



MEETINGS SCHEDULED FOR JUNE

Location:

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

THURSDAY, JUNE 20, 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, June 20, 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.

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Equal Opportunity Housing and Equal Opportunity Employment

A G E N D A

Minnesota Housing Finance Agency Board Meeting

Thursday, June 20, 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 May 23, 2013.
- 5. Reports**
 - A. Chair**
 - B. Commissioner**
 - C. Committee**
- 6. Consent Agenda**
 - A. Commitment, Low and Moderate Income Rental Program
- Bottineau Ridge Apartments, Maple Grove – D7580
- 7. Action Items**
 - A. Amendment to 2013 Affordable Housing Plan
 - B. Family Homelessness Prevention and Assistance Program (FHPAP) Funding Approval
 - C. Ending Long Term Homelessness Initiative Fund (ELHIF) and Housing Trust Fund (HTF) Operating Subsidy Renewal Grants
 - D. Approval, Changes, Deferred Payment Loan, Start-Up Program
 - E. Approval, Funding Distribution and Expiration, Neighborhood Stabilization Program
- 8. Discussion Items**
 - A. Fiscal 2014 Administrative Budget
- 9. Informational Items**
 - A. Report of Complaints Received by Agency or Chief Risk Officer
- 10. Other Business**
- 11. Adjournment**

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MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING**Thursday, May 23, 2013**

1:00 p.m.

State Street Conference Room – 1st Floor

400 Sibley Street, St. Paul, MN 55101

1. Call to Order.

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

2. Roll Call.

Members present: Gloria Bostrom, John DeCramer, Joe Johnson, Ken Johnson, Stephanie Klinzing, and State Auditor Rebecca Otto. Steve Johnson joined the meeting at 1:04 p.m.

Minnesota Housing staff present: Tal Anderson, Paula Beck, Nick Boettcher, Dan Boomhower, Erin Coons, Jessica Deegan, Joe Gonnella, Kathryn Granados, Ruth Hutchins, Amy John, Bill Kapphahn, Kurt Keena, Kasey Kier, Julie LaSota, Diana Lund, Carrie Marsh, Eric Mattson, Tonja Orr, John Patterson, Luis Pereira, Devon Pohlman, Bob Porter, Paula Rindels, Megan Ryan, Joel Salzer, Becky Schack, Terry Schwartz, Barb Sporlein, Kim Stuart, Susan Thompson, Mary Tingerthal, Katie Topinka, Ted Tulashie, Don Wyszynski, Elaine Vollbrecht, Xia Yang.

Others present: Melanie Lien and Chris Flannery, Piper Jaffray; Lynette Crandall and James Smith, Dorsey and Whitney; Chip Halbach, Minnesota Housing Partnership; Celeste Grant, Office of the State Auditor; Tom O'Hern, Assistant Attorney General.

3. Agenda Review

Three new agenda items were announced: a legislative summary, an item pertaining to infrastructure bonds and a post-sale report. Chair Johnson requested that the item pertaining to infrastructure bonds be considered prior to the bond resolutions because bond counsel would be on the phone for that item. Members approved the agenda change unanimously.

4. Approval of the Minutes.**A. Regular Meeting of April 25, 2013**

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

5. Reports**A. Chair**

There was no chairman's report.

B. Commissioner**5.(B).1. Summary of Legislative Session**

Tonja Orr, Assistant Commissioner for Policy; and Katie Topinka, Legislative Liaison; joined Commissioner Tingerthal for this item. Commissioner Tingerthal stated that she believes Ms. Topinka and Ms. Orr are the best legislative team in state government.

Ms. Topinka provided a session update and overview of the Agency's budget, highlighting that there was no cut to the any agency programs and a \$22 million increase to the base budget, with most programs seeing an increase. Ms. Topinka also shared information about funded initiatives to provide rental assistance for the families of highly mobile students and rental assistance for adults exiting correctional facilities.

Ms. Orr reviewed with the board budget items related to other agencies and technical and policy issues. Two technical fixes were promoted and adopted; one related to the housing infrastructure bond statute that allows them to be used as private activity residential bonds. The other change was to allow bonding authority carryover authority to match Federal law pertaining to carryforward authority. Other actions include the provision of appropriations to the Department of Human Services for the homeless youth act, which also assists youth who have been sexually exploited. There also was a small increase to transitional housing and emergency grant programs. These actions will help with efforts to end homelessness. There also was a change to the 4D tax class rate that will provide relief to owners of rental properties that promote economic integration. These properties typically are valued more highly, which results in a higher tax burden to owners. Ms. Orr also reported that the historic tax credit had been extended and a homeowner's bill of rights was adopted.

Chair Johnson seconded Commissioner Tingerthal's sentiments about the effectiveness of the legislative team and applauded Ms. Orr and Topinka for the results they achieved. Ms. Orr stated that their success was aided by the fact that the Governor had proposed an increase for housing and the entire housing advocacy community worked hard with the Legislature to get these results. Commissioner Tingerthal added that, two years ago housing had been left out of the bonding bill and this omission was partially attributed to the many messages coming from the housing community. Since then, under the Homes for All coalition, groups have been providing consistent messaging at the legislature and we are seeing the fruits of that collaboration.

Commissioner Tingerthal provided the following information:

The state's compensation council recommendations were approved with the exception of increasing the legislator salaries. There will be a ballot amendment in 2016 that would establish a citizen's commission that would establish legislator's salaries. The greatest impacts of this action are that the Governor's salary will be indexed to the consumer price index and Agency head salaries can now be up to 133% of the Governor's salary. Agency staff salaries are now allowed to be more than that of the agency head. The implementation schedule is unknown at this time but Agency staff know that, based on a compensation study that was completed a few months ago, there will be changes made to some salaries.

The Performance Based Contract Administration group was awarded a \$389,000 incentive from HUD for their performance completing inspections and overseeing files of Section 8 projects for HUD. This was the maximum incentive available and is unbudgeted revenue. The PBCA staff, led by Kurt Keena, was acknowledged for their success.

The previous day, Agency staff co-hosted their first annual affordable housing conference at the University of St. Thomas. The conference was designed to appeal to professionals on the multifamily side. Approximately 200 developers, syndicators, lenders, and others came together for high level educational panels. Much of the Agency's underwriting staff also attended. Attendees generally thought it was a high quality event and a welcome addition to our continuous learning.

Tuesday the Agency will send an addendum to its RFP that will include details on funds available as the result of the work of the legislature and will, if approved by the board, include information on the guidelines for CHIF, formerly the CRV program.

On May 29, Commissioner Tingerthal and Margaret Kaplan will travel to Roseau with DEED Commissioner Katie Clark Sieben to meet with corporate leaders from Polaris to announce the Governor's jobs growth initiative and also to follow up on promising developments that are underway in the city.

The first Community and Housing Dialogue was held in Brainerd/Baxter. The Dialogue is the current iteration of a series of meetings that have been held the last two years around the state. In previous years, the Agency had set the agenda. This year Margaret worked with community leaders and provided them with a menu of topics that the Agency could talk about in an "assemble your own dialogue" approach. Lender and Realtor trainings were also on the menu. Results of this collaborative effort with USDA-RD and Greater Minnesota Housing Fund are already being seen. Future Dialogues are planned in the Jackson/Worthington area and Mankato.

The U.S. House committee announced the targets for the FY14 HUD bill and it includes a 14% cut from previous budget levels. The Agency is concerned not only about the overall cut, but how it will affect HOME funding, which is the source of funding for PARIF. HUD announced a major reshaping of its multifamily offices across the country, closing 40 locations. Staff from Minneapolis office will need to make choices about moving to one of the ten remaining hub locations or finding other employment. Congressman Ellison is meeting with the HUD deputy secretary to make the case that local presence is critical to the Interagency Stabilization Group, a 25 year effort to stabilize properties that has resulted in a default rate that is half that of the national average and a failing inspection score that is one third the national average. It is imperative to make the case now because it appears that HUD's planning focus is geared toward the production of new loans rather than managing existing portfolios in a proactive way.

Staff is working to promote the use of the Homeownership Center's Framework online homebuyer education program and awareness of the availability of HARP during June, which is Homeownership Month.

The following employee introductions were made:

- Paul Beck introduced Paula Rindels, who started with the Agency at the end of April as finance counsel. Ms. Rindels has more than 30 years of experience in public finance and was most recently with Dorsey and Whitney. Ms. Rindels joins the agency at a time when bond activity is the busiest it has been in many years.
- Joel Salzer introduced Erin Coons. Ms. Coons was most recently employed with a metro area property management company and will work primarily with HOME and the RFP team in Multifamily.
- Kasey Kier introduced Kathryn Granados. Ms. Granados has 14 years of experience in the global trust department at US Bank and will audit first and second mortgages in the Single Family division.
- Tal Anderson introduced Nick Boettcher. Mr. Boettcher comes to the Agency from the Washington County HRA where he provided pre-purchase and foreclosure prevention counseling. Previous to that, he was employed with GMHC. Mr. Boettcher will provide homebuyer education and counseling in the Single Family division.

C. Committee

There were no committee reports.

6. Consent Agenda

A. Resolutions Delegating Certain Authorities to the Commissioner

B. Approval, Procedural Manual, Mortgage Credit Certificate Program

C. Commitment, Low and Moderate Income Rental (LMIR) Program - Creeks Run Townhomes

D. Commitment, Low and Moderate Income Rental (LMIR) and Low and Moderate Income Rental Bridge Loan (LMIRBL) Programs - The Square on 31st (fka Rochester Square), Rochester

E. Commitment, Low and Moderate Income Rental (LMIR) and Low and Moderate Income Rental Bridge Loan (LMIRBL) Programs - Concordia Arms, Maplewood

F. Commitment, Low and Moderate Income Rental (LMIR) Program - Deer Ridge Townhomes, Alexandria

Ms. Klinzing moved approval of the consent agenda. Mr. DeCramer seconded, adding that the inclusion of the resolution delegating authorities is of great importance and its inclusion on the consent agenda is not to imply that it is not. Motion carries 7-0.

7. Action Items

A. Approval, Amendment, Affordable Housing Plan

Ms. Ruth Hutchins requested approval to amend the Affordable Housing Plan to include new funding received through the National Foreclosure Mitigation Counseling Round 6 (NFMC) and Making Home Affordable (MHA) programs. **MOTION:** Mr. Joe Johnson moved approval. Ms. Bostrom seconded the motion. Motion carries 7-0.

B. Approval, Application Scoring Metrics, Community Homeownership Impact Fund

Mr. Luis Pereira presented this request for approval of the scoring metrics to be used in the Community Homeownership Impact Fund (CHIF), the program formerly known as the Community Revitalization Fund (CRV). Mr. Pereira stated that the CHIF team has worked to clarify and streamline the application in order to make it activity specific. During this review, each priority criteria and its weight was reviewed. By making clear the priorities, applicants will be better able to respond and staff can encourage applications that align more closely with Agency priorities. In response to a question from Ms. Bostrom, Mr. Pereira stated that the changes were the result of an internal discussion and feedback from previous years was considered but there was not a formal discussion with past and future applicants regarding the changes. The discussion included review of the overall number of points and how to allow applicants to more easily navigate the process and write applications that address Agency priorities. Director of Planning, Research, and Evaluation John Patterson added that some of the changes were driven by analyses that were conducted to see how the selected applications aligned with Agency priorities. The refinement will help to ensure that selected applications will advance the priorities of the Agency. In response to a concern from Ms. Klinzing that the changes may negatively impact the availability of funds for Indian housing; Mike Haley, Assistant Commissioner, Single Family; stated that, under the Economic Development and Housing Challenge funding, there is a specific amount of funding allocated by the legislature for Indian housing initiatives and that Tribal housing proposals have fared very well in the former CRV program so he did not believe there is a possibility of a negative outcome for tribal housing. Mr. Haley added that staff is sensitive to seeing a statewide equitable distribution of funds and the proposed criteria should not specifically harm or help proposals from particular areas of the

state. **MOTION:** Auditor Otto moved approval. Mr. Steve Johnson seconded the motion. Motion carries 7-0.

C. Approval, Changes, Step Up Program

Ms. Devon Pohlman presented this request, stating that it would provide an opportunity for HAF participants whose income exceeds program limits to take advantage of the refinancing through the Step Up program. Ms. Pohlman stated that there are 4,700 whole loan borrowers whose interest rates range from 4 – 8.5% percent who could realize a clear financial advantage by refinancing their loans. The program currently has an income limit of 100% AMI, but the product is sold on the TBA market and there is no income limit requirement for the product. If approved, staff anticipates an average monthly savings to the homeowner of approximately \$220 per month for each refinanced loan. A significant number of homeowners that would be assisted by this change are not eligible to take advantage of the HARP refinance program because their loans are not owned by Fannie Mae or Freddie Mac. Approval of the action also benefits the Agency because we would get back the HAF deferred interest money and replace it with a monthly payment amortizing loan. In response to a question from Mr. Joe Johnson, Ms. Pohlman stated that staff is in discussions with the legal team to determine the parameters under which the Agency could contact borrowers to advise them of the opportunity and to be sure regulatory constraints, such as do-not-call lists, are honored. **MOTION:** Auditor Otto moved approval. Mr. DeCramer seconded the motion. Motion carries 7-0.

D. Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Homeownership Finance Bonds, 2013 Series C (GNMA and FNMA Pass-Through Program) and 2013 Series D (GNMA And FNMA Pass-Through Program)

Michelle Adams and Dave Amsden of Kutak Rock joined the meeting by phone. The following information pertaining to this request was shared by CFO Don Wyszynski: These are again pass-through structures. 2013 Series C is new money that will be used to finance MBS's. 2013 Series D is a potential refunding of New Issue Bond Program bonds. The post-sale report for 2013 Series B being presented later in the meeting is a NIBP refunding that was done a few months ago. The NIBP bonds were at 3.5% and were refinanced at 2.7% taxable, resulting in savings that the Agency can keep. The series currently being evaluated for refunding are 3% bonds and that will not work right now on a taxable basis. There are arbitrage issues to address if they are refinanced on a tax-exempt basis. It is possible that the 2013 Series D issue will not move forward at this time, but approval is being requested so that it can move forward quickly should the market change. Savings created through the refunding would be used in conjunction with the new money. There remains \$90 million in NIBP bonds that are eligible for pay off. Ms. Adams drafted the resolution and described the parameters, stating that there is flexibility in the number of series and if they are to be issued on a taxable or tax exempt basis. **MOTION:** Mr. Joe Johnson moved approval of the resolution. Ms. Klinzing seconded the motion. Motion carries 7-0.

E. Resolution Relating to State Appropriation Bonds (Housing Infrastructure), Series 2013; Authorizing the Issuance and Sale Thereof and Approving the Execution and Delivery of Related Documents

Mr. Wyszynski requested approval of this item, stating that the Agency would issue the bonds immediately once the state is ready. The bonds are state appropriations and are issued by the Agency but the state is responsible for payments to bondholders. Staff would like to be ready to proceed in order to provide a comfort level to the investors that the projects will move forward immediately when the state is ready to issue the bonds. Because these are private activity bonds, a public hearing is required for all the projects to be financed before the bonds are

issued. This creates an issue because if a project identified for proceeds were to not move forward, the proceeds would not be available for use by a different project because of the hearing requirements. Staff plan to issue half of the bonds now and wait to issue the second half until the projects are ready to close. The first sale will occur in May, but will not close until July because they state will not have their financial information ready until that time. The resolution authorizes one or more series of bonds, which are being authorized at this time because two projects are moving forward and receiving housing infrastructure bonds as part of their financing. Mr. Amsden drafted the resolution and shared the parameters. In response to a question from Ms. Bostrom, Mr. Amsden stated that if there were a substitution for the project to be financed with the bonds, there would be additional board action required. **MOTION:** Ms. Klinzing moved approval. Mr. DeCramer seconded the motion. Motion carries 7-0.

F. Resolution Relating to Rental Housing Bonds; Authorizing the Issuance and Sale Thereof for a Multifamily Housing Development in Maplewood, Minnesota

G. Resolution Relating to Rental Housing Bonds; Authorizing the Issuance and Sale Thereof for a Multifamily Housing Development in Rochester, Minnesota

Mr. Wyszynski presented the request for approval of items 7F and 7G together. Mr. Wyszynski stated that the bonds will not be sold until the developers for the projects have everything approved, have paid their fee and signed an agreement with the Agency. The bonds will close the day after all agency requirements have been met, because of this, the closing date is not known. For both transactions, there are three sources of funds: a bridge loan, a permanent loan and housing infrastructure bond proceeds. Because of the timing of receipt of the infrastructure bond proceeds, the Agency may make a loan with its own money and reimburse itself with the infrastructure bonds proceeds. The authorization requested today is sized for a larger amount that would allow the developer the full amount and a partial amount that would be repaid with the HIB proceeds when they become available. The costs of the financing are very reasonable. Ms. Adams went through the two resolutions with the board, which have very similar parameters. Chair Johnson called for vote on the approval of item 7.F. Motion carries 7-0. Chair Johnson called for a vote on the approval of item 7.G. Motion carries 7-0.

H. 2012 Housing Infrastructure Bonds

This item was presented prior to items 7D-G. Ms. Tonja Orr and Mr. Jonathan Stanley requested approval of this item. Ms. Orr provided the following background information: The Agency had received a one-time appropriation for housing infrastructure bonds, which are appropriations bonds issued by the Agency. The bonds are tool for the rehabilitation, preservation and development of affordable housing without the public ownership requirement of general obligation bonds. This appropriation was one-time and intended to be used in conjunction with existing programs. While working towards closing on loans, it was discovered that there were some aspects in some programs that do not work well with the infrastructure bonds as they are required to be used, because of this, staff are requesting that the Housing Trust Fund and Challenge programs be used as the framework for the administration of the housing infrastructure bond issues, but allow deviations when issues are identified. Three issues have been identified: the bonds were promoted at the legislature as being forgivable loans but the programs require deferred loans; generally, in programs use restrictions on income and rent are applicable for 15-years. Staff would like to have the use restriction increased to 20 years in order match the bond term. Finally, staff would like to not require that projects utilizing infrastructure bond proceeds have 50% of the projects funding come from a non-state resource. **MOTION:** Ms. Bostrom moved approval of the request. Mr. Steve Johnson seconded the motion. Motion carries 7-0.

8. Discussion Items

A. Post-Sale Analysis, Homeownership Finance Bonds, Series 2013B (GNMA and FNMA Pass-Through Program) (Taxable)

Mr. Gene Slater, CSG Advisors, presented the post-sale reports. Mr. Slater stated that the 2013B series was under a new indenture created a few years ago that is 100% MBS, AAA rated and has been used for the pass-throughs. The refunding bonds were issued at a much lower rate than had been thought possible. Treasury allowed the refunding and the Agency will keep the basis points, which have a present value of about \$4.2 million. The Agency will realize great economic savings through the refunding. The RHFB 2013 Series A, B and C were whole loans that are at the 10-year call date. And are all tax exempt. The proceeds were used to finance \$42 million and \$23 million in zeroes were retained for use in future transactions. In response to a question from Chair Johnson, Mr. Slater stated that it is hard to predict how long the Agency can expect to continue getting these types of results. Commissioner Tingerthal added that, from all fronts on the origination side, we are seeing very large volumes; a piece not seen by the board is the Agency's relationship with Fannie Mae on their preferred risk share loans. The Agency began originating risk share loans in January of 2013 and are quickly running out of capacity under the current commitment. Staff is negotiating to receive a larger commitment to take advantage of the current market conditions. Mr. Wyszynski stated that the preferred risk share product started out modestly but now accounts for about 1/3 of production. Discussion item, no action needed.

B. 2013 Affordable Housing Plan and Strategic Plan: Second Quarter Progress Report

Mr. John Patterson presented to the board the following highlights of the progress report: the Agency is on track for the best May since 2006; production in Single Family is going very well; the contract for deed program is not being actively pursued; the interest does not seem to be there; market share remains similar to that of past years; there is little asset management activity at this point, but there likely will be an increase now that inspection season is beginning. Mr. Patterson also shared information about synchronizing the Affordable Housing Plan with state appropriations. Ms. Bostrom stated that, not that long ago things were quite bleak and the progress report is great news all the way around; many things are coming together to make housing available to Minnesotans. Ms. Bostrom stated that a lot of credit is to be given to the staff and thanked them. Discussion item, no action needed.

A. Post-Sale Analysis, Residential Housing Finance Bonds (RHFB) 2013 Series A B C

This item was discussed with item 8.A.; Post-Sale Analysis, Homeownership Finance Bonds, Series 2013B (GNMA and FNMA Pass-Through Program) (Taxable).

9. Informational Items

None

10. Other Business

None.

11. Adjournment.

The meeting was adjourned at 2:38 p.m.

Kenneth R. Johnson
Chair

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**AGENDA ITEM 6.A.
MINNESOTA HOUSING BOARD MEETING
June 20, 2013**

ITEM: Bottineau Ridge Apartments, Maple Grove (D7580)

CONTACT: Summer Watson, 651-296-9790
summer.watson@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 \$1,406,286, subject to the review and approval of the Mortgagor and the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:

The 2013 Affordable Housing Plan (AHP) allocated \$90 million in new activity for the LMIR program, which includes \$20 million from the Housing Investment Fund (Pool 2) and \$70 million for LMIR and LMIR Bridge Loan activity through tax-exempt bonding. Funding for this loan falls within the approved budget, and the loan will be made at interest rates and terms consistent with what is described in the AHP. The LMIR loan will generate \$92,453 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

The Minnesota Housing Finance Agency (Agency) Board, at its October 25, 2012, meeting, approved this development for processing under the Low and Moderate Income Rental (LMIR) program. The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION:	SELECTION		COMMITMENT		VARIANCE	
Total Development Cost	\$10,361,597		\$10,619,851		\$258,254	
Gross Construction Cost	\$6,540,040		\$6,802,516		\$262,476	
Agency Sources:						
LMIR	\$1,773,696		\$1,406,286		\$(367,410)	
Total Agency Sources	\$1,773,696		\$1,406,286		\$(367,410)	
Other Non-Agency Sources:						
Housing Syndication Proceeds (Boston Financial Investment Management)	\$7,995,512		\$8,354,900		\$359,388	
Hennepin County HOME	\$500,263		\$500,263		\$0	
Hennepin County AHIF	\$0		\$265,000		\$265,000	
City of Maple Grove	\$92,126		\$93,402		\$1,276	
Gross Rents:						
Unit Type	# of DU	Rent	# of DU	Rent	# of DU	Rent
2BR LTH	2	\$180	2	\$180	0	\$0
3BR LTH	2	\$180	2	\$180	0	\$0
1BR	1	\$751	1	\$739	0	(\$12)
1BR	5	\$761	5	\$739	0	(\$22)
2BR	24	\$910	22	\$884	(2)	(26)
3BR	16	\$1,091	18	\$1019	2	(\$72)
Total Number of Units	50		50			

Factors Contributing to Variances:

Construction costs were higher than expected. The developer was able to “value engineer” the scope of work to realize any available cost savings, but not enough to offset the increased construction costs. A Hennepin County Affordable Housing Investment Fund award will fund the increased costs.

