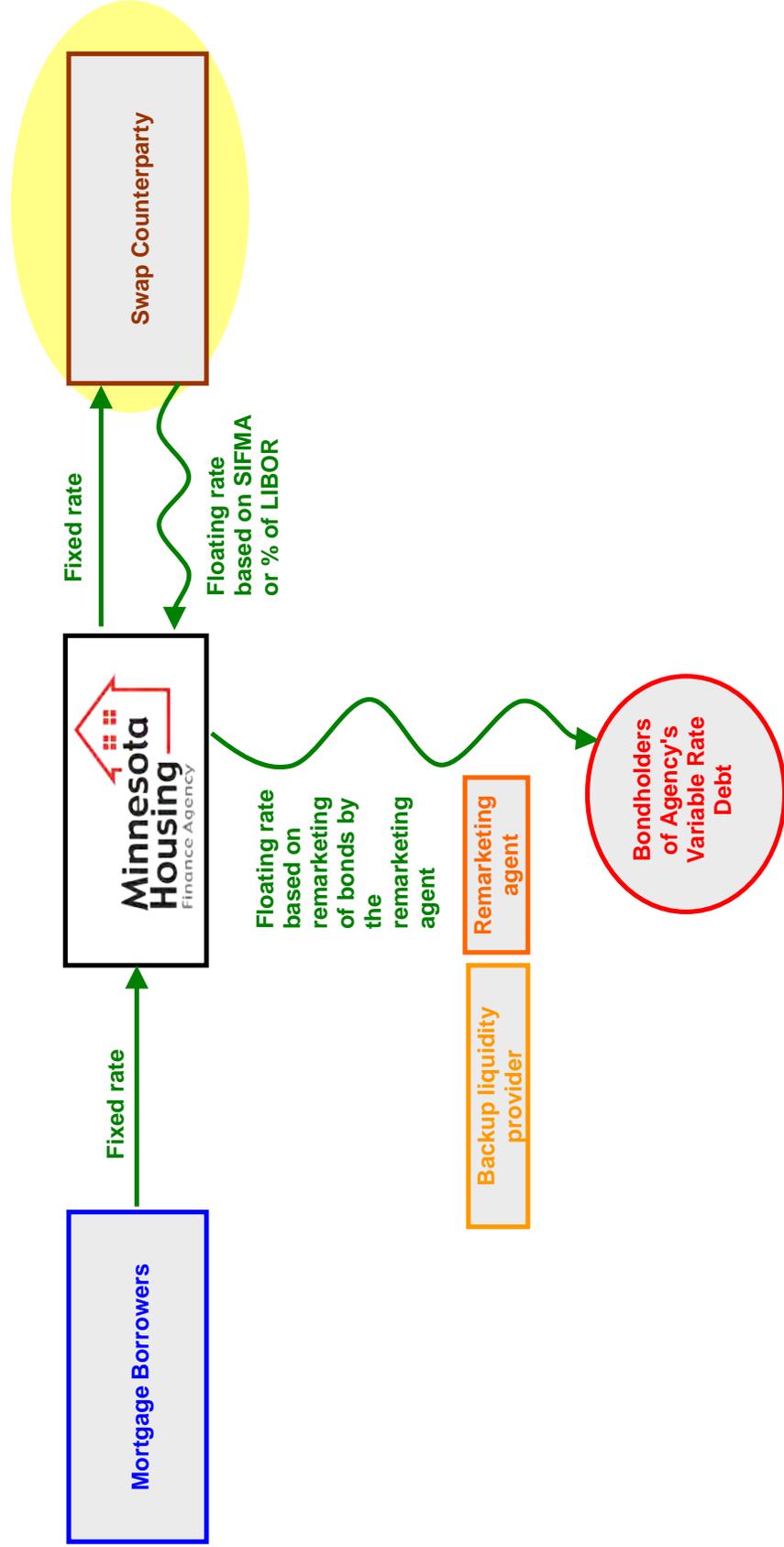
RHFB 2003, Series B





Floating-to-Fixed Interest Rate Swap Structure

Counterparty / Termination Risk



Counterparty / Termination Risk

January 01, 2013

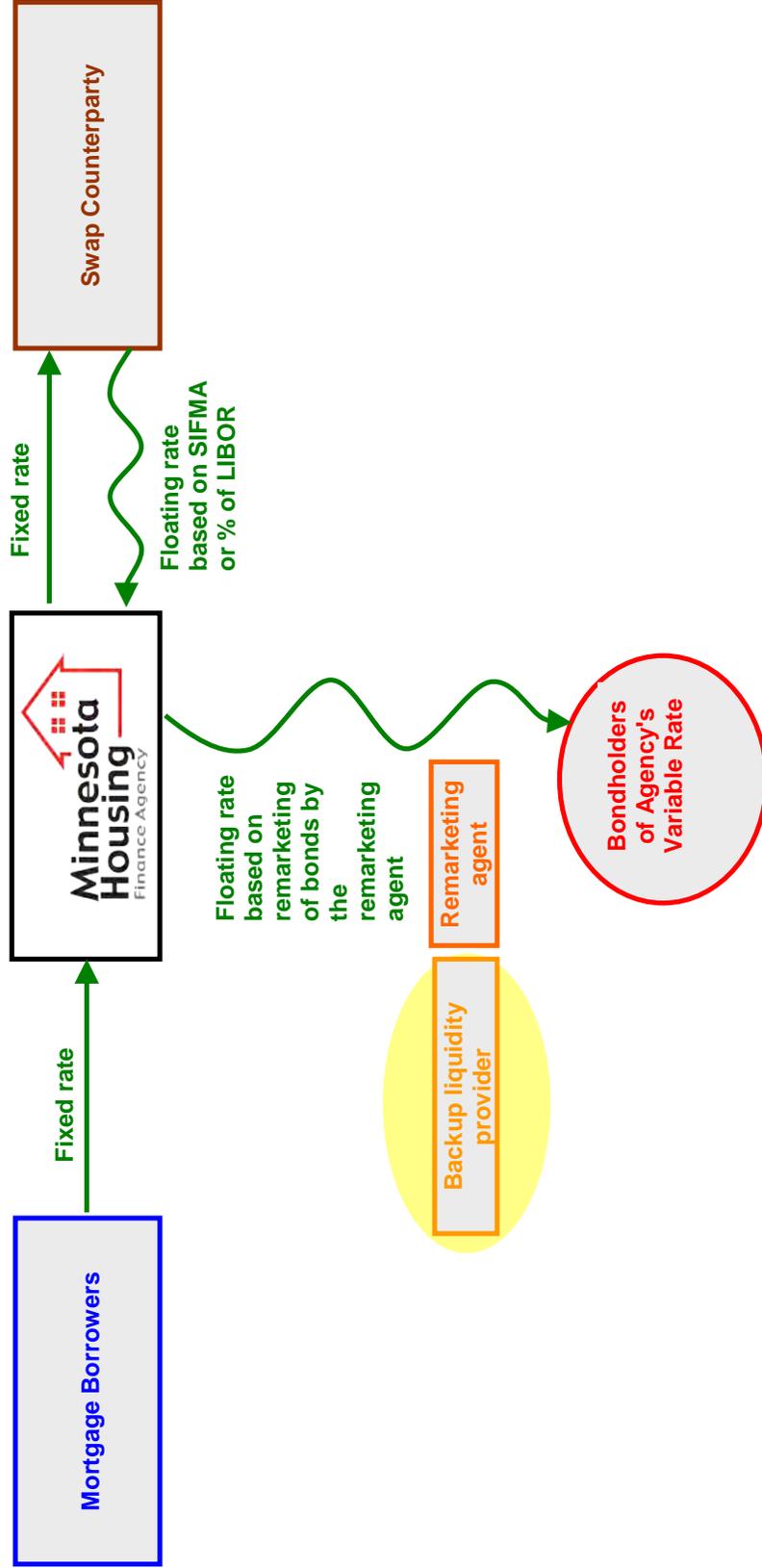
Bond Series	Counterparty	Long-term Credit Rating at Inception	Long-term Credit rating	Long-term Credit Outlook	Notional Amount Outstanding	Swap Maturity	Swap at 100% PSA (years)	Swap Fixed Rate	Market Value*
RHFB 2003 B	The Bank of New York Mellon	Aa1/AA-	Aa1/AA-	Stable/Negative	\$ 22,595,000	01/01/2033	21	3.532%	\$ (1,863,665)
RHFB 2003 J	The Bank of New York Mellon	Aa1/AA-	Aa1/AA-	Stable/Negative	15,395,000	07/01/2033	14.3	4.183%	(2,386,818)
RHFB 2005 C	The Bank of New York Mellon	Aa1/AA-	Aa1/AA-	Stable/Negative	16,830,000	01/01/2035	9.2	3.587%	(889,229)
RHFB 2005 I	The Bank of New York Mellon	Aaa/AA	Aa1/AA-	Stable/Negative	26,805,000	01/01/2036	9.2	3.570%	(1,856,904)
RHFB 2005 M	The Bank of New York Mellon	Aaa/AA	Aa1/AA-	Stable/Negative	38,950,000	01/01/2036	8.4	3.373%	(2,564,660)
RHFB 2006 C	The Bank of New York Mellon	Aa1/AA-	Aa1/AA-	Stable/Negative	22,385,000	01/01/2037	10.6	3.788%	(1,956,540)