The increased syndication proceeds are the result of additional pricing per credit. The amount of the LMIR loan has decreased due to an increase of syndication proceeds.

Rents have declined slightly due to a reduction in 2013 LIHTC rent limits. The change in unit mix was due to architectural changes of common space and helped to offset the rent reduction.

Other significant events since Board Selection:

None.

DEVELOPMENT SUMMARY

DEVELOPMENT:

Name:	Bottineau Ridge	D7580	App#:	M16317	
Address:	11701 80 th Avenue North				
City:	Maple Grove	County:	Hennepin	Region:	MHIG

MORTGAGOR:

Ownership Entity: Bottineau Ridge of Maple Grove Limited Partnership
 General Partner/Principals: JVF Bottineau Ridge LLC, whose managing member is Jeff Von Feldt;
 DDC Bottineau Ridge LLC, whose managing member is John Duffy

DEVELOPMENT TEAM:

General Contractor:	Lumber One, Avon
Architect:	LHB Architects, Minneapolis
Attorney:	Faegre Baker Daniels LLP, Minneapolis
Management Company:	Northstar Residential LLC, Minnetonka
Service Provider:	The Salvation Army, Twin Cities

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

\$1,406,286	LMIR First Mortgage
	Funding Source: Housing Invest Fund (Pool 2)
	Interest Rate: 4.75%
	MIP Rate: 0.25%
	Term (Years): 30
	Amortization (Years): 30

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY*
2BR LTH**	2	1,100	\$180	\$180	\$7,200
3BR LTH**	2	1,300	\$180	\$180	\$7,200
1 BR	6	800	\$739	\$772	\$29,560
2 BR	22	1,100	\$884	\$926	\$35,360
3 BR	18	1,300	\$1,019	\$1,070	\$40,760
TOTAL	50				

NOTES: *Under the LMIR and Housing Tax Credit programs, rents are affordable to households at 50% AMI with incomes up to 60% AMI.
 **4 units deemed to serve long-term homeless households

Purpose:

This development involves the new construction of a 50-unit three-story elevator building located in the city of Maple Grove. This development will consist of 50 Housing Tax Credit (HTC) units with rents affordable to households at 50% of Area Median Income (AMI), four of which will be deemed for households experiencing long-term homelessness. The proposal is a mix of one-, two- and three-bedroom units with underground parking and surface parking for guests. It is an excellent opportunity to meet the City's housing goal of developing housing opportunities close to transit.

Target Population:

The targeted population is families with children, including single head of households with children and individuals and families of color. Four of the units will be restricted to families experiencing long-term homelessness.

Project Feasibility:

The proposal is feasible as proposed and will result in 50 new units of affordable housing near transit, jobs and services. Development financing includes an amortizing LMIR mortgage of \$1,406,286, \$500,263 in Hennepin County HOME funding, \$265,000 in Hennepin County AHIF funding, and \$93,402 in contributions from the city of Maple Grove. This financing will be leveraged with \$8,354,900 of tax credit equity. The bridge loan being funded by Bridgewater Bank is \$3,149,648. The property is located across the street from the planned Bottineau Transitway light rail station and within 1/2 mile from the Maple Grove Transit park and ride facility, and is near job opportunities, retail and services in an excellent school district. The development cash flows at the proposed rent levels and is consistent with program underwriting guidelines.

The TDC of \$212,397 per unit is within 25% of the Predictive Model of \$198,876.

Development Team Capacity:

Duffy Development has a long history of bringing development proposals to completion in a timely manner. The developer has utilized Agency first mortgages, deferred loans and tax credits with proven success. The Agency has had positive experience with Northstar Residential, LLC, the property management entity affiliated with Duffy Development.

Physical and Technical Review:

The Architect, LHB Architects, has the capacity to design the development and monitor its construction. The contractor is Lumber One, Avon. The applicant will construct a new 50-unit apartment building with elevator and underground parking on a vacant parcel of land located along Hemlock Boulevard in Maple Grove, MN. The site is currently an undeveloped parcel of land located next to a large senior living apartment facility.

Market Feasibility:

The community profile for Maple Grove indicates a moderate need for additional affordable rental housing in Maple Grove. This proposal is located in an economically integrated location close to low to moderate wage jobs. Maple Grove has seen an increase in households but a minor loss of jobs through the economic downturn. The proposed rents are significantly lower than the median area rent of \$1,135.

Board Agenda Item: 6.A.
Attachment: Development Summary

Supportive Housing:

The Salvation Army Twin Cities will serve four long-term homeless households utilizing a housing first model. Voluntary on-site case management will focus on assessment of need, development of a unique service plan, and facilitating connection with other needed services and resources. Households will be referred through metro shelter and service providers. No housing subsidy is provided, but long-term homeless unit rents are set at proposed levels. A variety of services is offered and available on-site and funded solely through the Salvation Army. The Salvation Army is an established service and housing provider in the metro area.

DEVELOPMENT COST SUMMARY (estimated):

	Total	Per Unit
Total Development Cost	\$10,619,851	\$212,397
Acquisition or Refinance Cost	\$550,000	\$11,000
Gross Construction Cost	\$6,802,516	\$136,050
Soft Costs (excluding Reserves)	\$3,052,335	\$61,047
Non-Mortgageable Costs	\$0	\$0
Reserves	\$215,000	\$4,300
Total LMIR Mortgage (Including 4% DCE)	\$1,406,286	\$28,126
First Mortgage Loan-to-Cost Ratio		13%
Agency Deferred Loan Sources		
None	\$0	\$0
Total Agency Sources	\$1,406,286	\$28,126
Total Loan-to-Cost Ratio		13%
Other Non-Agency Sources		
Syndication Proceeds (Boston Financial Investment Management)	\$8,354,900	\$167,098
Hennepin County HOME	\$500,263	\$10,005
Hennepin County AHIF	\$265,000	\$5,300
City of Maple Grove	\$93,402	\$1,868
Total Non-Agency Sources	\$9,213,565	\$184,271

**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**

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:	Bottineau Ridge Apartments
Sponsors:	Duffy Development Company, Inc.
Guarantors:	John Duffy and Jeff Von Feldt
Location of Development:	Maple Grove
Number of Units:	50
General Contractor:	Lumber One, Avon
Architect:	LHB Architects, Minneapolis
Amount of Development Cost:	\$10,619,851
Amount of Low and Moderate Income Rental (LMIR) Mortgage:	\$1,406,286

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

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

NOW THEREFORE, BE IT RESOLVED:

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

1. The amount of the LMIR amortizing loan shall not exceed \$1,406,286; and
2. The End Loan Commitment shall be entered into on or before December 31, 2013, and shall have an 18-month term (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 0.25 percent per annum HUD Risk Share Mortgage Insurance Premium, with monthly payments based on a 30-year amortization; and
4. The term of the permanent LMIR loan shall be 30 years; and
5. Agency staff shall review and approve the Mortgagor; and
6. 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
7. John Duffy and Jeff Von Feldt shall guarantee the Mortgagor's payment obligation regarding debt service until the property has achieved a 1.15 debt service coverage ratio (assuming stabilized expenses) for three successive months; and
8. John Duffy and Jeff Von Feldt shall guarantee the mortgagor's payment under LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) for the term of the LMIR loan; and
9. 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 therefor, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deem necessary.

Adopted this 20th day of June 2013.

CHAIRMAN

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AGENDA ITEM: 7.A
MINNESOTA HOUSING BOARD MEETING
June 20, 2013

ITEM: Amendment to 2013 Affordable Housing Plan

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

REQUEST:

Approval Discussion Information

TYPE(S):

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

Other: _____

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

As outlined in the attachment amendment, staff requests an amendment to the 2013 Affordable Housing Plan (AHP).

FISCAL IMPACT:

The amendment will make available an additional \$51,384,605 under the Agency's 2013 program budget. Of the \$51.4 million, only \$3.5 million is an increase in long-term funding. The remaining \$47.9 million represents a shift of funds that would have otherwise been assigned to the 2014 AHP so that they are now assigned to the 2013 AHP.

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):

- Amendment to the 2013 Affordable Housing Plan

Amendment to 2013 Affordable Housing Plan - June 20, 2013

Overview of Amendment

This amendment has three components:

1. Bringing the Affordable Housing Plan (AHP) cycle for state appropriated funds into alignment with all the other funds that the Agency administers so that all funds run on an October to September cycle, rather than having state appropriated funds run on a July to June cycle. The Agency will add a fifth quarter of state appropriation funding and associated resources to the 2013 AHP to carry out this transition. See the detailed discussion below (after the overview of the three components) for more details. The change will not affect program operations, including how and when funds are used, but allow for consistent tracking and financial management across all funding sources.
2. Making funds available for two-year contracts (rather than one-year) for: (1) Housing Trust Fund Rent Assistance, (2) Operating Subsidies, and (3) Bridges Rent Assistance. These contracts are funded with a combination of state appropriations, Pool 3, and contributions from the Department of Human Services. State appropriations account for the bulk of the funding and will be committed during the transition quarter, as discussed in the previous component. However, the contracts will need additional resources for the second year of the contract, beyond what has already been budgeted from Pool 3 to cover the first year of the contract. Rather than requesting new resources from Pool 3, staff has identified state appropriations and Pool 3 funds that were committed under previous contracts but have gone unused. The Agency will de-obligate, recapture, and reallocate these funds. The recapture and reallocation are reflected in this amendment. Finally, the Minnesota Department of Human Services (DHS) is also making additional funds available for the second year of the contracts, which is also reflected in the amendment.

Traditionally, the Agency entered into two-year contracts for rent assistance and operating subsidies, but recently tried one-year contracts. The one-year contracts are less efficient, requiring applications every year, rather than every other year. Because the Legislature makes the bulk of the funds for these contracts available for two-year periods, it makes the most sense to have two-year contracts for these programs.

3. Providing an additional \$3.5 million of Pool 2 resources for Monthly Payment Loans (amortizing loans for down-payment and closing-cost assistance) on top of the \$5 million already in the 2013 AHP. The Agency's first mortgage production is very strong, particularly mortgages enhanced with Monthly Payment Loans. Additional resources are needed to support ongoing production.

Details on First Component: Reasons for Bringing All AHP Cycles in to Sync

Currently, the portion of the Affordable Housing Plan (AHP) addressing state appropriated funds runs on a slightly different schedule than the portions dealing with all the Agency’s other funds. The regular part of the AHP runs from October 1 to September 30 and matches the federal fiscal year (see line 2 of Figure 1); while the portion of the AHP related to state appropriated funds runs from July 1 to June 30 and matches the state fiscal year (see line 3 in Figure 1). This split is causing confusion in budgeting and tracking funds, particularly for programs that combine funds from state appropriations and another source (e.g. Pool 3) and have funds committed in the July to September period. A single contract from this three month period can have some funds (e.g. state appropriations) from one AHP and other funds (e.g. Pool 3) from another AHP.

Staff proposes to bring all funds onto the same schedule, October 1 through September 30. We will carry this out by adding another quarter (3 months) of state appropriated funding to the 2013 AHP (see lines 7 and 8 in Figure 1). Starting with the 2014 AHP, all funds will be budgeted and tracked on the same schedule. With the new structure, there will be a couple issues and nuances.

- While the 2013 AHP will generally cover a 12 month period, it will cover a 15 month period for state appropriated funds.
- Each AHP going forward will have state appropriated funds from two different state fiscal years (see line 8). For example, the 2014 AHP will have three quarters of funding from state fiscal year 2014 and one quarter of funding from state fiscal year 2015.

The shift in budgeting and tracking will not affect how and when funds are committed and spent. The Agency will use the same funds in the same quarters under the current and revised approaches; lines 4 and 8 in the following table are identical with the same funds used in the same quarters. The Agency is only changing the AHP to which the July-to-September activity gets counted for consistent tracking and financial administration. The shift in tracking state appropriated funds is represented by the change in coloring in the figure.

Figure 1: Transition Quarter - Bringing State Funds in Sync with All Other Funds for AHP

	July-Sept. 2012	Oct.-Dec. 2012	Jan.-March 2013	April-June 2013	July-Sept. 2013	Oct.-Dec. 2013	Jan.-March 2014	April-June 2014	July-Sept. 2014	Oct.-Dec. 2014	Jan.-March 2015	April-June 2015	July-Sept. 2015	
1	CURRENT APPROACH													
2	Regular 2013 AHP				Regular 2014 AHP				Regular 2015 AHP					
3	Original 2013 AHP for State Funds				Traditional 2014 AHP for State Funds				Traditional 2015 AHP for State Funds					
4	SFY'13 Funds	SFY'13 Funds	SFY'13 Funds	SFY'13 Funds	SFY'14 Funds	SFY'14 Funds	SFY'14 Funds	SFY'14 Funds	SFY'15 Funds	SFY'15 Funds	SFY'15 Funds	SFY'15 Funds		
5	REVISED APPROACH													
6	Regular 2013 AHP				Regular 2014 AHP				Regular 2015 AHP					
7	Original 2013 AHP for State Funds				Extra Quarter	New 2014 AHP for State Funds				New 2015 AHP for State Funds				
8	SFY'13 Funds	SFY'13 Funds	SFY'13 Funds	SFY'13 Funds	SFY'14 Funds	SFY'14 Funds	SFY'14 Funds	SFY'14 Funds	SFY'15 Funds	SFY'15 Funds	SFY'15 Funds	SFY'15 Funds	SFY'16 Funds	

Additional Funding Added to 2013 AHP

Figure 2 (on the next page) shows the additional funding made available under this amendment to the 2013 AHP. For information purposes, the figure shows the full amount of state funds that the Legislature appropriated for the 2014-15 biennium (the column shaded in gray). The figure also shows the amount of these funds that will likely commit (Board selection or contract signing) from July 1, 2013 to September 30, 2013 (the column to the right of the one shaded in gray). The estimated commitments during this three month period will be the state appropriation amendment to the 2013 AHP. The remaining state appropriations will be committed under the 2014 and 2015 AHPs. For the two-year contracts, all the funds will be committed upfront, but the expenditures will be spread over the two years of the contract.

The next four columns show the funding adjustments needed for the two-year contracts (outside of the recently appropriated state funds) and for Monthly Payment Loans. The last column shows the amendment totals by program

There are two exceptions to the amendment as outlined so far. First, the Family Homeless Prevention and Assistance Program (FHPAP) has always had two-year contracts and continues to do so. The state funds recently appropriated will cover the full cost of these contracts. Second, the Homeownership Education, Counseling and Training (HECAT) program has traditionally had one-year contracts that work well, and continues to do so. For this one program, the amendment shows the funds (state appropriations and associated resources) needed to commit the one-year contract during the transition quarter.

Contingency Option – Transferring Uncommitted Pool 3 Funds from Asset Management

Finally, the financing of the two-year contracts for rent assistance and operating subsidies will rely on the de-obligation and recapture of unused funds already committed to administrators. Most of the recaptures have already occurred, but other recaptures are expected but not definite. In case all the expected recaptures do not occur, staff requests the authority to transfer no more than \$500,000 of uncommitted Pool 3 funds to the Ending Long-Term Homelessness Initiative (EHLIF) to help fund the two-year contracts. These funds will not be needed by the Asset Management program during the 2013 AHP.

Figure 2: Additional Funding Added to the 2013 AHP

	Program	2014-15 State Appropriation – Two Years of Funding (Provided for Information Purposes)	State Appropriations Needed for July - Sept. 2013 Commitments	Other Resources: Repayments, Recapture, and Funds from Partner Organizations	Pool 3 Funds	Pool 2 funds	Federal Funds	Total Change
Homebuyer and Home Refinance								
1	Monthly Payment Loans (DPA and Closing-Cost Assistance)	N/A				\$3,500,000		\$3,500,000
2	Deferred Payment Loans (Homeownership Assistance Fund - HAF)	\$1,660,000	Start Using Funds in Oct. 2013					\$0
3	Homebuyer Education, Counseling & Training (HECAT)	\$1,582,000	\$751,000	\$515,000			\$25,311	\$1,291,311
Home Improvement								
4	Rehabilitation Loan Program (RLP)	\$8,544,000**	\$3,000,000					\$3,000,000
Rental Production								
5	Preservation Affordable Rental Investment Fund (PARIF)	\$8,436,000	Start Using Funds in Oct. 2013					\$0
6	Rental Rehabilitation Deferred Loan Program (RRDL)	\$6,275,000	Not Needed Until Winter RFP Selections					\$0
Resources to Prevent and End Homelessness								
7	Housing Trust Fund (HTF)	\$23,552,000	\$22,152,000					22,152,000
8	Ending Long-Term Homelessness Initiative Fund	N/A		\$718,000	\$1,433,294			\$2,151,294
9	Bridges	\$5,676,000	\$5,676,000					\$5,676,000
10	Family Homeless Prevention and Assist. Program (FHPAP)	\$15,724,000	\$15,724,000					\$15,724,000
Multiple Use Resources								
11	Economic Development and Housing/Challenge (EDHC)	\$28,406,000	Not Needed Until Oct. 2013 RFP Selections					\$0
12	Technical Assistance and Operating Support	\$750,000	Start Using Funds in Oct. 2013					\$0
13	Specific Organization Support	\$890,000	\$890,000					\$890,000
Other								
14	Flood Disaster	-\$3,000,000**	-\$3,000,000					-\$3,000,000
15	TOTAL	\$98,495,000	\$45,193,000	\$1,233,000	\$1,433,294	\$3,500,000	\$25,311	\$51,384,605

** Includes \$3.0 million transfer of Flood Disaster funds to the Rehabilitation Loan Program.

Line Item Details

Line 1: Demand for Minnesota Housing's down-payment/and closing cost assistance that is repaid on a monthly basis has been very high. The Agency will increase the program budget by \$3.5 million, from \$5.0 million to \$8.5 million.

Line 2: Deferred Payment Loans (Homeownership Assistance Fund - HAF) is funded with both State Appropriations and Pool 3. For tracking purposes, the Agency has traditionally used Pool 3 funds throughout the AHP year, but only used the state appropriated funds from October 1 through June 30. Thus, the Agency will start using the recently state appropriated funds on October 1, 2013, which will fall under the 2014 AHP. No additional funds are needed for the 2013 AHP.

Line 3: In August 2013, the Board is scheduled to approve HECAT awards for the upcoming year. Thus, the first half of the 2014-15 biennial appropriation will be committed at that time. In addition, the annual award will include \$500,000 from partner organizations (Minnesota Home Ownership Center and Greater Minnesota Housing Fund), \$15,000 of HECAT repayments, \$25,311 of recaptured funds from the National Foreclosure Mitigation and Counseling (NFMC) program, and \$10,000 of existing uncommitted HECAT funds. Figure 2 does not show the \$10,000 of existing uncommitted funds because they are already allocated under the 2013 AHP. This amendment only shows additional allocations. While the Agency will commit half of the \$1,582,000 HECAT state appropriation for the 2014-15 biennium under the amended 2013 AHP, the Agency will commit the other half under the 2014 AHP in August of 2014. HECAT has traditionally had one-year contracts.

Line 4: State appropriations for the regular Rehabilitation Loan Program will not be needed until after October 1, 2013. However, on top of the regular appropriation, the Legislature transferred \$3.0 million of unused Flood Disaster funds (also see line 14) to the Rehabilitation Loan Program, which will be targeted to the Duluth area. These \$3 million are already in the 2013 AHP. This amendment reflects that transfer between programs in lines 4 and 14. The net effect is no change in overall funding.

Line 5: Funding currently available in the 2013 AHP is sufficient to meet Preservation Affordable Rental Investment Fund (PARIF) needs through September 30, 2013. The funds made available for the 2014-15 biennium by the Legislature will be used in the 2014 and 2015 AHPs.

Line 6: Funds for the Rental Rehabilitation Deferred Loan Program will not be needed until the next RFP selections are made next winter, which is during the 2014 AHP.

Line 7: Most of these funds will be used to carry out the regular two-year rent assistance contracts - \$19,152,000 from the recently appropriated state funds. The overall two-year contracts will total \$23,000,000. The remaining funds for these contracts will come from resources already allocated under the 2013 AHP and are not shown in this amendment. This includes \$2,262,781 of Housing Trust Fund resources that were committed earlier during the 2013 AHP for the current rent assistance contracts; however, it has now been determined that these funds will not be needed to complete the current contract and will be de-obligated, recaptured, and reallocated for the new contracts. The rest of the resources needed to fund the contracts will come from 2013 AHP funds that were never committed - Housing Trust Fund resources (\$221,219) and Ending Long-Term Homelessness Initiative Fund resources (\$1,364,000)

On top of \$19,152,000 for the regular rent assistance contracts, the \$22,152,000 of state appropriations that will be committed between July and September 2013 includes \$3.0 million for targeted rent assistance that will be administered in conjunction with the Department of Education (minimizing student moves because of housing instability) and the Department of Corrections (housing recently released offenders).

The overall state appropriation also includes \$1.4 million for project-based rent assistance that won't be needed until the RFP selections in October 2013, which will occur under the 2014 AHP.

Line 8: These are the additional funds needed to carry out the two-year operating subsidy contracts - \$1,433,294 of unused and recaptured funds from previous AHPs (2012 and earlier) and \$718,000 of recaptured and additional resources from the Minnesota Department of Human Services (DHS). The overall two-year contract will be for \$4,602,075. The remaining funds will come from resources already allocated under the 2013 AHP – uncommitted ELHIF resources (\$1,450,781) and DHS contributions (\$1,000,000).

Line 9: The \$5,676,000 appropriated by the Legislature will fund the two-year contracts for Bridges rent assistance.

Line 10: The \$15,724,000 appropriated by the Legislature will cover the full cost of the two-year contract for Family Homeless Prevention and Assistance Program (FHPAP).

Line 11: State funds recently appropriated for the Economic Development and Housing/Challenge (EDHC) program will not be needed until RFP selections are made in October 2013, which will occur during the 2014 AHP.

Line 12: Funding currently available in the 2013 AHP is sufficient to meet technical assistance and operating support needs through September 30, 2013. The state appropriated made available for the 2014-15 biennium by the Legislature will be used in the 2014 and 2015 AHPs.

Line 13: The Legislature made available \$890,000 for the 2014-14 biennium to support Open Access Connection, HOME Line, and Voice of East African Women. It is quite possible that the grant agreements making these funds available will be signed before September 30, 2013, and the agreements may be for the full two-years. Thus, the full \$890,000 will be added to the 2013 AHP.

Line 14: As noted in line 4, the Legislature transferred \$3 million for the Flood Disaster Program to the Rehabilitation Loan Program.

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AGENDA ITEM: 7. B.
MINNESOTA HOUSING BOARD MEETING
June 20, 2013

ITEM: Family Homelessness Prevention and Assistance Program (FHPAP) Funding Approval

CONTACT: Erin Schwarzbauer, 651-284-3176
 Erin.Schwarzbauer@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 the adoption of the attached Resolution authorizing \$15,724,000 in Family Homelessness Prevention and Assistance Program (FHPAP) funds. This will allow Minnesota Housing to (1) execute new contracts with 20 existing grantees (including one grantee who will expand their coverage to include 5 new counties) to provide support services and direct assistance throughout the state, (2) incent shelters to increase their participation of data entry into the Homeless Management Information System (HMIS) database, which is likely to result in evidence of improved outcome measures for FHPAP and Long Term Homeless (LTH) programs, and (3) to maintain and enhance database management, reporting and program evaluation.

FISCAL IMPACT:

The requested FHPAP funds are State appropriations and therefore do not adversely impact the Agency's financial position. The 2013 Minnesota Legislature approved an \$800,000 increase to FHPAP's biennial grant base, increasing the biennial appropriation to \$15,724,000.

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
- Funding Chart
- Resolution

Background

The 1993 Minnesota Legislature established the FHPAP to assist families who are homeless or are at imminent risk of homelessness. The 1995 Minnesota Legislature expanded eligibility for the FHPAP to include single adults and youth. The legislation also requires that FHPAP grantees develop and utilize an advisory committee to ensure that the project design, implementation and evaluation is reflective of local need while advancing toward the program goals to prevent homelessness, minimize periods of homelessness, and eliminate repeat episodes of homelessness. Through a local needs assessment process, FHPAP projects must identify and develop innovative solutions to improve the comprehensive homeless response system. The FHPAP grantees provide specialized support services including case-management as well as direct assistance for housing needs such as short-term rent assistance, security deposits, utility assistance, and transportation assistance related to housing stability.

With the 2012-13 SFY funding allocation of \$14,930,290, the FHPAP will serve more than 15,500 unduplicated households statewide in the current biennium; these households represent more than 37,000 individuals, including more than 17,500 children.

The Multifamily Division of Minnesota Housing Finance Agency (Agency) issues the FHPAP Request for Proposals (RFP) biennially. The Agency released the RFP on January 28, 2013, with an application deadline of April 3, 2013. Twenty proposals were received in response to the RFP, all from current grantees; one grantee proposed to expand their current coverage by adding 5 additional counties. If the proposed expansion is approved, there will be statewide coverage for the first time in the FHPAP's twenty year history. Six proposals were from the Twin Cities metropolitan area (encompassing all seven counties) and fourteen proposals were from greater Minnesota areas. The total amount in requests was \$17,760,241. Pending approval of this request, the Agency will grant \$15,724,000 in FHPAP funds for SFY 2014-2015.

Staff proposes to maintain the funding distribution so that 55 percent of the funds are allocated for the Twin Cities seven-county metropolitan area and 45 percent of the funds are allocated to the balance of state. Funds have been distributed on this basis since 1997; staff completed an analysis of each grantee's regional needs based on indicators of (1) extreme housing burden for renters, (2) poverty rates, and (3) unemployment rates, and determined that the 55/45 split remains a fair distribution.

Various State Agency staff reviewed proposals and met on May 14, 2013 to recommend applicants for selection and funding. Reviewers included representatives from: the Department of Human Services (DHS) Office of Economic Opportunity; the DHS Community Living and Supports; the DHS Alcohol and Drug Abuse Division; the Department of Education; Department of Corrections, Department of Veterans Affairs, and Minnesota Housing staff.

Applicants were evaluated on 4 categories: (1) Planning and Community Involvement, (2) Project Design, (3) Performance and Capacity and (4) Need.

Historically, FHPAP has reserved funds to address statewide system barriers. Past FHPAP initiative projects have included creating tenant education curriculum and online affordable housing search engine. Chart 1 shows recommendations for the SFY14-15 initiative funding to incent shelters to increase their participation of data entry into the Homeless Management Information System (HMIS) database, which is likely to result in improved outcome measurement through shelter recidivism reports. This proposed initiative aligns with the HMIS Reimaging Initiative of increasing bed coverage in HMIS to improve outcome measures for FHPAP, LTH and Continuum of Care funded programs.

Finally, to ensure the continued focus on data-driven housing stability outcomes by the FHPAP, \$150,000 is recommended to continue funding the database reporting and evaluation services.

2014 - 2015 BIENNIUM FUNDING RECOMMENDATIONS FOR THE FAMILY HOMELESSNESS PREVENTION AND ASSISTANCE PROGRAM		
Grantee	Counties Covered	2014-2015 Recommended Funding
Anoka County	Anoka	\$330,000
Carver/Scott	Carver, Scott	\$332,750
Dakota County	Dakota	\$282,100
Hennepin County	Hennepin	\$4,004,500
Ramsey County	Ramsey	\$3,215,050
Washington County	Washington	\$311,300
Subtotal of Metro		\$8,475,700
% of Total		55%
Bi-County CAP	Beltrami , Cass	\$380,000
Blue Earth/Region 9	Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca and Watonwan	\$550,000
Heartland CAA	Kandiohi, McLeod, Meeker, & Renville	\$500,000
Kootasca C. A.	Cook, Itasca , Koochiching, Lake	\$441,900
Lakes & Pines C.A.C.	Aitkin,Carlton,Chisago,Isanti, Kanabec, MilleLacs, Pine	\$674,100
Lakes & Prairies CAP	Clay, Wilkin	\$528,000
Lutheran Social Services	Todd, Crow Wing, Morrison	\$825,000
Mahube-Otwa Community Council	Becker, Mahnomen, Hubbard, Otter Tail, & Wadena	\$624,000
SE MN Housing Network	Dodge,Freeborn,Fillmore, Goodhue,Houston,Mower,Olmsted, Rice,Steele, Wabasha,& Winona	\$714,000
St. Louis County	St. Louis	\$627,750
Catholic Charities/Central MN	Benton, Sherburne, Stearns, & Wright	\$219,950
Tri-Valley Opportunity Council	Polk, Marshall, Norman, Pennington, Red Lake, Clearwater, Kittson, Roseau, Lake of the Woods	\$370,000
West Central Communities Action	Grant, Pope, Stevens, Traverse and Douglas Counties	\$167,400
Western Communities Action	Lincoln, Lyon, Jackson, Cottonwood, Redwood, Pipestone, Murray, Rock, & Nobles	\$323,400
Subtotal of Greater MN		\$6,945,500
% of Total		45%
TOTAL METRO & GREATER MN		\$15,421,200
ADDITIONAL		
Shelter HMIS Bed Coverage	Statewide	\$152,800
Data Reporting and Evaluation Services	Statewide	\$150,000
TOTAL ADDITIONAL		\$302,800
TOTAL FUNDING		\$15,724,000

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

RESOLUTION NO. MHFA

RESOLUTION APPROVING SELECTION/COMMITMENT FAMILY HOMELESSNESS PREVENTION AND ASSISTANCE PROGRAM (FHPAP)

WHEREAS, the Minnesota Housing Finance Agency (Agency) will: (1) execute new contracts with 20 existing grantees to provide support services and direct assistance across the entire state; (2) incent shelters to increase their participation of data entry into the Homeless Management Information System (HMIS) database, which is likely to result in evidence of improved outcome measures for FHPAP and Long-Term Homeless (LTH) programs; and (3) maintain and enhance database reporting and evaluation from July 1, 2013, through June 30, 2015.

WHEREAS, the Agency staff has reviewed the applications and determined that they are in compliance with the Agency's rules, regulations and policies; that such grants are not otherwise available, wholly or in part, from private lenders or other agencies upon equivalent terms and conditions; and that the applications will assist in fulfilling the purpose of Minn. Stat. ch. 462A.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to enter into grant agreements using State and Agency resources as set forth on the attachment, subject to changes allowable under Agency and Board policies:

1. The Agency staff shall review and approve the recommended Grantees for up to the total recommended amount for; the grant period of July 1, 2013 through June 30, 2015.

FHPAP Grantee	Award
Anoka County	\$330,000
Bi-County CAP	\$380,000
Blue Earth/Region 9	\$550,000
Carver/Scott	\$332,750
Catholic Charities/Central MN	\$219,950
Dakota County	\$282,100
Heartland CAA	\$500,000
Hennepin County	\$4,004,500
Kootasca C. A.	\$441,900
Lakes & Pines C.A.C.	\$674,100
Lakes & Prairies CAP	\$528,000
Lutheran Social Services	\$825,000

Board Agenda Item: 7.B.
Attachment: Resolution

Mahube-Otwa Community Council	\$624,000
Ramsey County	\$3,215,050
SE MN Housing Network	\$714,000
St. Louis County	\$627,750
Tri-Valley Opportunity Council	\$370,000
Washington County	\$311,300
West Central Communities Action	\$167,400
Western Communities Action	\$323,400
Shelter HMIS Bed Coverage	\$152,800
Data Reporting and Evaluation including Wilder Research, HMIS	\$150,000

2. The issuance of grant agreements in form and substance acceptable to the Agency staff and the closing of the individual grants shall occur no later than six months from the adoption date of this Resolution; and
3. The sponsors and such other parties shall execute all such documents relating to said grant and to the security therefore as the Agency, in its sole discretion, deems necessary.

Adopted this 20th day of June, 2013.

CHAIRMAN

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AGENDA ITEM: 7.C.
MINNESOTA HOUSING BOARD MEETING
June 20, 2013

ITEM: Ending Long Term Homelessness Initiative Fund (ELHIF) and Housing Trust Fund (HTF) Operating Subsidy Renewal Grants

CONTACT: Vicki Farden, 651-296-8125 Laird Sourdif, 651-296-9795
 vicki.farden@state.mn.us laird.sourdif@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:

Adoption of the attached Resolution authorizing \$2,853,541 in ELHIF Operating Subsidy grants and \$40,000 in HTF Operating Subsidy grants. This action, along with funding from the Department of Human Services Adult Mental Health Division (DHS-AMHD), will renew grants for 1,342 supportive housing units at 34 existing developments, providing up to two years of funding.

FISCAL IMPACT:

Originally proposed as one-year grants, and budgeted as such in the 2013 AHP, staff is recommending these grants be executed as two-year grants. Although not budgeted in the 2013 AHP, the additional funds required to make this financial commitment are currently available in the ELHIF funding source account. As explained in the June 2013 Board Agenda Item 7.A., presented by John Patterson, staff is recommending an amendment to the 2013 AHP that, if approved, would provide adequate funding for Minnesota Housing to execute these grants.

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
- Attachment: 2013 Operating Subsidy Renewal Grants
- Resolution

BACKGROUND

The Operating Subsidy (OS) Program provides funds for revenue shortfalls and unique costs associated with operating supportive housing developments. The Agency and the DHS-AMHD are partnering for a fourth year to provide funding to support this activity. The Agency's Affordable Housing Plan set aside Ending Long-term Homelessness Initiative Fund (ELHIF) funds for this purpose. The DHS Housing with Services for Adults with Serious Mental Illness (HSASMI) funds are transferred to the Agency through an Interagency Agreement and are administered under Housing Trust Fund (HTF) Program rules and in accordance with the HTF/ELHIF/DHS HSASMI OS Program Guide. The DHS-AMHD provides up to \$950,000 in operating subsidy assistance annually to support new and existing Agency-financed supportive housing developments agreeing to provide housing units with support for adults with serious mental illnesses.

The OS Program is a "last resort" source and is available only to owners demonstrating the need for the subsidy and that all other possible funding sources and cost saving measures have been investigated and implemented when appropriate. Agency staff reviewed property financial information and operating budgets and spoke with owners, managers and service providers to ensure the assistance is necessary. Priority for funding is given to developments that preserve affordable housing units that offer permanent supportive housing to very low income households with long histories of homelessness.

The Agency and DHS-AMHD notified 39 grantees with OS grants expiring by December 31, 2013 of the opportunity to apply for a renewal of their OS funding. Applications were due on April 15, 2013. Thirty-five (35) renewal applications were received and 34 are recommended for funding. Two of the 39 eligible properties did not request renewal funding because they had reduced costs and identified other resources to replace the OS funding. The other two eligible properties are currently receiving technical assistance from the Stewardship Council and have sufficient funding in current grants to cover any operating needs.

The following housing opportunities and demographic trends were observed in the distribution of the units assisted with the recommended awards:

- 69 % in the 7 County Metropolitan Area
- 31% in Greater Minnesota Area
- 45 % for households with long histories of homelessness
- 15% for adults with a serious mental illness
- 7 % for families
- 82 % for single adults
- 11 % for youth
- Many developments leverage other funding sources for operations such as Group Residential Housing (GRH), HUD Continuum of Care, Section 8 Rental Assistance, or NAHASDA Vouchers.

The division of funding resources for the purpose of providing supplemental operating subsidies to the recommended developments for two years is reflected below:

Funding Type	Proposals	Award Amount	Percent
ELHIF Operating Subsidy Grants	22	\$2,853,541	62%
HTF Operating Subsidy Grants	1	\$ 40,000	1%
DHS HSASMI Operating Subsidy Grants	11	\$1,708,534	37%
Total	34	\$4,602,075	100%

**2013 Operating Subsidy Renewal Grants
Recommendations for Funding**

Region	D #	Property Name	Owner	City	HH Type	Total Supp Hsg Units	LTH	SMI	Recmd 2 YR Award MHFA	Recmd 2 YR Award DHS	Subsidy Purpose/Comments
NEMIF	D0430	2001 W 3rd St.	Center City Housing	Duluth	Youth	12	0	4	\$40,000		Revenue Shortfall. Fund with HTF
MHIG	D3173	2011 Pillsbury Residence	Alliance Housing	Minneapolis	Singles	27	16	6	\$24,000		Tenant Service Coordinator
NEHIF	D3845	Alicia's Place	Center City Housing	Duluth	Families	11	5	11	\$33,160		Revenue Shortfall
MHIG	D3192	American House Apartments	Beacon	St Paul	Singles	70	10	35	\$165,000		Tenant Service Coordinator and Front Desk
MHIG	D3912	Anpa Waste	Beacon	Minneapolis	Youth Families	10	10	0	\$110,062		Revenue Shortfall
SEMIF	D4045	Castlevew Apartments	The Salvation Army	Rochester	Singles	32	8	8	\$92,660		Front Desk
MHIG	D1591	Delancey Apartments	PPL	St Paul	Singles	13	13	13	\$230,000		Front Desk
WCMIF	D3890	Dream Catcher Homes	White Earth Tribe	White Earth Reservation	Families	20	4	5	\$66,000		Revenue Shortfall
WCMIF	D6252	Gateway Gardens	Clay County HRA	Moorhead	Singles	24	24	20	\$77,000		Front Desk
MHIG	D2355	HOPE Harbor	The Salvation Army	Minneapolis	Singles	52	32	23		\$114,686	Front Desk
CMIF	D4056	Hope on Ninth	Place of Hope Ministries	St Cloud	Singles	10	10	4	\$60,000		Tenant Service Coordinator
MHIG	D5957	Higher Ground	Catholic Charities	Minneapolis	Singles	85	85	25	\$322,000		Front Desk
MHIG	D2939	Jackson Street Village	RS Eden	St Paul	Families	24	4	4	\$50,000		Tenant Service Coordinator
SEMIF	D1194	Jordan Tower II	Red Wing HRA	Red Wing	Singles	104	0	104		\$48,336	Tenant Service Coordinator
MHIG	D2475	Kimball Court	Beacon	St Paul	Singles	76	10	22	\$124,317		Tenant Service Coordinator
MHIG	D5229	Lexington Commons Apartments	Common Bond	St Paul	Singles	48	48	12		\$250,000	Tenant Service Coordinator and Front Desk.
MHIG	D5886	Lincoln Place	Dakota County CDA	Eagan	Youth	24	5	7		\$300,000	Revenue Shortfall and Front Desk
MHIG	D3124	Lindquist Apartments	RS Eden	Minneapolis	Youth	24	4	4		\$150,000	Front Desk
MHIG	D1504	Louisiana Court Apartments	PPL	St Louis Park	Singles	18	18	18		\$160,000	Tenant Service Coordinator
NEMIF	D0447	Memorial Park Apartments	Center City Housing	Duluth	Singles	39	8	10	\$130,000		Revenue Shortfall and Tenant Service Coordinator
MHIG	D5909	Nicollet Youth Housing	Beacon	Minneapolis	youth	42	22	0	\$364,076		Revenue Shortfall and Front Desk

**2013 Operating Subsidy Renewal Grants
Recommendations for Funding**

Region	D #	Property Name	Owner	City	HH Type	Total Supp Hsg Units	LTH	SMI	Recmd 2 YR Award MHFA	Recmd 2 YR Award DHS	Subsidy Purpose/Comments
NEMIF	D5197	North Shore Horizons	North Shore Horizons	Two Harbors	Families	5	3	0	\$9,000		Tenant Service Coordinator
MHIG	D5896	North Side Community	PPL	Minneapolis	Singles	14	3	5	\$92,000		Front Desk
MHIG	D0959	Opportunity Housing	Aeon	Minneapolis	Singles	130	73	20	\$210,000		Front Desk
NEMIF	D3797	Perpich Apartments	Range Mental Health Center	Hibbing	Singles	27	4	27		\$155,000	Revenue Shortfall and Tenant Service Coordinator
MHIG	D3065	Dale Street Place	CHDC	St Paul	Singles	150	75	50		\$212,500	Tenant Service Coordinator
CMIF	D5200	River Crest	Center City Housing	St Cloud	Singles	40	30	0	\$142,266		Front Desk
MHIG	D5225	Sankofa Apartments	Model Cities	St Paul	Youth Families	15	12	6	\$110,000		Revenue Shortfall
SEMIF	D6347	Silver Creek Corner	Center City Housing	Rochester	Singles	40	30	24		\$113,000	Front Desk
MHIG	D3151	St. Christopher Place	Catholic Charities	St Paul	Singles	71	15	36	\$200,000		Tenant Service Coordinator and Front Desk
SEMIF	D4075	The Francis	Olmsted County HRA	Rochester	Singles	17	9	12	\$60,000		Funding for Front Desk.
MHIG	D4076	Booth Brown House Foyer	The Salvation Army	St Paul	Youth	25	8	0	\$182,000		Revenue Shortfall, Front Desk, Tenant Service Coordinator
NEMIF	D6388	Transitional Housing	Center City Housing	Duluth	Families	21	0	0	\$0		NOT SELECTED
MHIG	D6261	Washington County Townhomes	Washington County HRA	Oakdale	Families	6	0	6		\$12,500	Revenue Shortfall
SEMIF	D6374	Youngdahl Living	South Central Human Relations Center	Owatonna	Singles	16	12	16		\$192,512	Front Desk
Totals											
						1342	610	537	\$2,893,541	\$1,708,534	\$4,602,075
TOTAL											

Unit distribution	Families	87	7%
	Singles	1103	82%
	Youth	152	11%
	LTH	610	45%
Unit distribution	Families	87	7%
	Singles	1103	82%
	Youth	152	11%
	LTH	610	45%
Metro	\$3,383,141	924	69%
Greater Minnesota	\$1,218,934	418	31%
Metro	\$3,383,141	924	69%
Greater Minnesota	\$1,218,934	418	31%
Funding Distribution			
Metro	\$3,383,141	924	69%
Greater Minnesota	\$1,218,934	418	31%
Funding Distribution			
Metro	\$3,383,141	924	69%
Greater Minnesota	\$1,218,934	418	31%

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

RESOLUTION NO. MHFA XXXX

**RESOLUTION APPROVING SELECTION/COMMITMENT ENDING LONG TERM HOMELESSNESS INITIATIVE
FUND (ELHIF) AND HOUSING TRUST FUND OPERATING SUBSIDY RENEWAL GRANTS**

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications to provide operating subsidies for properties serving families and individuals who are low income, near homeless, homeless or long-term homeless.

WHEREAS, Agency staff has reviewed the applications and determined that they are in compliance with the Agency's rules, regulations and policies; that such grants are not otherwise available, wholly or in part, from private lenders or other agencies upon equivalent terms and conditions; and that the applications will assist in fulfilling the purpose of Minn. Stat. ch. 462A.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to enter into grant agreements using State and Agency resources as set forth below, subject to changes allowable under Agency and Board policies:

1. Agency staff shall review and approve the recommended grantees for up to the total recommended amount for up to two (2) years;

• 2001 W 3rd St.	Duluth	D0430	\$40,000
• 2011 Pillsbury Residence	Minneapolis	D3173	\$24,000
• Alicia's Place	Duluth	D3845	\$33,160
• American House Apartments	St Paul	D3192	\$165,000
• Anpa Waste	Minneapolis	D3912	\$110,062
• Booth Brown House Foyer	St Paul	D4076	\$182,000
• Castlerview Apartments	Rochester	D4045	\$92,660
• Delancey Apartments	St Paul	D1591	\$230,000
• Dream Catcher Homes	White Earth	D3890	\$66,000
• Gateway Gardens	Moorhead	D6252	\$77,000
• Higher Ground	Minneapolis	D5957	\$322,000
• Hope on Ninth	St Cloud	D4056	\$60,000
• Jackson Street Village	St Paul	D2939	\$50,000
• Kimball Court	St Paul	D2475	\$124,317
• Memorial Park Apartments	Duluth	D0447	\$130,000
• Nicollet Youth Housing	Minneapolis	D5909	\$364,076
• North Shore Horizons	Two Harbors	D5197	\$9,000
• North Side Community	Minneapolis	D5896	\$92,000
• Opportunity Housing	Minneapolis	D0959	\$210,000
• River Crest	St Cloud	D5200	\$142,266
• Sankofa Apartments	St Paul	D5225	\$110,000
• St. Christopher Place	St Paul	D3151	\$200,000
• The Francis	Rochester	D4075	\$60,000

2. The issuance of grant agreements in form and substance acceptable to the Agency staff and the closing of the individual grants shall occur no later than twelve months from the adoption date of this Resolution. Grant agreement end dates are the development's fiscal year end date in 2015; and
3. The sponsors and such other parties shall execute all such documents relating to said grant, to the security therefore, as the Agency, in its sole discretion, deems necessary.

Adopted this 20th day of June, 2013.