RHFB 2007 S	The Bank of New York Mellon	Aa1/AA-	Aa1/AA-	Stable/Negative	18,975,000	07/01/2038	27.4	4.340%	(2,127,088)
RHFB 2007 T	The Bank of New York Mellon	Aa1/AA-	Aa1/AA-	Stable/Negative	23,080,000	07/01/2038	11.8	4.538%	(2,717,100)
Total The Bank of New York Mellon					185,015,000				(16,362,004)
RHFB 2004 G	Royal Bank of Canada	Aa2/AA-	Aa3/AA-	Stable/Stable	27,295,000	01/01/2032	11.3	4.165%	(3,216,363)
RHFB 2007 E	Royal Bank of Canada	Aaa/AA-	Aa3/AA-	Stable/Stable	11,110,000	07/01/2038	12	5.738%	(2,120,726)
RHFB 2007 J	Royal Bank of Canada	Aaa/AA-	Aa3/AA-	Stable/Stable	17,005,000	07/01/2038	11.8	5.665%	(3,289,098)
RHFB 2008 C	Royal Bank of Canada	Aaa/AA-	Aa3/AA-	Stable/Stable	40,000,000	07/01/2048	20.6	4.120%	(5,304,238)
RHFB 2009 C	Royal Bank of Canada	Aaa/AA-	Aa3/AA-	Stable/Stable	40,000,000	07/01/2039	18.9	4.215%	(6,951,716)
RHFB 2009 F	Royal Bank of Canada	Aaa/AA-	Aa3/AA-	Stable/Stable	22,390,000	07/01/2039	4.2	2.365%	(1,021,803)
Total Royal Bank of Canada					157,800,000				(21,903,944)
Total All Swaps					\$ 342,815,000				\$ (38,265,948)

* A positive market value represents money due the Agency from the Counterparty upon termination. A negative number represents money payable by the Agency upon termination. Valuations are provided by DerivActiv.



Floating-to-Fixed Interest Rate Swap Structure

Liquidity Risk



Liquidity Risk

January 01, 2013

Bond Series	Current Liquidity Provider	Long-term Credit Rating	Long-term Credit Outlook	Short-term Credit Rating	VRDO's Outstanding	VRDO Maturity	Liquidity Facility Maturity	Liquidity Fee	Original Liquidity Fee
RHFB 2003 B	Royal Bank of Canada	Aa3/AA-	Stable/Stable	P-1/A-1	\$ 22,595,000	01/01/2033	07/17/2015	0.650%	0.300%
RHFB 2003 J	Royal Bank of Canada	Aa3/AA-	Stable/Stable	P-1/A-1	15,395,000	07/01/2033	07/17/2015	0.650%	0.300%
RHFB 2004 G	Royal Bank of Canada	Aa3/AA-	Stable/Stable	P-1/A-1	27,295,000	01/01/2032	07/17/2015	0.650%	0.195%
RHFB 2005 C	Royal Bank of Canada	Aa3/AA-	Stable/Stable	P-1/A-1	16,830,000	01/01/2035	07/17/2015	0.650%	0.195%
RHFB 2005 I	Royal Bank of Canada	Aa3/AA-	Stable/Stable	P-1/A-1	26,805,000	01/01/2036	07/17/2015	0.650%	0.195%
	Royal Bank of Canada subtotal				108,920,000				
RHFB 2005 M	Wells Fargo	Aa3/AA-	Stable/Stable	P-1/A-1	38,950,000	01/01/2036	07/17/2015	0.685%	0.195%
	Wells Fargo subtotal				38,950,000				
RHFB 2006 C	State Street Bank	Aa2/AA-	Stable/Negative	P-1/A-1+	22,385,000	01/01/2037	03/21/2013	0.092%	0.092%
RHFB 2007 E	State Street Bank	Aa2/AA-	Stable/Negative	P-1/A-1+	11,110,000	07/01/2038	03/21/2013	0.092%	0.092%
RHFB 2007 J	State Street Bank	Aa2/AA-	Stable/Negative	P-1/A-1+	17,005,000	07/01/2038	03/21/2013	0.092%	0.092%
RHFB 2007 S	State Street Bank	Aa2/AA-	Stable/Negative	P-1/A-1+	18,975,000	07/01/2038	03/21/2013	0.092%	0.092%
RHFB 2007 T	State Street Bank	Aa2/AA-	Stable/Negative	P-1/A-1+	23,080,000	07/01/2048	03/21/2013	0.092%	0.092%
	State Street Bank subtotal				92,555,000				
RHFB 2008 C	FHLB - Des Moines ¹	Aaa/AA+	Negative/Negative	P-1/A-1+	40,000,000	07/01/2048	08/07/2015	0.250%	0.250%
RHFB 2009 C	FHLB - Des Moines ¹	Aaa/AA+	Negative/Negative	P-1/A-1+	40,000,000	07/01/2036	02/12/2016	0.250%	0.250%
RHFB 2009 F	FHLB - Des Moines ¹	Aaa/AA+	Negative/Negative	P-1/A-1+	22,390,000	07/01/2031	12/01/2016	0.250%	0.250%
	FHLB - Des Moines subtotal				102,390,000				
	Total All Liquidity Providers				\$ 342,815,000				