AGENDA ITEM: 7.D.
MINNESOTA HOUSING BOARD MEETING
June 20, 2013

ITEM: Approval, Changes, Deferred Payment Loan, Start Up 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:

Increase the maximum Deferred Payment Loan (DPL) amount to \$4,500 or 5% of the purchase price of the home (maximum of \$4,500 permitted).

FISCAL IMPACT:

Changes to DPL are forecast to result in production that is within the Affordable Housing Plan (AHP) budget and are forecast to reduce Monthly Payment Loan (MPL) production to better align within its AHP 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

BACKGROUND

On December 18, 2012, the Agency launched new home mortgage programs for first time homebuyers (Start Up) and non-first time homebuyer purchase and refinance (Step Up). The restructuring of the programs also added a new down payment and closing cost loan option called Monthly Payment Loan (MPL), changed the Homeownership Assistance Fund (HAF) into the Deferred Payment Loan (DPL) and revised the term of the HOME HELP Loan. This created three entry cost assistance alternatives to support the range of low- to moderate-income borrowers who use Agency home mortgage programs.

During the restructuring of the programs, guiding principles were created that included: continue to serve the Agency's traditional market of below 80% AMI; continue to serve emerging markets; target interest-free loans to serve lower income borrowers; and consider interest bearing downpayment assistance to support the Agency's current market and expand it. The recommendation to increase the maximum loan amount for the DPL aligns the program to meet the guiding principles of the program restructuring by better supporting the Agency's traditional borrowers and balancing the production under the three downpayment and closing cost loan options.

The new fully amortizing MPL program, with a maximum loan amount of the greater of \$5,000 or 5% of the purchase price, is experiencing high levels of production. MPL projected demand significantly exceeds the AHP budgeted amount of \$5 million from Pool 2 resources. The high usage of MPL indicates the creation of this option successfully expanded the market of borrowers served by the programs. Borrowers have higher incomes than those traditionally served under the HAF loan program (\$52,705 versus \$33,841) with smaller household sizes (under 2 versus 2.43). Additionally, the MPL option appears to serve fewer emerging market households (24% vs. 36%) and fewer single-headed households (16% vs. 36%) than the HAF loan program.

The HOME HELP Loan option continues to support borrowers and properties with similar characteristics as those supported prior to the program changes. In addition, the projected HOME HELP loan demand fits within the AHP budget amount.

In contrast, projected demand for the interest-free DPL, with a maximum loan amount of \$3,000 or 3% of the purchase price, is significantly below the AHP budgeted amount. As a result, the DPL is no longer effectively serving the Agency's traditional market. DPL currently serves borrowers at 60% of the greater of area or statewide median income. As of May 31, only 45 loans have closed using this option. Based on Agency analysis and discussions with program lenders, it is believed that the current maximum DPL amount is inadequate to effectively address current underlying mortgage product downpayment and closing requirements, especially for lower income households.

Increasing the DPL to a maximum of the lesser of \$4,500 or 5% of the purchase price intends to accomplish two primary objectives: (1) permit the Agency to continue to target downpayment and closing cost loans to households with mission-rich borrower and property characteristics, similar to those that we have historically reached, and (2) prudently manage budget authority. The DPL will support borrowers up to 60% AMI, while the MPL will support all borrowers who can credit qualify for the monthly payment, including households above 60% AMI and up to the Start Up program limits. Projections indicate that this loan amount correction may result in DPL usage at 40% of overall production, MPL at 43%, and the HOME HELP program at 17%, resulting in balanced usage of the three options within the approved AHP budget.



AGENDA ITEM: 7.E.
MINNESOTA HOUSING BOARD MEETING
June 20, 2013

ITEM: Approval, Funding Distribution and Expiration, Neighborhood Stabilization Program

CONTACT: Nira Ly, 651-296-6345 Ruth Simmons, 651-297-5146
 nira.ly@state.mn.us ruth.simmons@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 hereby requests Board approval of the Draft Substantial Amendment to the 2008 Neighborhood Stabilization Program (NSP1) Action Plan.

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
- Draft Substantial Amendment to the 2008 NSP1 Action Plan
- NSP1 Current Areas of Greatest Need Memo
- Zip Code Maps by Administrator

BACKGROUND

In 2009, Minnesota Housing was granted \$38.8 million (Grant Funds) in the first round of Neighborhood Stabilization Program (NSP1) resources from the Department of Housing and Urban Development (HUD) under the Housing and Economic Recovery Act of 2008 (HERA) to stabilize neighborhoods by purchasing, managing and reselling foreclosed and abandoned properties. There were originally 21 subrecipients statewide. Thirteen subrecipients remain active, while eight have completed all projects. NSP1 is in its final stage, with the goal to close out the program with HUD within the next 3-4 years.

Activities under the original Action Plan were authorized by HUD to continue beyond its original grant end date of March 20, 2013. Closeout of NSP1 cannot occur until all Grant Funds are expended and all projects invested with NSP1 Grant Funds have been sold or rented. To ensure timely expenditure of Grant Funds and the successful completion of all NSP1-invested projects, staff recommends the following administrative strategies:

Reallocate NSP1 Resources Among Subrecipients

Subrecipients have two sources of resources: (1) Grant Funds, and (2) "Program Income", which is resources earned from the sale or rental of properties originally invested in with Grant Funds. Under HUD rules, Grant Funds cannot be accessed until all Program Income has been expended.

Four subrecipients have insufficient NSP1 resources to complete pending projects while six subrecipients currently or will have more NSP1 resources than are needed to complete their pending projects. Several subrecipients cannot access their Grant Funds because they have unexpended Program Income in their accounts. The reallocation of Grant Funds and Program Income is necessary to ensure the success of all subrecipient projects and a timely closeout. The prioritization of reallocation is as follows:

- 1) Reallocate NSP1 resources first to subrecipients who are in need of additional funding to complete projects invested with NSP1 Grant Funds.
- 2) Reallocate remaining NSP1 resources to subrecipients in the current areas of greatest need: Hennepin County, the City of Minneapolis, and the City of St. Paul.

Adopt Current NSP1 Areas of Greatest Need, effective July 1, 2013

To ensure continued stabilization of neighborhoods impacted by the foreclosure crisis, staff conducted an analysis of the original NSP1 target areas and expanded zip codes to assess which communities are in most need of additional NSP1 resources. Staff determined that the current areas of greatest need are in Hennepin County, the City of Minneapolis, and the City of St. Paul. As a result NSP1 resources will be reallocated to these three subrecipients. See "NSP1 Newly Established Areas of Greatest Need" and "Zip Code Maps by Administrator" for details on methodology and the results of the analysis.

2013 Substantial Amendment to the NSP1 Action Plan

Minnesota Housing has drafted a Substantial Amendment to the original NSP1 Action Plan to reflect these recommendations and has posted it for public comment. The public comment period will close on June 14, 2013. Public comments, if any, will be provided to the Board during the Board meeting. See the attached Draft 2013 Substantial Amendment to the NSP1 Action Plan.

Prior to making the recommendations above, staff consulted with each of the 13 active subrecipients, which are all in agreement with the administrative recommendations.

THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP) SUBSTANTIAL AMENDMENT

Jurisdiction(s): Minnesota State Minnesota Housing Finance Agency Jurisdiction Web Address: www.mnhousing.gov	NSP Contact Person: Ruth Simmons Minnesota Housing Address: 400 Sibley Street, Suite 300 Telephone: 651-297-5146 Fax: 651-296-8292 Email: ruth.simmons@state.mn.us
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Introduction

Title III of Division B of the Housing and Economic Recovery Act of 2008 (hereinafter “HERA”) provides emergency assistance to states and localities for the redevelopment of abandoned and foreclosed homes. The program is known as the Neighborhood Stabilization Program (NSP1). The focus of this program is the purchase, management and resale of foreclosed and abandoned properties for the purpose of stabilizing neighborhoods. Unless HERA provides otherwise, grants must comply with Community Development Block Grant (CDBG) requirements.

Minnesota Housing was named the grantee for the State of Minnesota NSP1 funds in the amount of \$38.8 million on September 2008. The grant agreement was signed by the Department of Housing and Urban Development (HUD) on March 20, 2009 with a four year term, ending March 20, 2013. The [2008 Action Plan](#) described Minnesota Housing’s distribution method, eligible applicants, application requirements, eligible uses and activities, funding cycles, and performance evaluation for NSP funds. In accordance with HUD’s Closeout Notice issued November 27, 2012, activities under the plan are authorized to continue beyond the original end date of the grant until all grantees have completed all units with NSP program fund investments, and these units have met the National Objective requirement of the plan.

Minnesota Housing sub granted the \$ 38 million to 21 local units of government. 13 remain active. Subrecipients have earned \$12 million in program income and anticipate approximately \$5 million in program income by the program’s closeout. Including program income, the grant’s total is currently \$55 million. All activities will continue to be funded in accordance with NSP funding guidelines and the targeting requirements described in this Action Plan.

The plan is amended to include administrative recommendations to be presented to Minnesota Housing’s Board of Directors at the June 2013 board meeting. The administrative strategies of this Substantial Amendment to the plan ensure the success of the grant, and improve the closeout timeline. Furthermore, the amended plan describes the methodology used to re-assess the areas of greatest need, and the proposed reallocation of funds and program income among the subrecipients who remain active under the grant.

Except for certain limitations described on Section B, all eligible uses identified in HERA continue to be eligible under the State NSP funds. These activities are:

- Acquisition and rehabilitation for homeownership;
- Acquisition and rehabilitation for rental;
- Establishing land banks;
- Demolition of blighted structures; and
- Redevelopment of demolished or vacant structures.

Minnesota Housing will undertake an evaluation of the uses and outcomes achieved with NSP funding. The funding agreement requires subrecipients to provide progress updates to assist Minnesota Housing in its quarterly evaluation efforts.

Timelines

The \$38.8 million was granted in 2009. The program income has extended the end date of this grant for several years. Minnesota Housing has updated its [NSP1 Timeline](#) accordingly and will negotiate a closeout date with HUD 90 days before the actual closeout.

An email notice of the availability of the draft substantial amendment to the 2008 Action Plan and comment period is scheduled for May 30, 2013. The comment period is a 15 day period, ending June 14, 2013.

A. AREAS OF GREATEST NEED AND DISTRIBUTION PLAN

Overview

HERA requires that grantees that receive NSP funding “give priority emphasis and consideration to those metropolitan areas, metropolitan cities, urban areas, rural areas, low- and moderate-income, and other areas with the greatest need, including those:

- with the greatest percentage of home foreclosures;
- with the highest percentage of homes financed by a subprime mortgage related loan; and
- Identified by the State or unit of general local government as likely to face a significant rise in the rate of home foreclosures.”

For more detailed information regarding the initial distribution of funds, please see the [2008 Action Plan](#).

Newly Established Areas of Greatest Need

With the end date approaching in March of 2013, Minnesota Housing re-examined the areas of greatest need to determine the best use of NSP funds in years to come. The examination was based on the HERA requirements of the grant and included here is the added methodology:

There are 54 zip codes that intersect the original NSP1 target areas that are current administrators and have not already completed NSP1 activities. These zip codes are evaluated and ranked in two steps. First, zip codes are evaluated based on foreclosure need. Second, the high need foreclosure zip codes are prioritized by lower incomes and older housing stock.

Step 1. Evaluation of Foreclosure Need

First, areas are evaluated for foreclosure need using the following three criteria and ranked by the sum of points:

- **Area is presently a high need foreclosure zip code.**
 - 1 Point - The zip code’s overall foreclosure index (based on each zip code’s rate of loans in delinquency, foreclosure or REO status) is above 150 or 1 ½ times greater than the average foreclosure rate in the state. Note Greater Minnesota zip codes are benchmarked to an overall Greater Minnesota rate, rather than a statewide rate. The data was from December 2012, which was the most current.
- **Area has an increasing foreclosure problem since peak of the foreclosure crisis in late 2007.**
 - 1 Point – The zip code experienced at least a 30% increase in foreclosures during the five year period December 2007- December 2012.¹
- **Area has experienced substantial home price declines since the housing market peak.**

¹ We also investigated 1 year and quarterly changes and found the numbers were too small in quarterly change to be sufficient for analysis, and very few showed 1 year increases.

- 2 Points – Areas in the top 10% of zip codes or cities for price declines are defined as **significant price decline** areas. Zip codes had at least a 56% decline in the foreclosure market (lender-owned sales); or zip codes or cities/townships had at least a 40% decline in the traditional market (excluding lender-owned and short sales).
OR
- 1 Point - Areas in the top 20% of zip codes or cities for price declines and not defined as “significant price decline” areas are defined as **high price decline areas**. Zip codes had at least a 52% decline in the foreclosure market; or zip codes or cities/townships had at least a 37.2% decline in the traditional market².

In total, 24 of the 54 zip codes achieve 2 or more points. Seven zip codes score 3 points and include areas in North Minneapolis, Brooklyn Center, East Saint Paul, Blaine, and South Saint Paul. All of these areas have a high need now, are in areas that have experienced median price declines in the top 20% of declines statewide, and had either an increasing foreclosure problem since the peak of foreclosures or a significant price decline (in the top 10% of price declines).

Step 2. Additional Prioritization Based on Household Income and Age of Housing Stock

The 24 high need foreclosure zip codes (those scoring 2 or 3 points) are further evaluated to prioritize areas most likely to need public investment. These zip codes are evaluated and ranked based on median household income and median age of housing, recognizing that lower income communities with older housing stock will be more challenged in accessing sufficient private capital to meet their needs. The [high need foreclosure area maps](#) visualize the ranking, with reds and oranges ranking higher than the greens and blues. [Table 1](#) describes each of these zip codes with regards to administrator and the details of the foreclosure need analysis and housing-stock and income prioritization.

Conclusion

The areas of greatest need are identified as the highest ranked six zip codes in table 1 for the City of Minneapolis, the City of St. Paul, and Hennepin County.

B. DISTRIBUTION AND USES OF FUNDS – STATE NSP GOALS

Minnesota Housing has three goals for the NSP funding:

- 1) To maximize the revitalization and stabilization impact on neighborhoods;
- 2) To complement and coordinate with other federal, state and local investment in the targeted neighborhoods;
- 3) To preserve affordable housing opportunities in the targeted neighborhoods.

Administrative Strategies for Closeout

Minnesota Housing adds two goals to better focus the plan activities to secure a timely and successful closeout:

- 1) Expend all program funds.
- 2) Complete and closeout all properties invested with program funds.

² In the 11-county Twin Cities metro area, the price decline data is based on zip code data from NorthstarMLS, provided by the Minneapolis Area Association of REALTORS® and 10K Research and Marketing. For the balance of the state, the price decline data is based on city/township data from the Minnesota Department of Revenue (including arms-length only transactions).

Eligible Applicants

The grant funds were sub granted to eligible applicants in March of 2009. See the [2008 Action Plan](#) for additional information on eligible applicants under the plan. Of 21 awarded subrecipients, 13 remain active under the plan. They are: City of Minneapolis, City of St. Paul, City of Duluth, City of St. Cloud, City of Faribault, City of Rochester, City of Big Lake, City of Princeton, Hennepin County, Ramsey County, Dakota County, Anoka County, and Carver County.

The plan proposes reallocating program funds and program income among the subrecipients who will remain active under the grant's plan for years to come. NSP dollars will first be reallocated to subrecipients in need of more funds and second to subrecipients located in the high need target areas.

Eligible Uses and Activities

HERA established five eligible uses of NSP funds:

- 1) Financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties;
- 2) Purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or redevelop the homes and properties;
- 3) Land banking for homes that have been foreclosed upon;
- 4) Demolition of blighted structures;
- 5) Redevelopment of demolished or vacant properties.

Restrictions of Redevelopment of Commercial Properties

NSP funding through Minnesota Housing may only be used for redevelopment of commercial properties if the properties' new use will be as residential structures serving households at or below 120% AMI or a public facility. Minnesota Housing's NSP funds may not be used to pay for the installation of non-housing facilities.

Restrictions on Demolition

NSP funding through Minnesota Housing may be used for demolition of blighted residential structures only if the structures will be replaced with housing, commercial development, or a public facility; and commercial structures if the structures will be replaced with housing or a public facility. Demolition must be part of a plan for redevelopment of the targeted neighborhoods.

Application Requirements

See the [2008 Action Plan](#) for more information

Funding Decisions for awarding the NSP1 grant funds in March of 2009

Funding was sub granted based on the extent to which an eligible applicant demonstrated that:

- The funding request was part of a comprehensive plan or strategy to stabilize a neighborhood(s) or blocks including efforts to improve living conditions, preserve affordable housing opportunities, stabilize home values, address public safety, school performance, job creation and other economic development need;
- It was feasible to use the requested funding within the required timeframe;
- The applicant was maximizing opportunities to leverage other resources, both private and public; and
- The identified outcomes were achievable.

Priority was given to applications that targeted areas within one-quarter mile of existing or planned transit routes and that promoted economic diversity within the targeted areas.

Pool Distribution Process

See the [2008 Action Plan](#) for more information.

Reporting Requirements/ Evaluation

Subrecipients will be required to submit actual outcome numbers as compared to projected numbers on at least a quarterly basis. Interim evaluations of subrecipients' performance in the obligation and expenditure of program funds and program income will continue on a quarterly basis by Minnesota Housing. The evaluations will be conducted only on subrecipients who are still actively processing activities under the grant.

If Minnesota Housing deems that progress toward obligating or expending funds or program income is insufficient for the successful closeout of the grant, Minnesota Housing may reallocate NSP program funds or program income between subrecipients or create revolving accounts or offer direct assistance or award funds directly to project applicants. Should Minnesota Housing offer direct assistance, it may undertake any activity included in this Action Plan.

Success in the use of NSP funds is viewed not merely in the numbers of houses bought, demolished or rehabilitated, but in the extent to which neighborhoods have been restored or stabilized, meeting the criteria of a functioning market. Subrecipients will be required to submit information necessary to evaluate the success of the program.

C. DEFINITIONS AND DESCRIPTIONS

1) Definition of "blighted structure" in context of state or local law.

Minnesota will allocate its funds to subrecipients in several local government jurisdictions. Though the State of Minnesota does not have a definition of "blighted structure," Minnesota Housing has modified the State's definition of "blighted area" to apply to structures. The State of Minnesota's definition of "blighted area," as modified to define a "blighted structure," follows:

Blighted Structure: Blighted structure is one which, by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light, and sanitary facilities, excessive land coverage, deleterious land use, or obsolete layout, or any combination of these or other factors, is detrimental to the safety, health, morals, or welfare of the community.

Subrecipients may use either the local jurisdiction's definition of "blighted structure" or Minnesota Housing's definition, and will designate which definition they will use in their application for funding to Minnesota Housing.

2) Definition of "affordable rents."

Minnesota Housing will adopt the definition of affordable rents that is contained in 24 CFR §92.252(a), minus utility allowances where tenants pay utilities. This definition is consistent with the continued affordability requirements of the same section that Minnesota will adopt for the NSP program.

3) Continued affordability for NSP assisted housing.

Subrecipients will be required to include in their loan documents the affordability requirements of 24 CFR §92.252(a), (c), (e) and (f), and §92.254. Affordability requirements for rental properties will be specified in the loan and/or mortgage documents, and a deed restriction or covenant similar to the HOME program. Mortgages and deed restrictions or covenants will be recorded against the property and become part of the public record.

Affordability of owner-occupied housing will be enforced by either recapture or resale restrictions. Each subrecipient will design its own recapture or resale provisions, which will be applied uniformly within

their program. NSP may fund rehabilitation of units that are being purchased by individuals, or are being rehabilitated by a legal entity that will sell the property to a homebuyer. Although NSP may not always finance both the purchase and rehabilitation, Minnesota Housing will consider these activities to fall under the affordability requirements of §92.254(a) "Acquisition with or without rehabilitation." To meet the requirements of the NSP statute and Notice, rehabilitation funding must be provided simultaneously with the purchase financing.

Forms implementing continued affordability must be reviewed by Minnesota Housing before being implemented.

4) Housing rehabilitation standards that will apply to NSP assisted activities:

Assessment: In addition to property assessment standards already required by local, state, and federal regulations properties shall also be assessed for the following (results of all Assessment activities shall be disclosed to the purchaser prior to sale):

- Any visible mold or water infiltration issues.
- Compliance with smoke detectors, carbon monoxide detection, and GFCI receptacle protection as noted below in Required Rehabilitation Activities.
- Remaining life expectancy of major building components such as roof, siding, windows, mechanical systems and electrical systems, as well as any immediate cosmetic improvements necessary in order to sell or rent the residential property.

Building Codes and Local Housing Standards: NSP-assisted housing that is rehabilitated must be rehabilitated in accordance with the State Building, Electrical, and Plumbing Codes. Upon completion, the housing must be in compliance with local housing standards. If local housing standards do not exist, the housing must meet the minimum housing quality standards (HQS) of 24 CFR 982.401.

Where local housing standards exist, subrecipients must identify the standards that will apply to their projects and provide a copy to Minnesota Housing. As projects are rehabilitated, the subrecipients must document how each project meets the local standard, or HQS if there is no local standard, for Minnesota Housing's monitoring review.

Subrecipients must identify in their application for NSP funds whether they will permit individuals purchasing homes for their own occupancy to conduct or contract for rehabilitation, the date by which such homebuyer rehabilitation must be completed, how the subrecipient will monitor progress of the rehabilitation, and the remedies the subrecipient will take if rehabilitation is not completed by the deadline.

Required Rehabilitation Activities: In addition to remediation of any deficiencies resulting from property assessment required by local, state, and federal regulations, rehabilitation activities shall include the following:

- Mold and/or water infiltration mitigation, if mold or water infiltration is observed during the Assessment. Any moldy materials that cannot be properly cleaned must be removed.
- Installation of U.L. approved smoke detection in all locations as required for new construction. At least one smoke detector must be hardwired (preferably located near sleeping rooms).
- Installation of GFCI receptacle protection in locations as required for new construction.
- Installation of carbon monoxide detection equipment in accordance with the 2006 state legislation.
- Application of relevant Green Communities Criteria with the Minnesota Overlay to any building component that is modified or altered during a financed activity; including selecting Energy Star qualified products.

Rehabilitation or stabilization of hazardous materials such as lead-based paint and asbestos must be in accordance with applicable Federal, State, and Local laws, regulations, and ordinances.

New Construction: Newly constructed housing must comply with the Minnesota Overlay to Green Communities Criteria for use with the Green Communities Criteria (Includes completing Intended Method of Satisfying Green Criteria Form and Certification – refer to Minnesota Housing’s Website)

Demolition: If a site will not be redeveloped within three months after demolition, the subrecipient must ensure that soil on the site does not pose a health hazard to the community by either verifying that the soil meets lead clearance levels, removing and replacing the soil with soil that meets clearance levels, or covering the soil with sod or some other barrier to prevent the disbursement of lead dust.