¹Federal Home Loan Bank of Des Moines



LIQUIDITY RENEWAL REQUIREMENTS

January 01, 2013

Issue	Liquidity Provider	Final Swap Maturity	Full Termination Date	Liquidity Expiration Date	Original Notional Amount	Outstanding Notional Amount as of 01/01/13	Scheduled Notional Amount Outstanding at Liquidity Expiration	Minimum Notional Amount Outstanding at Liquidity Expiration	Swap Counterparty
2003 B	Royal Bank of Canada	01/01/2033	01/01/2022	07/17/2015	25,000,000	22,595,000	22,595,000	9,975,000	BNY ¹
2003 J	Royal Bank of Canada	07/01/2033	01/01/2023	07/17/2015	25,000,000	15,395,000	14,362,753	8,145,000	BNY ¹
2004 G	Royal Bank of Canada	01/01/2032	07/01/2016	07/17/2015	50,000,000	27,295,000	24,410,000	17,325,000	RBC ²
2005 C	Royal Bank of Canada	01/01/2035	01/01/2015	07/17/2015	25,000,000	16,830,000	13,870,000	-	BNY ¹
2005 I	Royal Bank of Canada	01/01/2036	01/01/2015	07/17/2015	40,000,000	26,805,000	22,315,000	-	BNY ¹
	Royal Bank of Canada subtotal				165,000,000	108,920,000	97,552,753	35,445,000	
2005 M	Wells Fargo	01/01/2036	07/01/2015	07/17/2015	60,000,000	38,950,000	32,040,000	-	BNY ¹
	Wells Fargo subtotal				60,000,000	38,950,000	32,040,000	-	
2006 C	State Street Bank	01/01/2037	01/01/2016	03/21/2013	28,335,000	22,385,000	22,385,000	22,385,000	BNY ¹
2007 E	State Street Bank	07/01/2038	07/01/2016	03/21/2013	25,000,000	11,110,000	11,110,000	10,425,000	RBC ²
2007 J	State Street Bank	07/01/2038	07/01/2016	03/21/2013	37,500,000	17,005,000	17,005,000	15,915,000	RBC ²
2007 S	State Street Bank	07/01/2038	07/01/2017	03/21/2013	18,975,000	18,975,000	18,975,000	18,975,000	BNY ¹
2007 T	State Street Bank	07/01/2048	07/01/2017	03/21/2013	37,160,000	23,080,000	23,080,000	23,080,000	BNY ¹
	State Street Bank subtotal				146,970,000	92,555,000	92,555,000	90,780,000	
2008 C	FHLB - Des Moines ³	07/01/2048	07/01/2018	08/07/2015	40,000,000	40,000,000	40,000,000	33,210,000	RBC ²
2009 C	FHLB - Des Moines ³	07/01/2036	07/01/2019	02/12/2016	40,000,000	40,000,000	40,000,000	40,000,000	RBC ²
2009 F	FHLB - Des Moines ³	07/01/2016	NA	12/01/2016	34,120,000	22,390,000	-	-	RBC ²
	FHLB - Des Moines subtotal				114,120,000	102,390,000	80,000,000	73,210,000	
	Total All Liquidity Providers				486,090,000	342,815,000	302,147,753	199,435,000	