D. LOW INCOME TARGETING – INCOME RESTRICTIONS

At least \$9,712,483 of the grant funds administered by Minnesota Housing and 25% of program income will be used to house individuals and families with incomes not exceeding 50% of area median income (AMI).

Activities funded with NSP funds must benefit households with incomes at or below 120% AMI (low, moderate and middle income households). For activities that do not benefit individual households, the activity must benefit areas in which at least 51% of the residents have incomes at or below 120% AMI. Applicants should consult [HUD’s NSP website](#) for information on block group data on incomes to determine the incomes of the residents of the area in which the activities are to be undertaken.

Each subrecipient must use at least 25.4% of its funding award to house individuals and families with incomes at or below 50% AMI.

Also See Section G below for additional information required regarding specific activities.

E. ACQUISITIONS AND RELOCATIONS

In accordance with HUD’s Closeout Notice issued November 27, 2012, activities under the plan are authorized to continue beyond the original end date of the grant until all grantees have completed all units with NSP program fund investments, and these units have met the National Objective requirement of the plan. To accomplish a timely and successful closeout of the plan Minnesota Housing developed the following administrative strategies:

- 1) Minnesota Housing may reallocate uncommitted/unused program income and program fund balances, first: To provide more funds to subrecipients in need, and second to be revolved in the newly established areas of greatest need. The uncommitted/unused dollars will be recaptured from subrecipients who expended program funds and program income equal to at least 100% of their grant amount.
- 2) New acquisitions made after July 1, 2013 will be located in the newly established areas of greatest need, except for those acquisitions where due diligence was already in progress by the subrecipients within their current target area, prior to July 1.

- 3) Following the original proportionate methodology used in March of 2009, Minnesota Housing will distribute reallocated dollars in accordance with the proportionate percentages listed below:
 - a. Minneapolis 54.5%
 - b. St. Paul 31.2%
 - c. Hennepin 14.3%
- 4) Subrecipients receiving reallocated program income may retain 10% of this total for administrative expenditures.
- 5) Minnesota Housing may exchange uncommitted/unused balances of program funds and program income among subrecipients as needed for the success of the grant and to achieve an earlier closeout date.
- 6) Minneapolis, St. Paul, and Hennepin may keep and reuse current and future program income, including recaptured dollars and income from established revolving loan accounts.
- 7) Other Subrecipients may return their future program income to Minnesota Housing, including recaptured dollars for the purpose of revolving it back to subrecipients in need or subrecipients located in areas of greatest need.
- 8) All other flexibilities provided by HUD may apply.

Table 2: State of Minnesota Action Plan Summary

	Total State of Minnesota	Total Grant (Program Grant Funds + Program Income Received + Program Income Anticipated)	Total Program Grant Funds Awarded	Total Program Income Received	Total # of Units Projected	Funds to be used for households at or below 50% AMI	% of funds to be used for households at or below 50% AMI
A.	A. Financing mechanisms	\$ 3,008,442.31	\$ 2,817,939.30	\$ 190,503.01	148	\$ 1,061,320.55	35.28%
B1.	B1. Acquisition Rehabilitation - Homeownership	\$ 35,994,494.01	\$ 25,052,152.45	\$ 10,942,341.56	288	\$ 12,152,825.38	33.76%
B2.	B2. Acquisition Rehabilitation - Rental	\$ 5,135,439.33	\$ 5,088,219.60	\$ 47,219.73	75	\$ 4,304,209.38	83.81%
C.	C. Land banking	\$ 2,499,680.51	\$ 2,293,919.67	\$ 205,760.84	72	\$ -	0.00%
D.	D. Demolition (No more than 10%)	\$ 1,767,131.53	\$ 1,738,600.67	\$ 28,530.86	N/A	\$ 92,332.98	5.23%
E1.	E1. Redevelopment - Homeownership	\$ 3,151,881.77	\$ 2,506,540.04	\$ 645,341.73	55	\$ 992,419.22	31.49%
E2.	E2. Redevelopment - Rental	\$ 265,904.48	\$ 265,904.48	\$ -	21	\$ 265,904.48	100.00%
F.	F. Administration (No more than 10%)	\$ 3,646,563.64	\$ 3,616,145.21	\$ 30,418.43			
	Sum of NSP Activities	\$ 55,469,537.58	\$ 43,379,421.42	\$ 12,090,116.16	659	\$ 18,869,011.99	34.02%
	Total Program Income Anticipated	\$ 4,529,492.42					
	Low Income Targeting (No less than 25.4%)	\$ 13,990,102.08					
	Grand Sum of the Grant (PF + PI)	\$ 50,940,045.16					
	Total Dollars Expended by Subrecipients	\$ 45,840,260.79	\$ 35,544,376.92	\$ 10,295,883.87		\$ 16,455,262.07	32.30%
	Dollars Remaining	\$ 9,629,276.79	\$ 7,835,044.50	\$ 1,794,232.29			

Minnesota Housing awarded its NSP funds to subrecipients in March of 2009. \$3.8 million of the NSP funds granted to Minnesota Housing were allocated to administration and planning. An additional 10% of earned program income may be used for administrative expenditures.

Nearly \$35 million of the funds and \$12 million generated in program income is dedicated for projects. Based on the expected average per unit cost to NSP of \$50,000, Minnesota Housing anticipates that up to 700 units

will be assisted. Of those 700 units, at least 194 units will be available for households at or below 50% AMI. This estimate assumes that all of the \$35 million will be used for value and affordability gap assistance. If funds are used for other purposes, such as loans or land banking, the number of units will be lower.

F. PUBLIC COMMENT

State of Minnesota Substantial Amendment to its 2008 Action Plan
Neighborhood Stabilization Program – NSP1

On May 30, 2013, Minnesota Housing mailed its draft substantial amendment to the 2008 Action Plan to depositories to be made available for public comment, and posted it and a notice of draft's availability on its website. The notice of the draft's availability was sent to 2,500 stakeholders by "E-News Alert," a Minnesota Housing email publication of items of interest. Official legal notices were published in the Thursday, May 30, 2013 statewide edition of the Minneapolis Star Tribune.

G. NSP INFORMATION BY ACTIVITY

Table 3: NSP1 Eligible Uses

NSP Eligible Uses	Correlated Eligible Activities From the CDBG Entitlement Regulations
(A) Establish financing mechanisms for purchase and redevelopment of <i>foreclosed upon homes and residential properties</i> , including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers.	<ul style="list-style-type: none"> As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206. Also, the eligible activities listed below to the extent financing mechanisms are used to carry them out.
(B) Purchase and rehabilitate <i>homes and residential properties that have been abandoned or foreclosed upon</i> , in order to sell, rent, or redevelop such homes and properties. To be illustrated in DRGR as follows: <ul style="list-style-type: none"> B1 – for purposes of homeownership B2 – for rental purposes 	Activity delivery costs for an eligible activity as defined in 24 CFR 570.206 and eligible activities defined below: <ul style="list-style-type: none"> 24 CFR 570.201(a) Acquisition, (b) Disposition, (i) Relocation, and (n) Direct homeownership assistance, including downpayment and closing cost assistance, mortgage interest rate reduction, lease/purchase, contract for deed (and as modified below); 24 CFR 570.202 eligible rehabilitation and preservation activities for homes and other residential properties. 24 CFR 570.203 Special economic development activities.
(C) Establish and operate land banks for <i>homes and residential properties that have been foreclosed upon</i> .	<ul style="list-style-type: none"> Activity delivery costs for an eligible activity as defined in 24 CFR 570.206 and eligible activities defined below 24 CFR 570.201(a) Acquisition and (b) Disposition.
(D) Demolish <i>blighted structures</i> . CDBG eligible Activity	<ul style="list-style-type: none"> 24 CFR 570.201(a) Acquisition, (b) Disposition, and (d) Clearance for blighted structures only.
(E) Redevelop <i>demolished or vacant properties</i> as housing. To be illustrated in DRGR as follows <ul style="list-style-type: none"> E1 – for purposes of homeownership E2 – for rental purposes 	Activity delivery costs for an eligible activity as defined in 24 CFR 570.206 and eligible activities defined below <ul style="list-style-type: none"> 24 CFR 570.201(a) Acquisition, (b) Disposition, (c) Public facilities and improvements, (e) Public services for housing counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties, Relocation, and (n) Direct homeownership assistance (as modified below). 24 CFR 570.202 Eligible rehabilitation and preservation activities for demolished or vacant properties. 24 CFR 570.204 Community based development organizations. 24 CFR 570.203 Special economic development activities. May be used for nonresidential purposes.
(F) Administration	<ul style="list-style-type: none"> 24 CFR 570.206

National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP1 Notice—i.e., ≤ 120% AMI).

These activities meet the HERA 2008 Notice low-, moderate- and middle-income national objective by providing housing that will be occupied by households with incomes at or below 120% AMI.

The Land Bank activity meets the HERA low-, moderate- and middle-income national objective by serving an area in which at least 51% of the residents have incomes at or below 120% AMI.

Limited Conditions: Administration and Demolition costs are each limited to 10% of grant funds. Subrecipient's allowable administrative cost is specified in their contract with Minnesota Housing.

Projected Start Date: March 20, 2013 - HUD signing Minnesota Housing's agreement

Projected End Date: 2015 - 2016

Responsible Organization: Of 21 responsible organizations, 13 remain actively processing the activities of Minnesota's State grant. They are: Anoka County, Carver County, Dakota County, Hennepin County, Ramsey County, City of Duluth, City of Big Lake, City of Minneapolis, City of Princeton, City of Rochester, City of St. Cloud, City of Faribault, and City of St. Paul. Additional information regarding their programs may be found in the Subrecipient Program Descriptions in Section I of the Action Plan. The following responsible organizations have completed their projects under the grant, and these projects have met an NSP National Objective. They are: City of Buffalo, City of Elk River, City of Isanti, Montgomery County, City of Monticello/Otsego, Scott County, Washington County, and City of Zimmerman.

General Terms Under Which Assistance Will be Provided: The role and structure of NSP funds in financing acquisition and/or rehabilitation are unknown at this time, but will be determined by each subrecipient and specified in their applications to Minnesota Housing. Possibilities include contracts for deed or a participation in contracts for deed; first or second mortgages, either amortizing or deferred and participation in such mortgages; grants; low- or no-interest construction financing; downpayment and closing cost assistance.

Generally, financing provided by subrecipients to homeowners for acquisition and/or rehabilitation will be without interest, except for circumstances in which the charging of interest or fees are necessary to pay documented costs associated with the financing mechanism. To the extent NSP funds provide a first lien or equivalent primary financing, such financing mechanisms may be priced at an interest rate that is no greater than the interest rate charged on Minnesota Housing mortgage revenue bond programs, currently 5.5%. Financing provided to other entities for acquisition and redevelopment may carry interest rates of 0% to market rates for equivalent types of financing, with terms no longer than 30 years.

Activity Description: Subrecipients may provide financing to purchase and redevelop foreclosed homes and residential properties which will be made available for sale to or rental by households with incomes up to 120% AMI. These activities will be available for subrecipients serving any of the areas of greatest need if it is deemed by them in their application to be a priority activity. Recipients of financing may be developers or homebuyers.

These activities permit the acquisition of blighted foreclosed homes for demolition and possible public facility type interim use (community gardens, for example) until final sale of the property within ten years for a purpose that will benefit the remaining housing in the neighborhood.

Subrecipients choosing to pursue the land bank activity must define the geographic area of the land bank and document that at least 51% of residents have incomes at or below 120% AMI.

Subrecipients using NSP funds for demolition must describe short-term and long-term plans for the use of the land, including how and who will maintain the vacated property until it is redeveloped and the timeframe for likely redevelopment of the property. Demolition plans should include a strategy for assembling land for redevelopment and not simply demolition on a case-by-case basis. Subrecipients are encouraged to plan interim community uses for vacant land such as community gardens, playgrounds and parks.

Subrecipients intending to use NSP funds for land banking must describe how the use of the land bank will facilitate housing affordable to the targeted incomes and how it will assist in stabilizing neighborhoods. Land banks must operate in specific, defined geographic areas.

Subrecipients choosing to undertake the demolition activity must define the geographic area in which it will occur and document that at least 51% of residents have incomes at or below 120% AMI. Blighted structures lower property values and are a nuisance and hazard to residents because they are often subject to vandalism, stripped of fixtures and amenities, and harbor illegal activities. Removal of those negative influences on a neighborhood is a benefit to area residents

Subrecipients may choose to redevelop demolished or vacant properties to provide permanent housing or public facilities (such as parks) that benefit the surrounding residential area. Redevelopment for commercial purposes will not be permitted. Subrecipients choosing to redevelop properties that were previously abandoned or foreclosed upon to provide housing must specify how many of the units to be produced will be occupied by households with incomes less than 50% AMI. Tenants of redeveloped properties, whether homebuyers or renters, will benefit from living in new structures that fully meet codes and standards and are affordable, within the definitions of 24 CFR §92.252 and §92.254. Property that is redeveloped for residential purposes must meet the affordability requirements of 24 CFR §92.252(a), (c), (e) and (f) if rental property, or §92.254 for homeownership housing.

The acquisition discount from current appraised value for foreclosed homes and residential properties will be at minimum 1% per property. Minnesota Housing will maintain a data base of acquired properties, their market value, and the discount at purchase. From this data, Minnesota Housing will be able to determine whether it and its subrecipients are meeting the minimum average discount target of 1%.

Homebuyers will benefit from this activity as foreclosed homes are brought back on line and sold to them at less than cost. Subrecipients will use either the HOME recapture or resale requirements as the minimum means to meet the continued affordability requirements of the Notice. The period of continued affordability will be at least as long as the period of affordability described in 24 CFR 92.254(a)(4). Recapture requirements and affordability periods will be defined by the subrecipients in their applications to Minnesota Housing for NSP funding and must equal or exceed the requirements of 24 CFR 92.254. But, as with the HOME requirements of 24 CFR 92.254 (a)(5), the requirement that the property continue to be occupied by NSP-eligible owners will expire with recapture of the NSP investment. Subrecipients will be required to include in their loan documents the affordability requirements of 24 CFR §92.252(a), (c), (e) and (f), which are identical to those of the HOME program. The role and structure of NSP funds in financing acquisition and/or rehabilitation may include first or second mortgages, either amortizing or deferred and participation in such mortgages; grants; low- or no-interest construction financing.

Renters with incomes up to 120% AMI will benefit from this activity as foreclosed residential properties are brought back on line and made available for rent.

Of \$3,884,992 available for general administration, Minnesota Housing allocated \$500,000 for its general administration of NSP; and subrecipients are eligible for \$3,384,992.

Minnesota Housing Finance Agency is the state's responsible organization.

Address: 400 Sibley Street, Suite 300
St. Paul, MN 55101

Agency Contact: Ruth Simmons
(651) 297-5146
ruth.simmons@state.mn.us

Location Description: Description includes specific addresses, blocks and neighborhoods Activities will be made available in any of the greatest need areas of each of the subrecipient's agreement.

Budget Range:
NSP \$38.8 to \$56 million
Private \$10.0 to \$20 million

H. PERFORMANCE MEASURES

See Table 2 under Section E. See also Table 4 under Section I.

I. SUBRECIPIENT PROGRAM DESCRIPTIONS

Table 4: NSP1 Active Awardees

13 NSP1 Awardees Remain Active					
Awardee	Activity	Grant Total	Projected Unit Count	Units Met National Objective	Projected Unit Count Remaining
Greater Minnesota					
Big Lake	Financing mechanism, Acquisition/Rehabilitation, Demolition, Redevelopment	\$ 1,625,104.81	16	8	8
Duluth	Acquisition/Rehabilitation	\$ 2,007,770.00	25	25	0
Faribault	Acquisition/Rehabilitation	\$ 1,382,610.89	6	5	1
Princeton	Financing mechanism, Acquisition/Rehabilitation, Demolition	\$ 761,140.30	5	4	1
	Multifamily Redevelopment	\$ 265,904.48	16	0	16
	Land Banking	\$ 47,197.29	1	0	1
Rochester	Acquisition/Rehabilitation, Redevelopment	\$ 4,558,168.66	28	20	8
Carver	Acquisition/Rehabilitation, Demolition	\$ 1,221,612.14	4	3	1
St. Cloud	Financing mechanism, Acquisition/Rehabilitation, Demolition	\$ 2,014,037.51	45	45	0
Metro					
Minneapolis	Acquisition/Rehabilitation, Demolition, Redevelopment	\$ 7,963,066.42	116	59	57
	Land Banking - Final Use pending	\$ 1,506,544.90	47	0	47
St. Paul	Financing mechanism, Acquisition/Rehabilitation, Demolition, Redevelopment	\$ 8,814,065.52	49	42	7
	Land Banking	\$ 494,016.58	15	0	15
Suburban Metro					
Anoka	Acquisition/Rehabilitation, Demolition	\$ 7,146,621.22	35	25	10
Dakota	Acquisition/Rehabilitation, Demolition	\$ 730,758.26	4	4	0
	Land Banking	\$ 451,921.74	4	0	4
Hennepin	Financing mechanism, Acquisition/Rehabilitation, Demolition, Redevelopment	\$ 7,371,467.03	49	41	8
Ramsey	Financing mechanism, Acquisition/Rehabilitation, Redevelopment	\$ 2,788,653.00	24	20	4

Grand Total of Budgets for Subrecipients Remaining: \$ 51,150,660.75 489 301 188

Grant Totals include Program Funds, Program Income, and Program Income Anticipated

Grant dollars expended by Remaining Subrecipients: \$ 9,562,315.54

Program Income Anticipated by Remaining Subrecipients: \$ 4,529,492.42

Anoka County											
Subrecipient Name	Anoka County										
Uses	Select all that apply: <table border="1" style="width: 100%;"> <tr> <td><input type="checkbox"/></td> <td>Eligible Use A: Financing Mechanisms</td> </tr> <tr> <td><input checked="" type="checkbox"/></td> <td>Eligible Use B: Acquisition and Rehabilitation</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Eligible Use C: Land Banking</td> </tr> <tr> <td><input checked="" type="checkbox"/></td> <td>Eligible Use D: Demolition</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Eligible Use E: Redevelopment</td> </tr> </table>	<input type="checkbox"/>	Eligible Use A: Financing Mechanisms	<input checked="" type="checkbox"/>	Eligible Use B: Acquisition and Rehabilitation	<input type="checkbox"/>	Eligible Use C: Land Banking	<input checked="" type="checkbox"/>	Eligible Use D: Demolition	<input type="checkbox"/>	Eligible Use E: Redevelopment
<input type="checkbox"/>	Eligible Use A: Financing Mechanisms										
<input checked="" type="checkbox"/>	Eligible Use B: Acquisition and Rehabilitation										
<input type="checkbox"/>	Eligible Use C: Land Banking										
<input checked="" type="checkbox"/>	Eligible Use D: Demolition										
<input type="checkbox"/>	Eligible Use E: Redevelopment										
CDBG Activity or Activities	See Section G in the Action Plan. All activities in Section G are available to the subrecipient should the need arise.										
National Objective	Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25)										
Activity Description	<p>The County will continue to post and sale properties that have been developed and will continue construction on already-acquired properties. The County will not acquire new properties.</p> <p>To date, the County is 148% expended. The County has set aside 25.1% for lower income households and has expended 60.3% of this set aside.</p> <p>Once the County has completed the projects that it has already started, it will return any remaining Program Funds and Program Income to Minnesota Housing. Following closeout of Minnesota Housing’s program, the County will maintain Program Income received through recapture.</p>										
Location Description	The City target area continues to include the same zip codes originally stated on the plan: 55303, 55304, 55434, 55448, 55433, 55316, 55330.										
Budget	Source of Funding	Dollar Amount									
	NSP1 (including administration)	\$3,506,643.00									
	Program Income Earned to date.	\$2,503,712.26									
	Anticipated program income	\$1,136,265.96									
Total Budget for Activity	\$7,146,621.22										
Performance Measures	The County has completed 29 properties and has acquired 8 properties that are pending. Two of these properties are on the market to be sold and two are under construction. The County will apply its current funds to complete and closeout these projects. Any funds remaining upon completion of the 8 projects will be given to Minnesota Housing for reallocation.										
Start Date	3/20/2013										
Projected End Date	Subject to all NSP invested projects completed and meeting an NSP National Objective.										
Responsible Organization	Name	Anoka County									
	Location	2100 Third Avenue, Suite 700 Anoka, MN 55303									
	Administrator Contact Info	Kate Thunstrom Kate.Thunstrom@co.anoka.mn.us									

[Anoka target area](#)
[Anoka Budget](#)

The City of Big Lake		
Subrecipient Name	The City of Big Lake	
Uses	Select all that apply:	
	<input checked="" type="checkbox"/> Eligible Use A: Financing Mechanisms	
	<input checked="" type="checkbox"/> Eligible Use B: Acquisition and Rehabilitation	
	<input type="checkbox"/> Eligible Use C: Land Banking	
	<input checked="" type="checkbox"/> Eligible Use D: Demolition	
<input checked="" type="checkbox"/> Eligible Use E: Redevelopment		
CDBG Activity or Activities	See Section G in the Action Plan. All activities in Section G are available to the subrecipient should the need arise.	
National Objective	Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25)	
Activity Description	The City will continue to utilize development partners who have participated in NSP1 activities to complete the last projects in their plan. To date the City is 116% expended. 28% of funds are set aside for lower income households, with 23% expended. The City will revolve program income as needed on the projects remaining. Once the last units are completed all excess program income will be returned to Minnesota Housing.	
Location Description	The City target area continues to include the same zip codes originally stated on the plan. These are 55330, 55371, 55309, and 55398 See the link below for a target area map.	
Budget	Source of Funding	Dollar Amount
	NSP1 (including administration)	\$ 1,214,520.86
	Program Income Earned to date.	\$277,619.06
	Anticipated program income	\$132,964.90
Total Budget for Activity		\$ 1,625,104
Performance Measures	The City has acquired 16 units, all single family homes of which eight were demolished with NSP resources. Redevelopment for homeownership purposes is planned for these last eight units to complete their program.. The subrecipient anticipates additional obligations of \$ 265,000. With only \$81,855.44 funds remaining, the subrecipient was identified as needing more funds to complete their projects. Additional program funds are being recommended for the successful completion of the program..	
Projected Start Date	3-20-2009	
Projected End Date	Subject to all NSP invested projects completed and meeting an NSP National Objective.	
Responsible Organization	Name	The City of Big Lake
	Location	160 Lake Street North Big Lake, MN 55309
	Administrator Contact Info	Todd Bodem763.263.2107 todd.bodem@ci.big-lake.mn.us

[Big Lake target area](#)

[Big Lake Budget](#)

Carver County		
Subrecipient Name	Carver County	
Uses	Select all that apply:	
	<input type="checkbox"/> Eligible Use A: Financing Mechanisms	
	<input checked="" type="checkbox"/> Eligible Use B: Acquisition and Rehabilitation	
	<input type="checkbox"/> Eligible Use C: Land Banking	
	<input checked="" type="checkbox"/> Eligible Use D: Demolition	
<input type="checkbox"/> Eligible Use E: Redevelopment		
CDBG Activity or Activities	See Section G in the Action Plan. All activities in Section G are available to the subrecipient should the need arise.	
National Objective	Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25)	
Activity Description	The City currently has its last unit on the market. The sale of this unit is expected to generate \$200,000 in program income. The City is 138% expended with 61.38% set aside for low-income households. The City will have additional reimbursement requests before it has completed its activities under the grant, such as remaining administrative expenditure reimbursements. Any uncommitted/unused funds and program income will be returned to Minnesota Housing for reallocation to other subrecipients.	
Location Description	The City target area continues to include the same zip code originally stated on the plan.	
Budget	Source of Funding	Dollar Amount
	NSP1 (including administration)	\$ 735,000.00
	Program Income Earned to date.	\$276,612.14
	Anticipated program income	\$210,000.00
Total Budget for Activity		\$ 1,221,612.14
Performance Measures	The City has completed and closed 4 properties. It has one property remaining to sell. Program income generated from the sale of this project will be returned to Minnesota Housing for revolving to other subrecipients. .	
Start Date	3/20/2013	
Projected End Date	Subject to all NSP invested projects completed and meeting an NSP National Objective.	
Responsible Organization	Name	Carver County
	Location	705 Walnut Street North Chaska, MN 55318
	Administrator Contact Info	Brenda Lano brendal@carvercda.org

[Carver target area](#)

[Carver Budget](#)

Dakota County		
Subrecipient Name	Dakota County	
Uses	Select all that apply:	
	<input type="checkbox"/> Eligible Use A: Financing Mechanisms	
	<input checked="" type="checkbox"/> Eligible Use B: Acquisition and Rehabilitation	
	<input checked="" type="checkbox"/> Eligible Use C: Land Banking	
	<input checked="" type="checkbox"/> Eligible Use D: Demolition	
<input type="checkbox"/> Eligible Use E: Redevelopment		
CDBG Activity or Activities	See Section G in the Action Plan. All activities in Section G are available to the subrecipient should the need arise.	
National Objective	Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25)	
Activity Description	The County intends to develop the 3 land banked properties for resale within the next 3 years. A fourth land banked property will be sold to Habitat for Humanity for development in 2015.	
	The County is 100% expended with 36.1% of expenditures dedicated to low-income households.	
	The County will keep its remaining funds to maintain and develop the four land banked properties. Upon the close of Minnesota Housing's program, Dakota will report any additional program income received directly to HUD.	
Location Description	The County target area continues to include the same zip codes originally stated on the plan: 55024, 55075, 55044.	
Budget	Source of Funding	Dollar Amount
	NSP1 (including administration)	\$1,017,930.00
	Program Income Earned to date.	\$158,841.75
	Anticipated program income	\$5,908.25
Total Budget for Activity		\$ 1,182,680.00
Performance Measures	The County has completed and closed 4 properties, and has met a temporary national objective by land banking an additional 4 properties. The County intends to develop the 4 land banked properties by 2016.	
Start Date	3/20/2013	
Projected End Date	Subject to all NSP invested projects completed and meeting an NSP National Objective.	
Responsible Organization	Name	Dakota County
	Location	1228 Town Centre Drive Eagan, MN 55123
	Administrator Contact Info	Katherine Kugel kkugel@dakotacda.state.mn.us

[Dakota target area](#)

[Dakota Budget](#)

City of Duluth		
Subrecipient Name	Anoka County	
Uses	Select all that apply:	
	<input type="checkbox"/> Eligible Use A: Financing Mechanisms	
	<input checked="" type="checkbox"/> Eligible Use B: Acquisition and Rehabilitation	
	<input type="checkbox"/> Eligible Use C: Land Banking	
	<input type="checkbox"/> Eligible Use D: Demolition	
<input type="checkbox"/> Eligible Use E: Redevelopment		
CDBG Activity or Activities	See Section G in the Action Plan. All activities in Section G are available to the subrecipient should the need arise.	
National Objective	Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25)	
Activity Description	The City just recently sold its last completed project. It is currently processing remaining reimbursement requests and is determining administrative expenditures for upcoming monitoring activities. Any balances remaining after the reimbursements are processed will be returned to Minnesota Housing for reallocation to other subrecipients. To date, the City is 99% expended, with only \$19,506.46 remaining. The City has expended 28.48% to benefit low income households. It also has a revolving loan account for their contract for deed program. Following closeout of Minnesota Housing’s program, the City will maintain Program Income received through recapture and through its revolving loan account to revolve these funds in more eligible NSP activities.	
Location Description	The City target area continues to include the same zip codes originally stated on the plan.	
Budget	Source of Funding	Dollar Amount
	NSP1 (including administration)	\$1,985,000.00
	Program Income Earned to date.	\$0.00
	Anticipated program income – FROM RLF	\$22,770.00
Total Budget for Activity		\$2,007,770.00
Performance Measures	The City has acquired, rehabbed, and resold 25 properties. Any funds remaining from administrative expenditures will be returned to Minnesota Housing for reallocation.	
Start Date	3/20/2013	
Projected End Date	Subject to all NSP invested projects completed and meeting an NSP National Objective.	
Responsible Organization	Name	City of Duluth
	Location	407 City Hall Duluth, MN 55802
	Administrator Contact Info	Karen Olesen Kolesen@duluthmn.gov

[Duluth target area](#)
[Duluth Budget](#)

The City of Faribault		
Subrecipient Name	The City of Faribault	
Uses	Select all that apply: <input type="checkbox"/> Eligible Use A: Financing Mechanisms <input checked="" type="checkbox"/> Eligible Use B: Acquisition and Rehabilitation <input type="checkbox"/> Eligible Use C: Land Banking <input type="checkbox"/> Eligible Use D: Demolition <input type="checkbox"/> Eligible Use E: Redevelopment	
CDBG Activity or Activities	See Section G in the Action Plan. All activities in Section G are available to the subrecipient should the need arise.	
National Objective	Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25)	
Activity Description	The City has sold its one remaining property to Habitat for Humanity, who will develop and resell this property to meet a national objective. The City is 118% expended with 56.9% of expenses dedicated to low-income housing. The City has no additional expenses related to the completion and close-out of properties but has remaining administrative expenses. The City will keep \$6,710.83 for these administrative expenses. Any expenses remaining after the reimbursement of administrative expenses will be returned to Minnesota Housing for reallocation to other subrecipients.	
Location Description	The City target area continues to include the same zip code originally stated on the plan: 55021.	
Budget	Source of Funding	Dollar Amount
	NSP1 (including administration)	\$ 800,000.00
	Program Income Earned to date.	\$541,539.19
	Anticipated program income	\$41,071.70
Total Budget for Activity		\$ 1,382,610.89
Performance Measures	The City has completed and closed 5 properties. It has one property remaining to close. This property was sold to Habitat for Humanity, who will develop and resell the property.	
Start Date	3/20/2013	
Projected End Date	Subject to all NSP invested projects completed and meeting an NSP National Objective.	
Responsible Organization	Name	The City of Faribault
	Location	209 1 st Avenue NW Faribault, MN 55021
	Administrator Contact Info	Peter Waldock pwaldock@ci.faribault.mn.us

[Faribault target area](#)

[Faribault Budget](#)

Hennepin County		
Subrecipient Name	Hennepin County	
Uses	Select all that apply: <input checked="" type="checkbox"/> Eligible Use A: Financing Mechanisms <input checked="" type="checkbox"/> Eligible Use B: Acquisition and Rehabilitation <input type="checkbox"/> Eligible Use C: Land Banking <input checked="" type="checkbox"/> Eligible Use D: Demolition <input checked="" type="checkbox"/> Eligible Use E: Redevelopment	
CDBG Activity or Activities	See Section G in the Action Plan. All activities in Section G are available to the subrecipient should the need arise.	
National Objective	Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25)	
Activity Description	The City is currently processing their acquisition rehab activities. They completed all the homebuyer driven activities, which provided assistance directly to homebuyers in the purchase of foreclosed homes. To date, the City is 120% expended, with \$1,039,388.70 of program funds and \$418,396.47 of program income remaining. The City has set aside 36.44% of funds for low income households and has expended 26.66%. Following closeout of Minnesota Housing's program, the City will maintain Program Income received through recapture to revolve these funds into eligible NSP activities.	
Location Description	The City target area continues to include the same zip codes originally stated on the plan.	
Budget	Source of Funding	Dollar Amount
	NSP1 (including administration)	\$4,715,298.00
	Program Income Earned to date.	\$2,386,498.05
	Anticipated program income	\$269,670.98
Total Budget for Activity		\$7,371,467.03
Performance Measures	The City has primarily provided assistance directly to homebuyers for the acquisition of foreclosed homes. It also acquired, rehabbed, and resold four units for resale in the community. In total the city has processed 45 properties under its grant with Minnesota Housing. Any funds remaining will be returned to Minnesota Housing for reallocation to other subrecipients.	
Start Date	3/20/2013	
Projected End Date	Subject to all NSP invested projects completed and meeting an NSP National Objective.	
Responsible Organization	Name	Hennepin County
	Location	300 South 6 th Street Minneapolis, MN 55487
	Administrator Contact Info	Tonja West-Hafner tonja.west-hafner@co.hennepin.mn.us

[Hennepin target area](#)
[Hennepin Budget](#)

City of Minneapolis		
Subrecipient Name	City of Minneapolis	
Uses	Select all that apply:	
	<input type="checkbox"/> Eligible Use A: Financing Mechanisms	
	<input checked="" type="checkbox"/> Eligible Use B: Acquisition and Rehabilitation	
	<input checked="" type="checkbox"/> Eligible Use C: Land Banking	
	<input checked="" type="checkbox"/> Eligible Use D: Demolition	
<input checked="" type="checkbox"/> Eligible Use E: Redevelopment		
CDBG Activity or Activities	See Section G in the Action Plan. All activities in Section G are available to the subrecipient should the need arise.	
National Objective	Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25)	
Activity Description	<p>The City is currently processing its activities under the grant. Because most of their transactions only use NSP for gap purposes, not much program income has been generated. Their program includes land banking and demolition activities. Minneapolis will examine market conditions to determine whether to begin selling its land banked inventory this year.</p> <p>To date, the City is 102% expended, with \$734,903.58 of program funds remaining. 44.07% is set aside to benefit low income households, 35.39% is expended. Following closeout of Minnesota Housing's program, the City will maintain Program Income received through recapture to revolve these funds into eligible NSP activities.</p>	
Location Description	The City target area continues to include the same zip codes originally stated on the plan.	
Budget	Source of Funding	Dollar Amount
	NSP1 (including administration)	\$8,401,272.00
	Program Income Earned to date.	\$898,026.69
	Anticipated program income	\$170,312.63
Total Budget for Activity	\$9,469,611.32	
Performance Measures	Of 163 units, 47 are land banked and 59 are documented sold or rented. 43 land banked properties have met a temporary National Objective, leaving 57 units to be completed.	
Start Date	3/20/2013	
Projected End Date	Subject to all NSP invested projects completed and meeting an NSP National Objective.	
Responsible Organization	Name	City of Minneapolis
	Location	105 Fifth Avenue South, Suite 200 Minneapolis, MN 55401
	Administrator Contact Info	Elfric Porte elfric.porte@minneapolismn.gov

[Minneapolis target area](#)

[Minneapolis Budget](#)

City of Princeton		
Subrecipient Name	City of Princeton	
Uses	Select all that apply: <input checked="" type="checkbox"/> Eligible Use A: Financing Mechanisms <input checked="" type="checkbox"/> Eligible Use B: Acquisition and Rehabilitation <input checked="" type="checkbox"/> Eligible Use C: Land Banking <input checked="" type="checkbox"/> Eligible Use D: Demolition <input checked="" type="checkbox"/> Eligible Use E: Redevelopment	
CDBG Activity or Activities	See Section G in the Action Plan. All activities in Section G are available to the subrecipient should the need arise.	
National Objective	Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25)	
Activity Description	<p>The City acquired, rehabbed, and resold 5 single family units. It acquired, demolished and land banked 1 unit. It also acquired and demolished 3 groups of 4 townhouse units with the intent to sell to a developer and redevelop a multifamily rental project of 16 units. The City continues to work with the options it has for the multifamily project. Lastly it has invested its last funds in two additional projects pending to be set up. The city has presented its case for land banking these units instead of redeveloping them right away. At this time Minnesota Housing has not classified them as land banks. Additional funds are being considered for Princeton to address the redevelopment of the Multifamily project and the two newly acquired blighted, foreclosed, and abandoned properties.</p> <p>To date, the City is 127% expended, with only \$66,395.71 remaining. The City has set aside 61.86% to benefit low income households. This percentage is subject to the successful completion and rental of the 16 rental units.</p>	
Location Description	The City target area continues to include the same zip codes originally stated on the plan.	
Budget	Source of Funding	Dollar Amount
	NSP1 (including administration)	\$796,254.00
	Program Income Earned to date.	\$277,988.07
	Anticipated program income	\$0.00
Total Budget for Activity		\$1,074,242.07
Performance Measures	Of eight single family units acquired, the city has rehabbed and resold five. It demolished and land banked one, and is currently considering to land bank two additional units. The City recently advertised its RFP for the 16 unit multifamily rental project, which did not generate interest. The City is pursuing additional options.	
Start Date	3/20/2013	
Projected End Date	Subject to all NSP invested projects completed and meeting an NSP National Objective.	
Responsible Organization	Name	City of Princeton
	Location	705 2 nd Street North Princeton, MN 55371
	Administrator Contact Info	Carrie Fuhrmann CFuhrmann@princetonmn.org

[Princeton target area](#)

[Princeton Budget](#)

Ramsey County		
Subrecipient Name	Ramsey County	
Uses	Select all that apply:	
	<input checked="" type="checkbox"/> Eligible Use A: Financing Mechanisms	
	<input checked="" type="checkbox"/> Eligible Use B: Acquisition and Rehabilitation	
	<input type="checkbox"/> Eligible Use C: Land Banking	
	<input type="checkbox"/> Eligible Use D: Demolition	
<input checked="" type="checkbox"/> Eligible Use E: Redevelopment		
CDBG Activity or Activities	See Section G in the Action Plan. All activities in Section G are available to the subrecipient should the need arise.	
National Objective	Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25)	
Activity Description	The City is currently processing their acquisition rehab activities. They completed all the homebuyer driven activities, which provided assistance directly to homebuyers in the purchase of foreclosed homes. To date, the City is 183% expended, with \$8,847.17 of program funds remaining. The City has set aside 40.58% of funds for low income households and has expended 33.95%. Following closeout of Minnesota Housing's program, the City will maintain Program Income received through recapture to revolve these funds into eligible NSP activities.	
Location Description	The City target area continues to include the same zip codes originally stated on the plan.	
Budget	Source of Funding	Dollar Amount
	NSP1 (including administration)	\$1,378,753.00
	Program Income Earned to date.	\$1,172,400.00
	Anticipated program income	\$237,500.00
Total Budget for Activity		\$2,788,653.00
Performance Measures	The City acquired, rehabbed, and resold units for resale in the community. In total the city has processed 20 properties under its grant with Minnesota Housing, and has four more remaining. It is anticipated that the City will require additional funds to complete the four properties remaining. Minnesota Housing will reallocate funds as needed.	
Start Date	3/20/2013	
Projected End Date	Subject to all NSP invested projects completed and meeting an NSP National Objective.	
Responsible Organization	Name	Ramsey County
	Location	15 West Kellogg Boulevard St. Paul, MN 55102
	Administrator Contact Info	Denise Beigbeder denise.beigbeder@co.ramsey.mn.us

[Ramsey target area](#)

[Ramsey Budget](#)

City of Rochester		
Subrecipient Name	City of Rochester	
Uses	Select all that apply:	
	<input type="checkbox"/> Eligible Use A: Financing Mechanisms	
	<input checked="" type="checkbox"/> Eligible Use B: Acquisition and Rehabilitation	
	<input type="checkbox"/> Eligible Use C: Land Banking	
	<input type="checkbox"/> Eligible Use D: Demolition	
<input checked="" type="checkbox"/> Eligible Use E: Redevelopment		
CDBG Activity or Activities	See Section G in the Action Plan. All activities in Section G are available to the subrecipient should the need arise.	
National Objective	Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25)	
Activity Description	The City has completed all its units and currently has its last three units on the market for sale. Any balances remaining after the sale of the last projects will be returned to Minnesota Housing for reallocation to other subrecipients. To date, the City is 219% expended, with \$131,894.95 of program income remaining. 60.42% is set aside to benefit low income households, 43.87% is expended. Following closeout of Minnesota Housing's program, the City will maintain Program Income received through recapture to revolve these funds into eligible NSP activities.	
Location Description	The City target area continues to include the same zip codes originally stated on the plan.	
Budget	Source of Funding	Dollar Amount
	NSP1 (including administration)	\$1,985,000.00
	Program Income Earned to date.	\$2,503,274.82
	Anticipated program income	\$69,893.84
Total Budget for Activity		\$4,558,168.66
Performance Measures	Of 28 properties, only 3 remain to be sold under their acquisition, rehab program. Any funds remaining will be returned to Minnesota Housing for reallocation to other subrecipients.	
Start Date	3/20/2013	
Projected End Date	Subject to all NSP invested projects completed and meeting an NSP National Objective.	
Responsible Organization	Name	City of Rochester
	Location	201 4 th Street Southeast, Room 266 Rochester, MN 55904
	Administrator Contact Info	Theresa Fogarty fogarty.theresa@co.olemsted.mn.us

[Rochester target area](#)

[Rochester Budget](#)

City of St. Cloud		
Subrecipient Name	City of St. Cloud	
Uses	Select all that apply:	
	<input checked="" type="checkbox"/> Eligible Use A: Financing Mechanisms	
	<input checked="" type="checkbox"/> Eligible Use B: Acquisition and Rehabilitation	
	<input type="checkbox"/> Eligible Use C: Land Banking	
	<input checked="" type="checkbox"/> Eligible Use D: Demolition	
<input type="checkbox"/> Eligible Use E: Redevelopment		
CDBG Activity or Activities	See Section G in the Action Plan. All activities in Section G are available to the subrecipient should the need arise.	
National Objective	Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25)	
Activity Description	The City just recently sold its last completed project. It is currently processing remaining reimbursement requests and is determining administrative expenditures for upcoming monitoring activities. Any balances remaining after the reimbursements are processed will be returned to Minnesota Housing for reallocation to other subrecipients. To date, the City is 104% expended, with only \$19,770.52 of program funds and \$10,282.90 of program income remaining. The City has expended 37.49% to benefit low income households. Following closeout of Minnesota Housing’s program, the City will maintain Program Income received through recapture to revolve these funds into eligible NSP activities.	
Location Description	The City target area continues to include the same zip codes originally stated on the plan.	
Budget	Source of Funding	Dollar Amount
	NSP1 (including administration)	\$1,900,000.00
	Program Income Earned to date.	\$114,037.51
	Anticipated program income	\$.00
Total Budget for Activity		\$2,014,037.51
Performance Measures	The City has primarily provided assistance directly to homebuyers for the acquisition of foreclosed homes. It also acquired, rehabbed, and resold four units for resale in the community. In total the city has processed 45 properties under its grant with Minnesota Housing. Any funds remaining from will be returned to Minnesota Housing for reallocation to other subrecipients.	
Start Date	3/20/2013	
Projected End Date	Subject to all NSP invested projects completed and meeting an NSP National Objective.	
Responsible Organization	Name	City of St. Cloud
	Location	1225 West St. Germain Street St. Cloud, MN 56301
	Administrator Contact Info	Stephanie Gertken sgertken@st.cloudhra.com

[St. Cloud target area](#)

[St. Cloud Budget](#)

City of St. Paul											
Subrecipient Name	City of St. Paul										
Uses	Select all that apply: <table border="1" style="width: 100%;"> <tr> <td><input type="checkbox"/></td> <td>Eligible Use A: Financing Mechanisms</td> </tr> <tr> <td><input checked="" type="checkbox"/></td> <td>Eligible Use B: Acquisition and Rehabilitation</td> </tr> <tr> <td><input checked="" type="checkbox"/></td> <td>Eligible Use C: Land Banking</td> </tr> <tr> <td><input checked="" type="checkbox"/></td> <td>Eligible Use D: Demolition</td> </tr> <tr> <td><input checked="" type="checkbox"/></td> <td>Eligible Use E: Redevelopment</td> </tr> </table>	<input type="checkbox"/>	Eligible Use A: Financing Mechanisms	<input checked="" type="checkbox"/>	Eligible Use B: Acquisition and Rehabilitation	<input checked="" type="checkbox"/>	Eligible Use C: Land Banking	<input checked="" type="checkbox"/>	Eligible Use D: Demolition	<input checked="" type="checkbox"/>	Eligible Use E: Redevelopment
<input type="checkbox"/>	Eligible Use A: Financing Mechanisms										
<input checked="" type="checkbox"/>	Eligible Use B: Acquisition and Rehabilitation										
<input checked="" type="checkbox"/>	Eligible Use C: Land Banking										
<input checked="" type="checkbox"/>	Eligible Use D: Demolition										
<input checked="" type="checkbox"/>	Eligible Use E: Redevelopment										
CDBG Activity or Activities	See Section G in the Action Plan. All activities in Section G are available to the subrecipient should the need arise.										
National Objective	Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25)										
Activity Description	<p>The City is currently processing its activities under the grant. Because most of their transactions only use NSP for gap purposes, not much program income has been generated. Their program includes land banking and demolition activities. Minneapolis will examine market conditions to determine whether to begin selling its land banked inventory this year.</p> <p>To date, the City is 104% expended, with \$520,683.33 of program funds remaining. 52.77% is set aside to benefit low income households, 46.12% is expended. Following closeout of Minnesota Housing's program, the City will maintain Program Income received through recapture to revolve these funds into eligible NSP activities.</p>										
Location Description	The City target area continues to include the same zip codes originally stated on the plan.										
Budget	Source of Funding	Dollar Amount									
	NSP1 (including administration)	\$6,349,780.00									
	Program Income Earned to date.	\$788,053.60									
	Anticipated program income	\$2,170,248.50									
Total Budget for Activity	\$9,308,082.10										
Performance Measures	Of 64 units, 15 are land banked and 24 are documented sold or rented. 12 land banked properties have met a temporary National Objective. Currently St Paul has to complete 25 units. Minnesota Housing anticipates additional funds to be reallocated to the city to assist in the completion of units remaining.										
Start Date	3/20/2013										
Projected End Date	Subject to all NSP invested projects completed and meeting an NSP National Objective.										
Responsible Organization	Name	City of St. Paul									
	Location	25 West 4 th Street, Suite 1300 St. Paul, MN 55102									
	Administrator Contact Info	Roxanne Young roxanne.young@ci.stpaul.mn.us									

[St. Paul target area](#)
[St. Paul Budget](#)

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Planning, Research & Evaluation Memorandum

To: NSP team
From: Jessica Deegan
Subject: NSP1 Newly Established Areas of Greatest Need
Date: May 15, 3013 Update

Summary

The following analysis recommends a method to prioritize the original NSP1 target areas and expanded high need zip codes with respect to either current foreclosure need or a need for community stabilization based on substantial home price declines since the peak of the market in 2006. This analysis *does not* include any discussion of sub-recipient capacity or interest in additional funds.