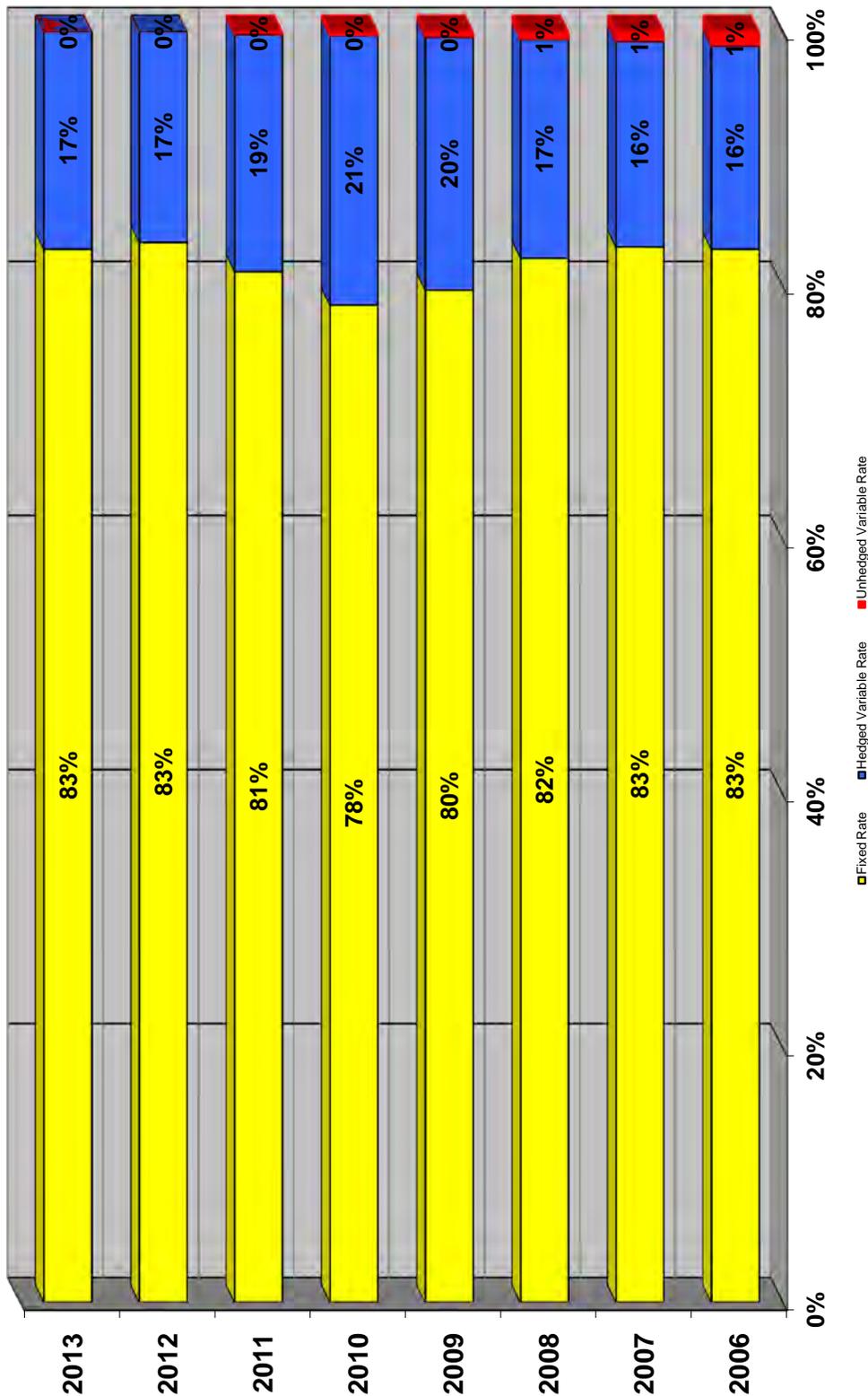
¹The Bank of New York Mellon

²Royal Bank of Canada

³Federal Home Loan Bank of Des Moines

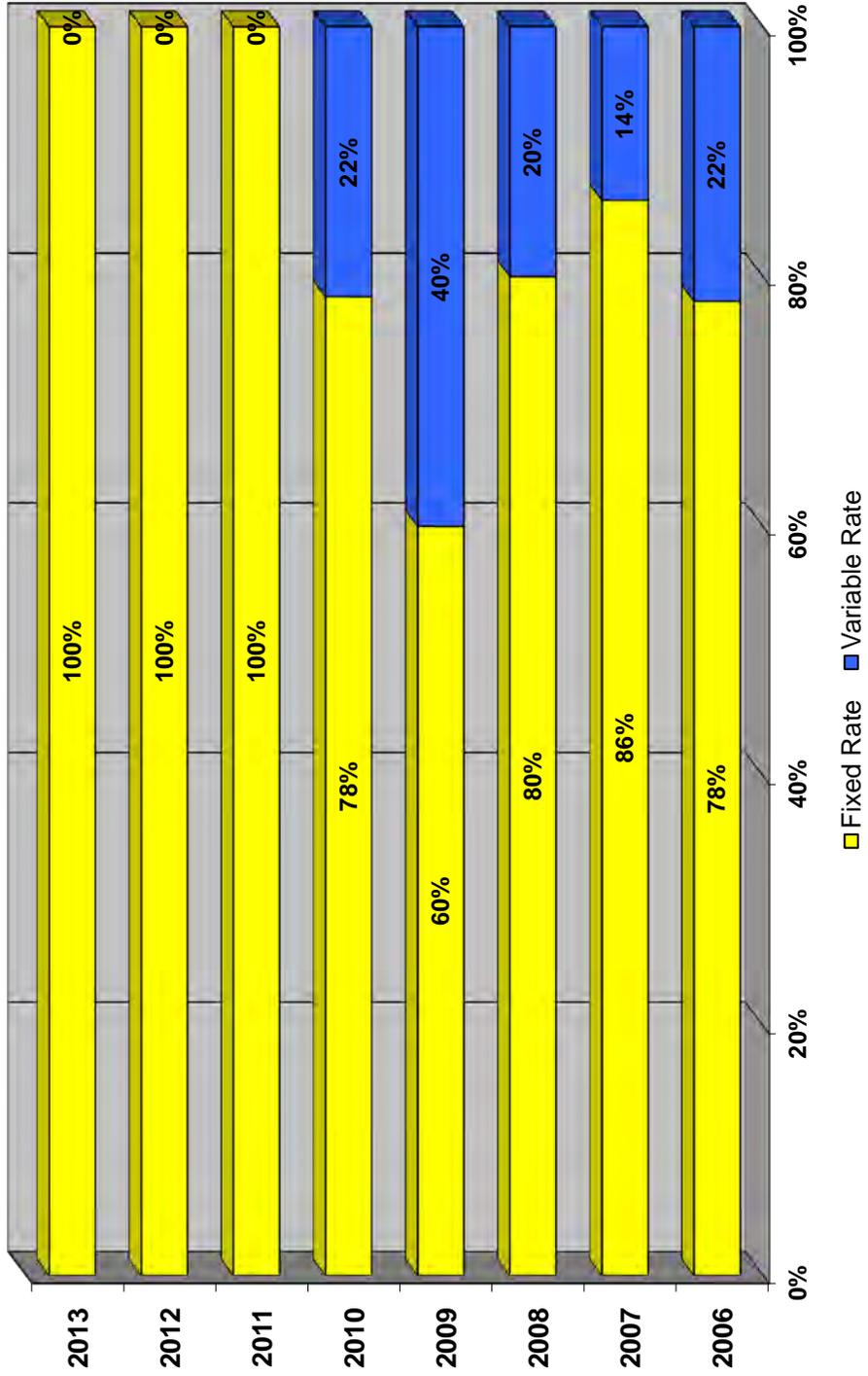


Total Long Term Debt: Fixed vs. Variable
Fiscal Year Ending June 30





Annual Long Term Debt Issuance: Fixed vs. Variable Fiscal Year Ending June 30





GLOSSARY OF TERMS

The following are explanations of certain terms used in this presentation:

Amortization Risk

Minnesota Housing is subject to amortization risk on its hedged VRDOs because the prepayments from mortgage loans securing the bonds may cause the outstanding principal amount of bonds to decline faster than the nominal amount of the swap. To manage amortization risk, termination options have been structured into its outstanding swaps to enable Minnesota Housing in certain circumstances to reduce the nominal amounts of the swaps to correspond to the outstanding principal amount of the bonds hedged by the swap. Additionally, Minnesota Housing may terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Basis Risk

Basis risk refers to a mismatch between the floating interest rate received from the swap counterparty and the interest actually paid on the related series of Minnesota Housing's variable rate bonds. Under its outstanding swaps, Minnesota Housing pays a fixed interest rate and in return receives a floating variable rate based on LIBOR or the SIFMA Municipal Swap index, plus a specified spread if the swap relates to tax-exempt bonds. Minnesota Housing's bonds hedged by its swaps bear interest at a variable rate that is reset weekly, based on market conditions. Minnesota Housing's risk is that the variable interest payments received from the counterparty will be less than the variable interest payments actually paid on the bonds. This mismatch between the actual bond interest rate and the swap floating interest rate would cause additional interest expense to Minnesota Housing. A mismatch could occur for various reasons, including an increased supply of tax-exempt bonds, deterioration of the credit quality of Minnesota Housing or the liquidity facility provider, or a reduction of federal income tax rates for corporations and individuals. Basis risk varies over time due to inter-market conditions. Tax risk is a form of basis risk.

Counterparty Risk

Counterparty risk is the risk that the swap counterparty will not perform pursuant to the swap contract's terms, either in making regular payments or termination payments. Under a fixed payor swap, for example, if the counterparty defaults, Minnesota Housing could be exposed to unhedged variable rate bonds. The creditworthiness of the counterparty is indicated by its senior unsecured long-term credit rating. Minnesota Housing's counterparties are Citibank, N.A., UBS AG, and the Royal Bank of Canada. The outstanding swap agreements contain varying collateral requirements based on the respective parties' credit ratings and the fair value of the swaps to mitigate potential credit risk exposure.



GLOSSARY OF TERMS (continued)

LIBOR

London Interbank Offered Rate.

Liquidity Risk

Issuers of VRDOs face liquidity risk due to the ability of holders of the bonds to tender them for purchase upon short notice. The bonds are to be remarketed by a remarketing agent appointed by the issuer, but if the remarketing were to fail, the liquidity facility provider providing liquidity support to cover tenders would be required to purchase the bonds. In such event, the bonds, known as “bank bonds,” would bear interest at a higher “bank rate” and be subject to principal amortization over a much shorter period than their stated terms. The bank rate typically floats at a few percentage points higher than the prime rate. Because of turmoil in the financial markets, substantially fewer financial institutions are providing liquidity facilities and at a substantially higher cost. Consequently, at the expiration of a liquidity facility, Minnesota Housing may have difficulty obtaining a replacement liquidity facility or may have to pay substantially higher fees.

SIFMA

Securities Industry and Financial Markets Association.

Tax Risk

All issuers who issue tax-exempt variable rate debt inherently accept risk arising from changes in marginal federal income tax rates. For variable rate tax-exempt bonds hedged with LIBOR-based swaps, basis risk may be realized if changes in the federal tax code alter the historical relationship between taxable and tax-exempt short-term rates on which the swap was structured.

Termination Risk

Termination risk is the risk that the swap may be terminated as a result of any of events specified in the swap, which may include a ratings downgrade for Minnesota Housing or its counterparties, covenant violation by either party, bankruptcy of either party, swap payment default by either party, events of default under the bond resolution and certain specified termination events.

Upon a termination of the swap at fair value, a termination payment may be due by one party to the other based upon the fair value of the swap at the time (even if the payment is owed to the defaulting party). The potential termination risks to Minnesota Housing are



GLOSSARY OF TERMS (continued)

the liability for a termination payment to the counterparty or the inability to replace the swap with favorable financial terms, in which event the variable rate bonds would no longer be hedged. Under its outstanding swaps, Minnesota Housing has the ability in certain circumstances to terminate the swap in whole or in part at par, rather than at fair value, in order to mitigate amortization risk.

VDROs

Variable Rate Demand Obligations (“VDROs”) are floating rate bonds that have a stated long-term maturity but bear interest at a short-term rate that is reset periodically (generally weekly). The holder of the bonds has the option to tender the bonds for purchase upon short notice (generally seven days). If the bonds cannot be remarketed by the remarketing agent, the liquidity facility provider (and not the issuer) is obligated to purchase the bonds.