There are 54 zip codes that intersect the original NSP1 target areas that are current administrators and have not already completed NSP1 activities. These zip codes are evaluated and ranked in two steps. First, zip codes are evaluated based on foreclosure need. Second, the high need foreclosure zip codes are prioritized by lower incomes and older housing stock.

Step 1. Evaluation of Foreclosure Need

First, areas are evaluated for foreclosure need using the following three criteria and ranked by the sum of points:

- **Area is presently a high need foreclosure zip code.**
 - 1 Point - The zip code's overall foreclosure index (based on each zip code's rate of loans in delinquency, foreclosure or REO status) is above 150 or 1 ½ times greater than the average foreclosure rate in the state. Note Greater Minnesota zip codes are benchmarked to an overall Greater Minnesota rate, rather than a statewide rate. The data was from December 2012, which was the most current.
- **Area has an increasing foreclosure problem since peak of the foreclosure crisis in late 2007.**
 - 1 Point – The zip code experienced at least a 30% increase in foreclosures during the five year period December 2007- December 2012.¹
- **Area has experienced substantial home price declines since the housing market peak.**
 - 2 Points – Areas in the top 10% of zip codes or cities for price declines are defined as **significant price decline** areas. Zip codes had at least a 56% decline in the foreclosure

¹ We also investigated 1 year and quarterly changes and found the numbers were too small in quarterly change to be sufficient for analysis, and very few showed 1 year increases.

market (lender-owned sales); or zip codes or cities/townships had at least a 40% decline in the traditional market (excluding lender-owned and short sales).

OR

- 1 Point - Areas in the top 20% of zip codes or cities for price declines and not defined as “significant price decline” areas are defined as **high price decline areas**. Zip codes had at least a 52% decline in the foreclosure market; or zip codes or cities/townships had at least a 37.2% decline in the traditional market².

In total, 24 of the 54 zip codes achieve 2 or more points. Seven zip codes score 3 points and include areas in North Minneapolis, Brooklyn Center, East Saint Paul, Blaine, and South Saint Paul. All of these areas have a high need now, are in areas that have experienced median price declines in the top 20% of declines statewide, and had either an increasing foreclosure problem since the peak of foreclosures or a significant price decline (in the top 10% of price declines).

Step 2. Additional Prioritization Based on Household Income and Age of Housing Stock

The 24 high need foreclosure zip codes (those scoring 2 or 3 points) are further evaluated to prioritize areas most likely to need public investment. These zip codes are evaluated and ranked based on median household income and median age of housing, recognizing that lower income communities with older housing stock will be more challenged in accessing sufficient private capital to meet their needs. The [high need foreclosure area maps](#) visualize the ranking, with reds and oranges ranking higher than the greens and blues. [Table 1](#) describes each of these zip codes with regards to administrator and the details of the foreclosure need analysis and housing-stock and income prioritization.

Conclusion

The areas of greatest need are identified as the highest ranked six zip codes in table 1 for the City of Minneapolis, the City of St. Paul, and Hennepin County.

² In the 11-county Twin Cities metro area, the price decline data is based on zip code data from NorthstarMLS, provided by the Minneapolis Area Association of REALTORS® and 10K Research and Marketing. For the balance of the state, the price decline data is based on city/township data from the Minnesota Department of Revenue (including arms-length only transactions).

Table 1 - High Need Foreclosure Zip Codes, Ranked by Income and Age of Housing

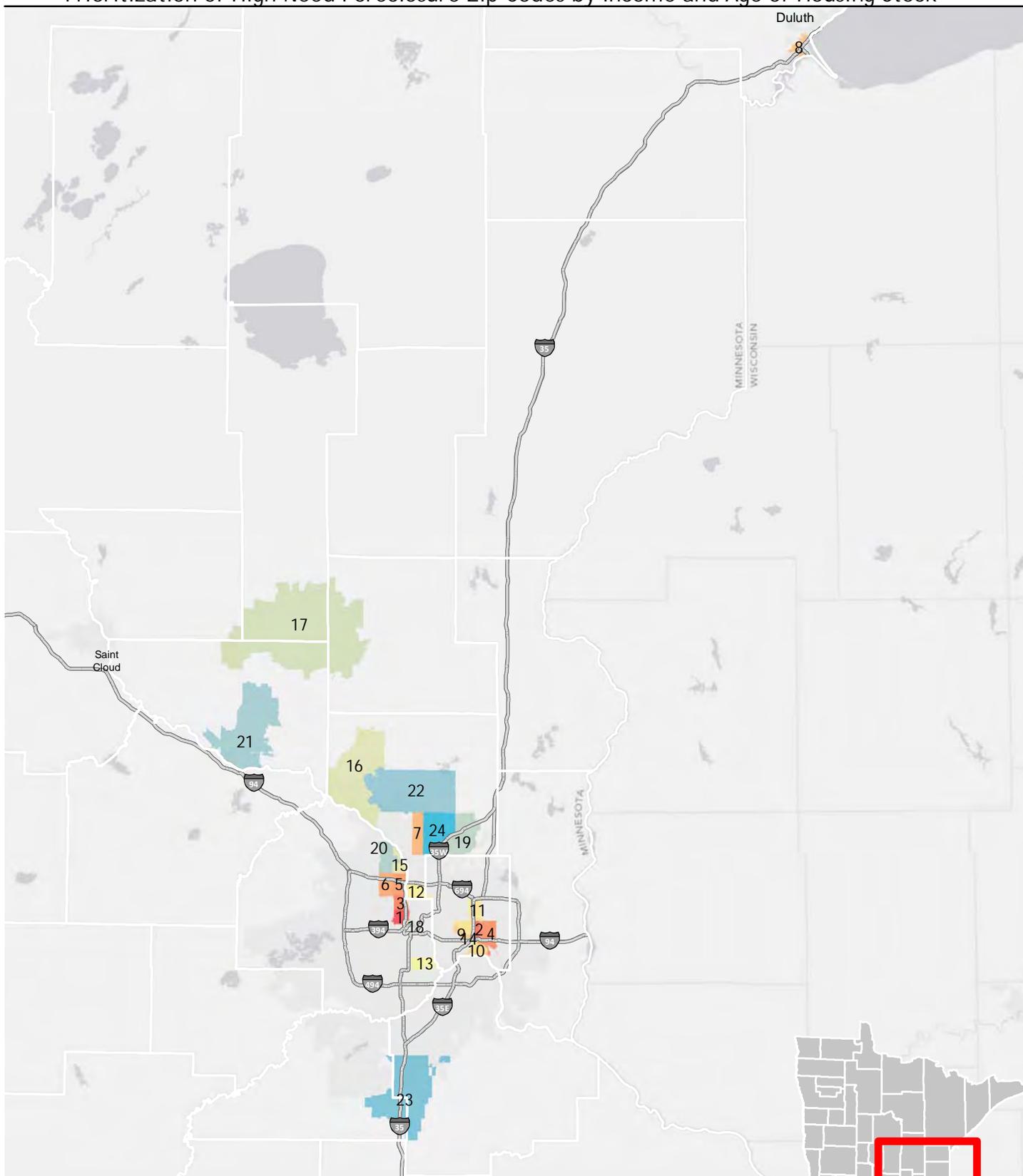
		Step One - Foreclosure Need Target						Step Two - High need Foreclosure Area Prioritizing					
Administrator	Zip Code	Total Households in Zip Code	Increase in Foreclosures since 2007	High Foreclosure Need Now	Areas with high price declines (top 20%)	Significant price declines (top 10%)	Combined Need Score	Median Age of Housing Stock in Zip Code	Index of Median Age of Stock (average=100)	Median Household Income in Zip Code	Index of Median Household Income (average = 100)	Average Index Income and stock age	Rank based on Income and Stock Age (prioritizing 3 Need Scores first)
Minneapolis	55411	8,861	0	1	1	1	3	65	65	\$ 28,193	48	57	1
Saint Paul	55130	5,696	1	0	1	1	3	55	77	\$ 28,601	48	63	2
Minneapolis	55412	8,045	0	1	1	1	3	73	58	\$ 43,493	74	66	3
Saint Paul	55106	18,083	0	1	1	1	3	60	71	\$ 42,983	73	72	4
Hennepin County	55430	7,883	0	1	1	1	3	53	80	\$ 45,744	77	79	5
Hennepin County	55429	9,896	0	1	1	1	3	50	85	\$ 46,968	80	82	6
Anoka County	55434	10,730	1	1	1	0	3	31	137	\$ 63,259	107	122	7
Duluth	55806	4,355	1	1	0	0	2	73	58	\$ 28,532	48	53	8
Saint Paul	55103	4,654	0	0	1	1	2	70	61	\$ 28,354	48	54	9
Saint Paul	55107	5,400	0	1	1	0	2	73	58	\$ 46,025	78	68	10
Ramsey County	55117	16,071	0	0	1	1	2	51	83	\$ 44,595	76	79	11
Anoka County	55421	11,125	0	0	1	1	2	48	89	\$ 48,979	83	86	12
Minneapolis	55417	11,101	1	0	1	0	2	69	62	\$ 67,927	115	88	13
Saint Paul	55101	3,662	0	1	1	0	2	40	106	\$ 43,717	74	90	14
Hennepin County	55444	4,805	0	1	1	0	2	33	129	\$ 68,006	115	122	15
Anoka County	55303	16,863	0	1	1	0	2	30	142	\$ 66,716	113	127	16
Princeton	55371	6,033	0	1	1	0	2	24	177	\$ 57,346	97	137	17
Minneapolis	55401	4,667	1	0	1	0	2	27	157	\$ 76,353	129	143	18
Anoka County	55014	9,064	1	0	1	0	2	26	164	\$ 78,009	132	148	19
Hennepin County	55443	10,618	0	1	1	0	2	23	185	\$ 72,815	123	154	20
Big Lake	55309	5,722	0	1	1	0	2	19	224	\$ 75,241	127	176	21
Anoka County	55304	14,906	0	1	1	0	2	21	202	\$ 90,491	153	178	22
Dakota County	55044	15,311	1	0	1	0	2	18	236	\$ 102,061	173	205	23
Anoka County	55449	8,177	1	0	1	0	2	11	387	\$ 92,264	156	271	24

Zip Code Maps by Administrator

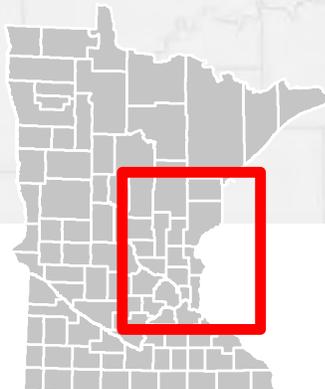
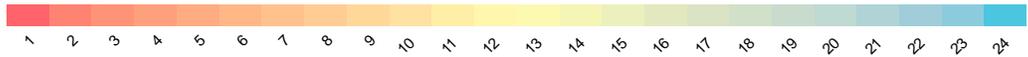
Full Area	2
Anoka County.....	3
Big Lake	4
Dakota County	5
Duluth	6
Hennepin County	7
Minneapolis	8
Princeton.....	9
Ramsey County	10
Saint Paul	11

For details on prioritized zip codes, see: NSP1 Target Area – Foreclosure Market Prioritization, April 3, 2013 Memo

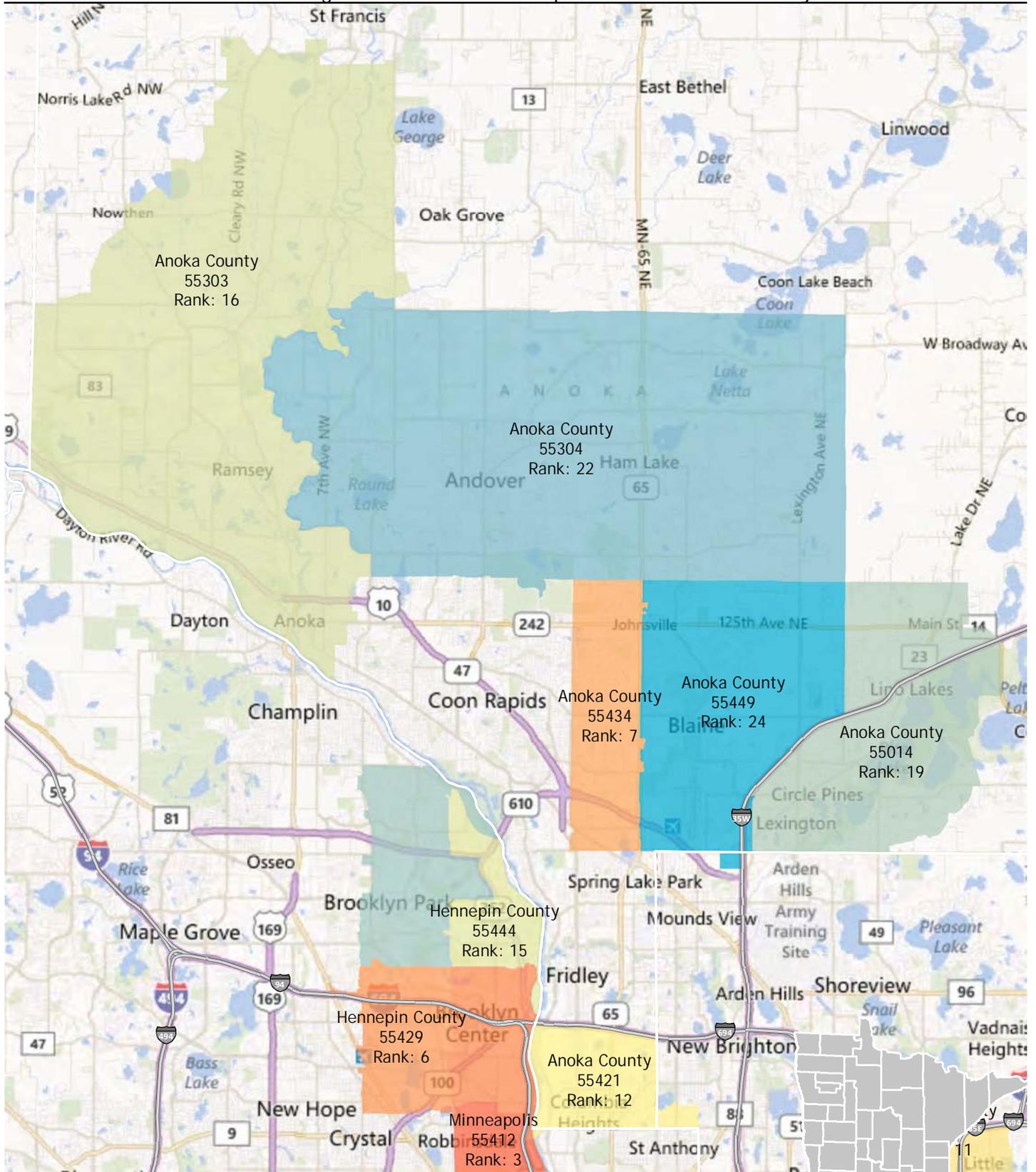
Prioritization of High Need Foreclosure Zip Codes by Income and Age of Housing Stock



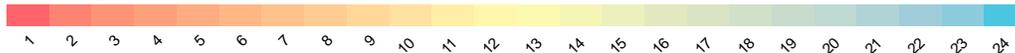
Rank of High Need Zip Codes



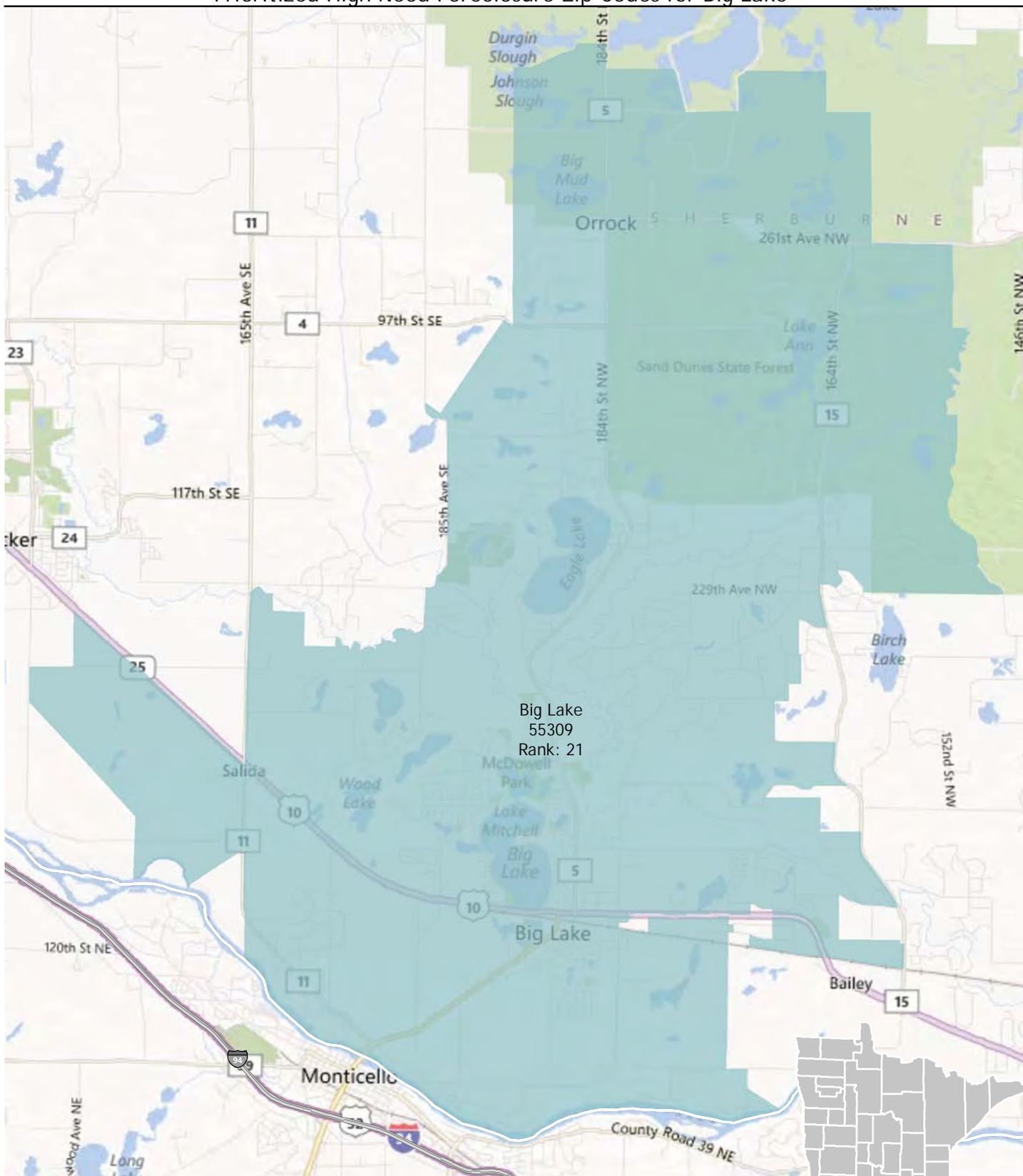
Prioritized High Need Foreclosure Zip Codes for Anoka County



Rank of High Need Zip Codes



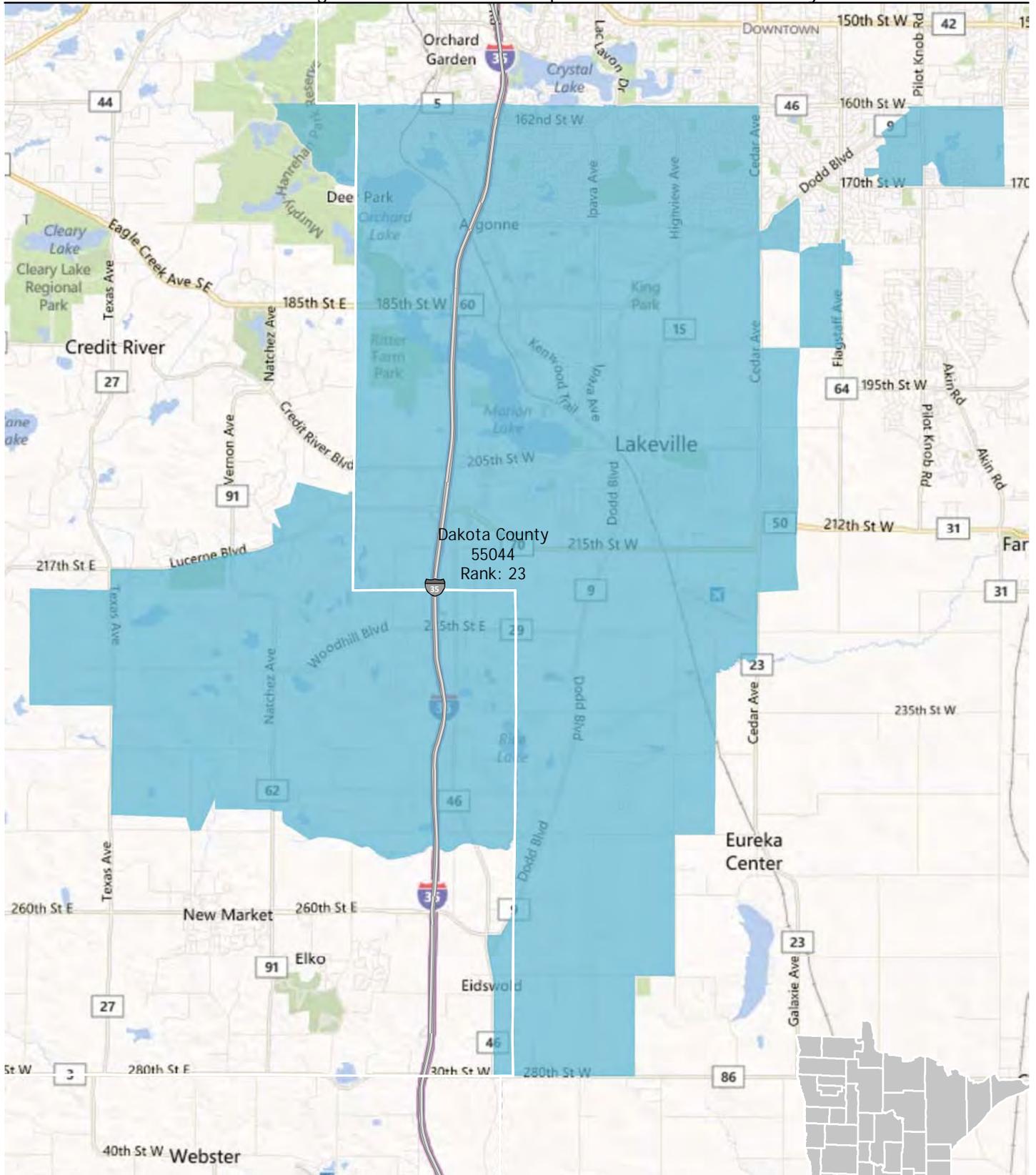
Prioritized High Need Foreclosure Zip Codes for Big Lake



Rank of High Need Zip Codes



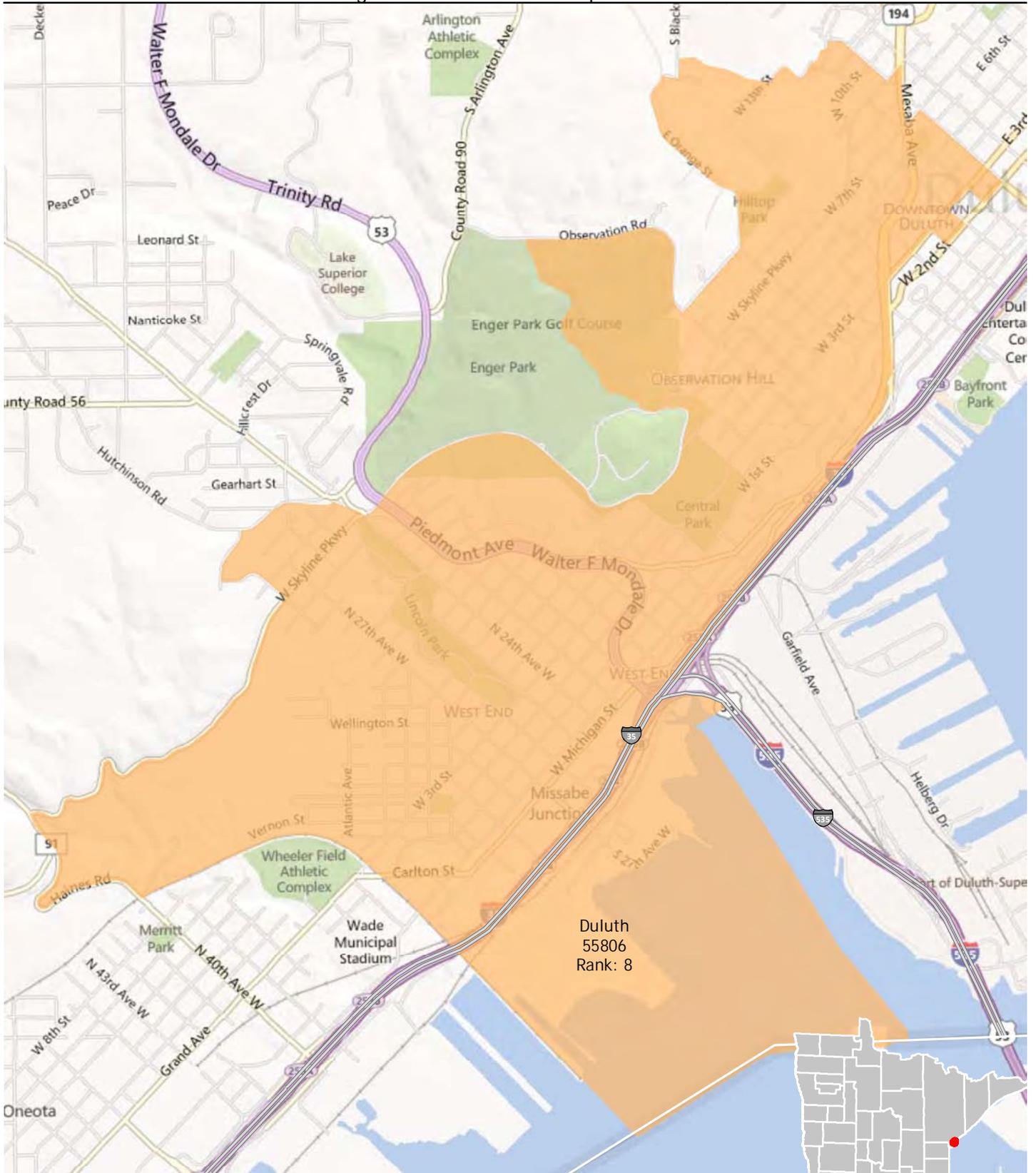
Prioritized High Need Foreclosure Zip Codes for Dakota County



Rank of High Need Zip Codes



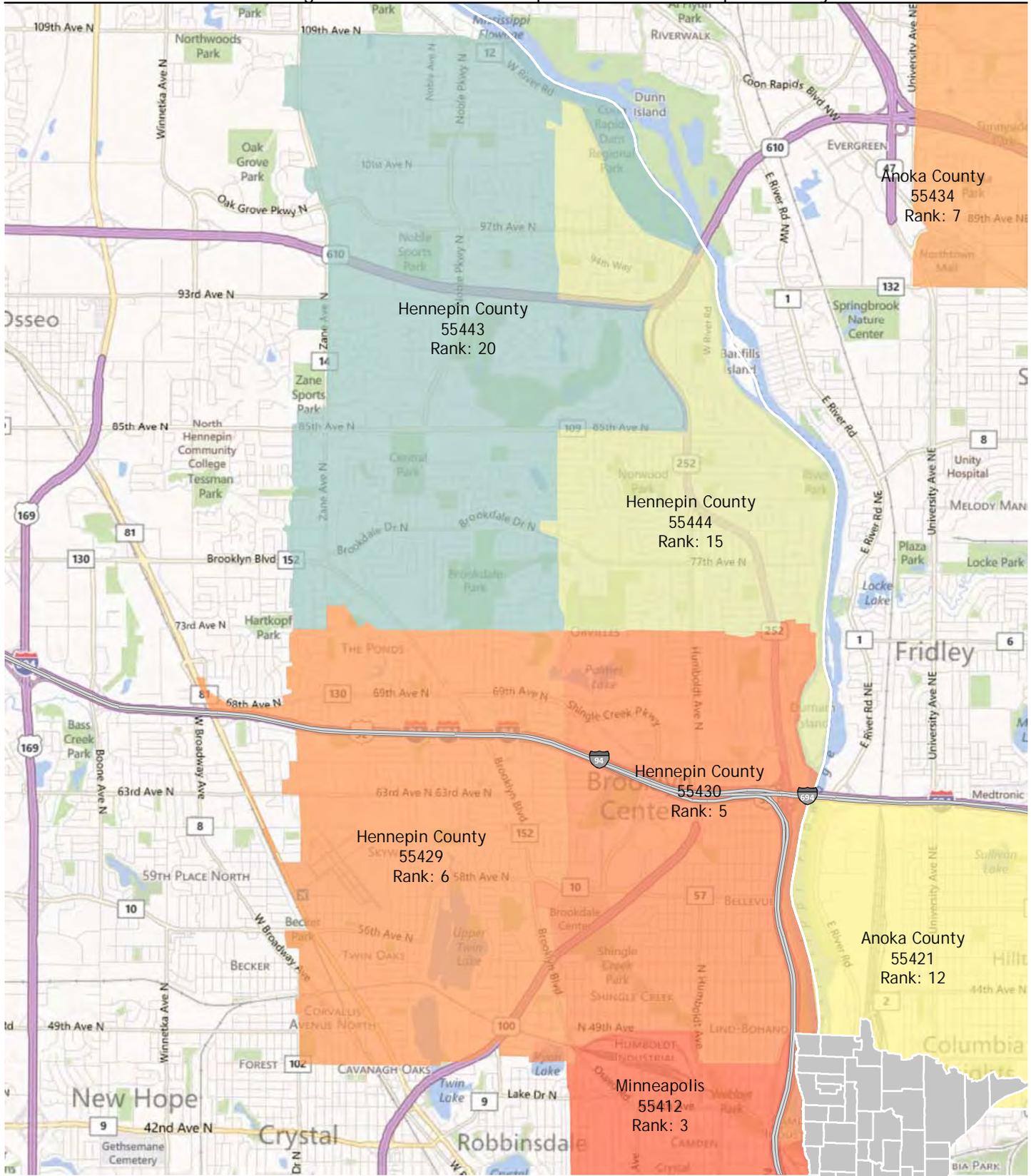
Prioritized High Need Foreclosure Zip Codes for Duluth



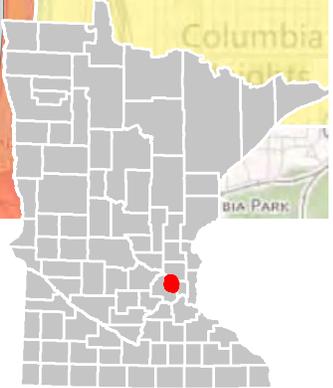
Rank of High Need Zip Codes



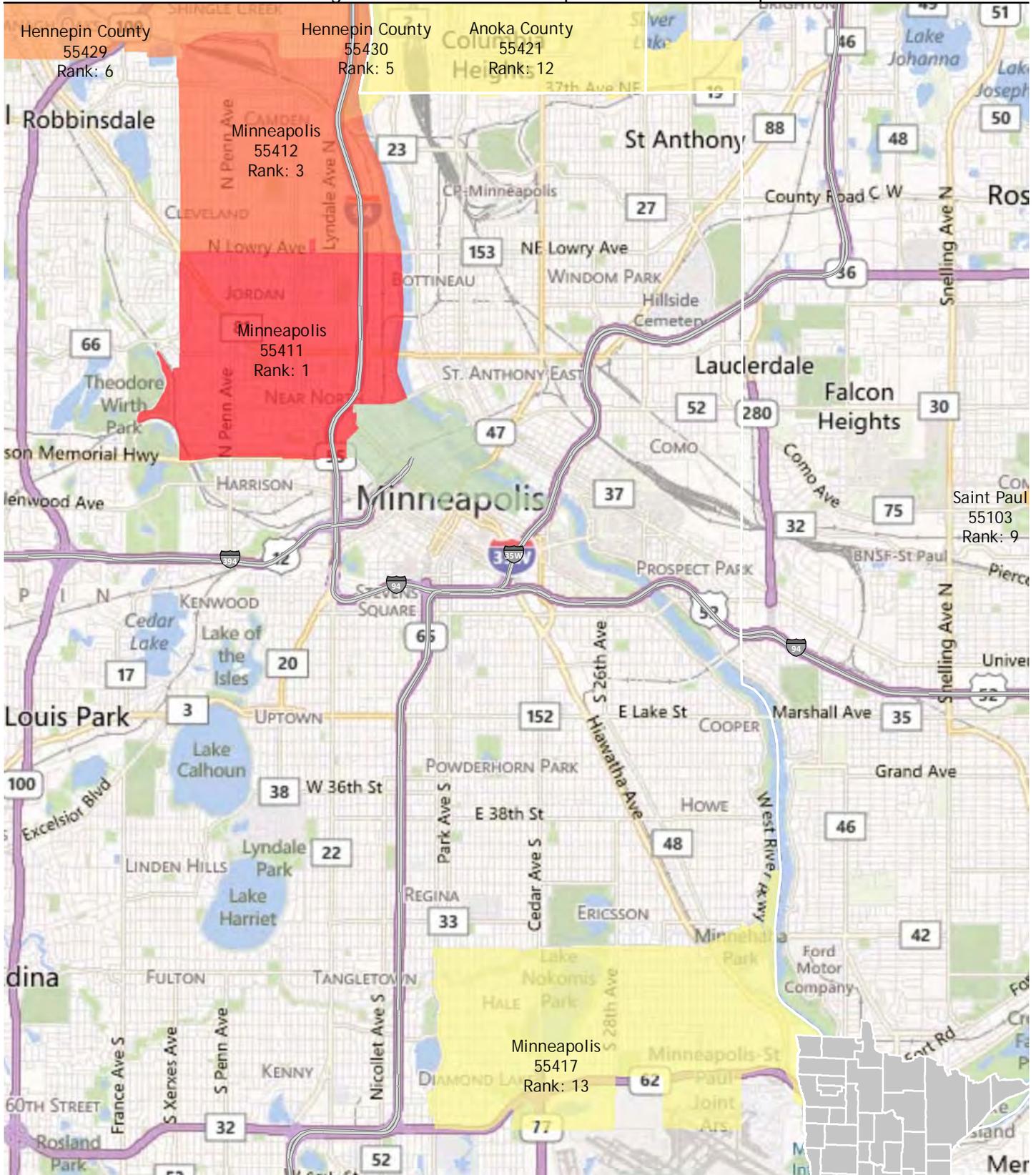
Prioritized High Need Foreclosure Zip Codes for Hennepin County



Rank of High Need Zip Codes



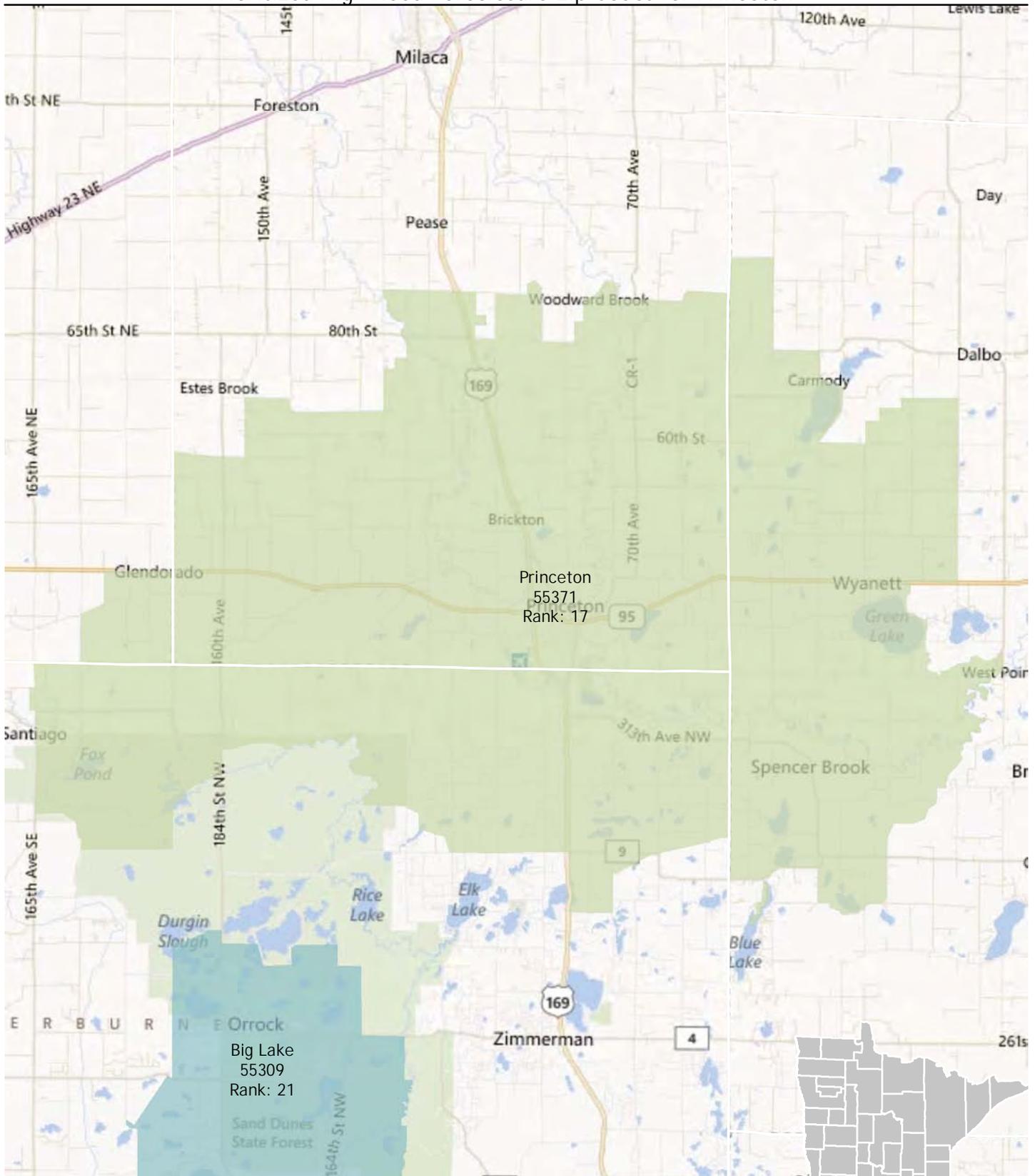
Prioritized High Need Foreclosure Zip Codes for Minneapolis



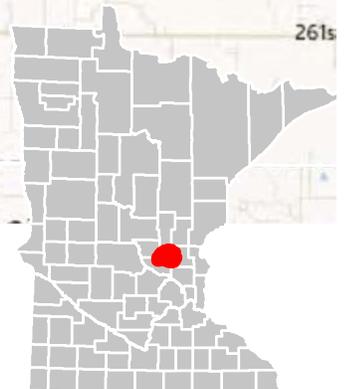
Rank of High Need Zip Codes



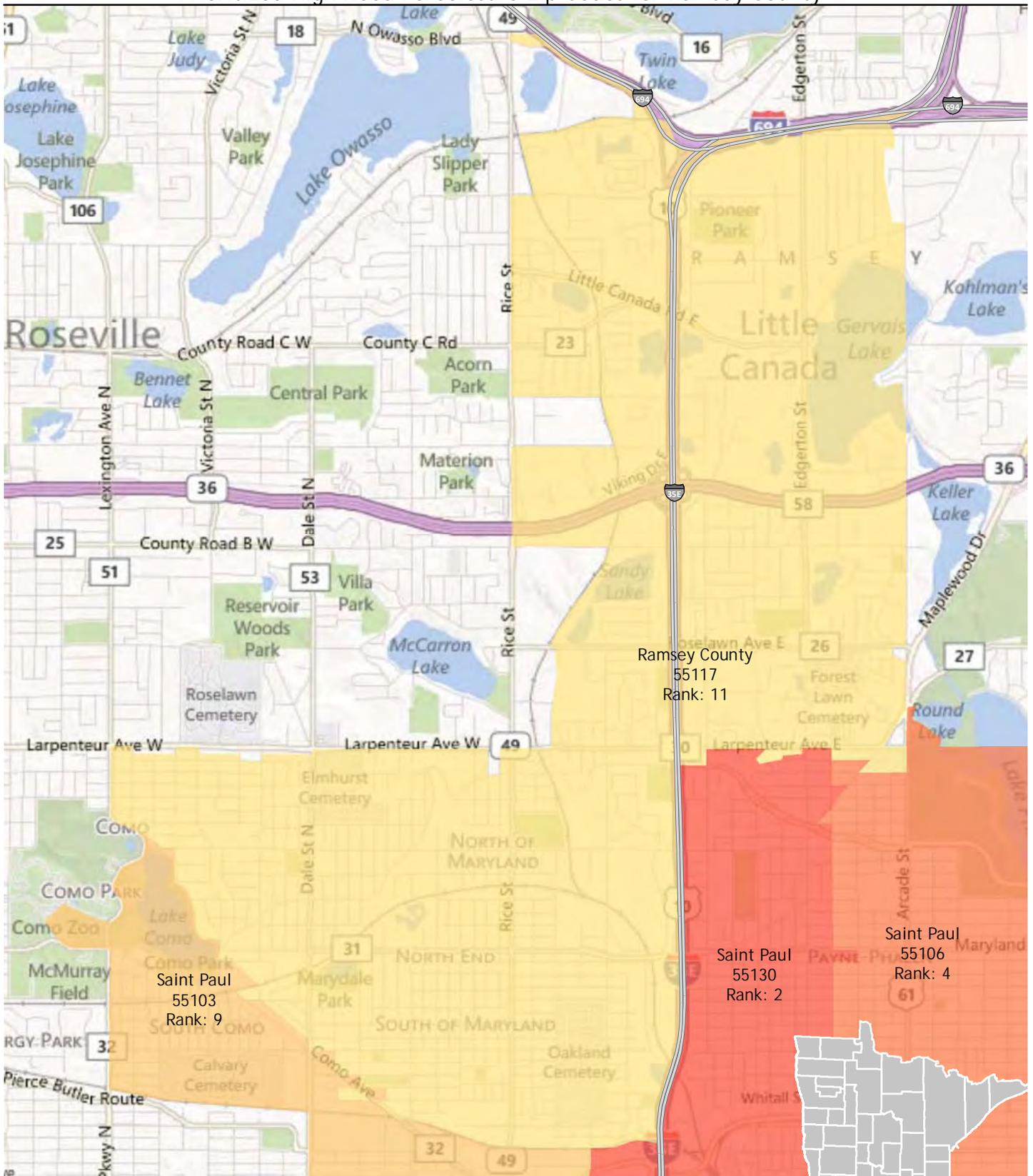
Prioritized High Need Foreclosure Zip Codes for Princeton



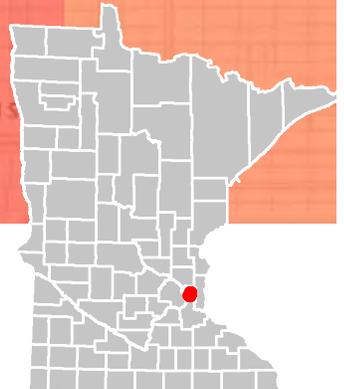
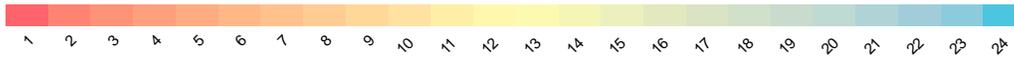
Rank of High Need Zip Codes



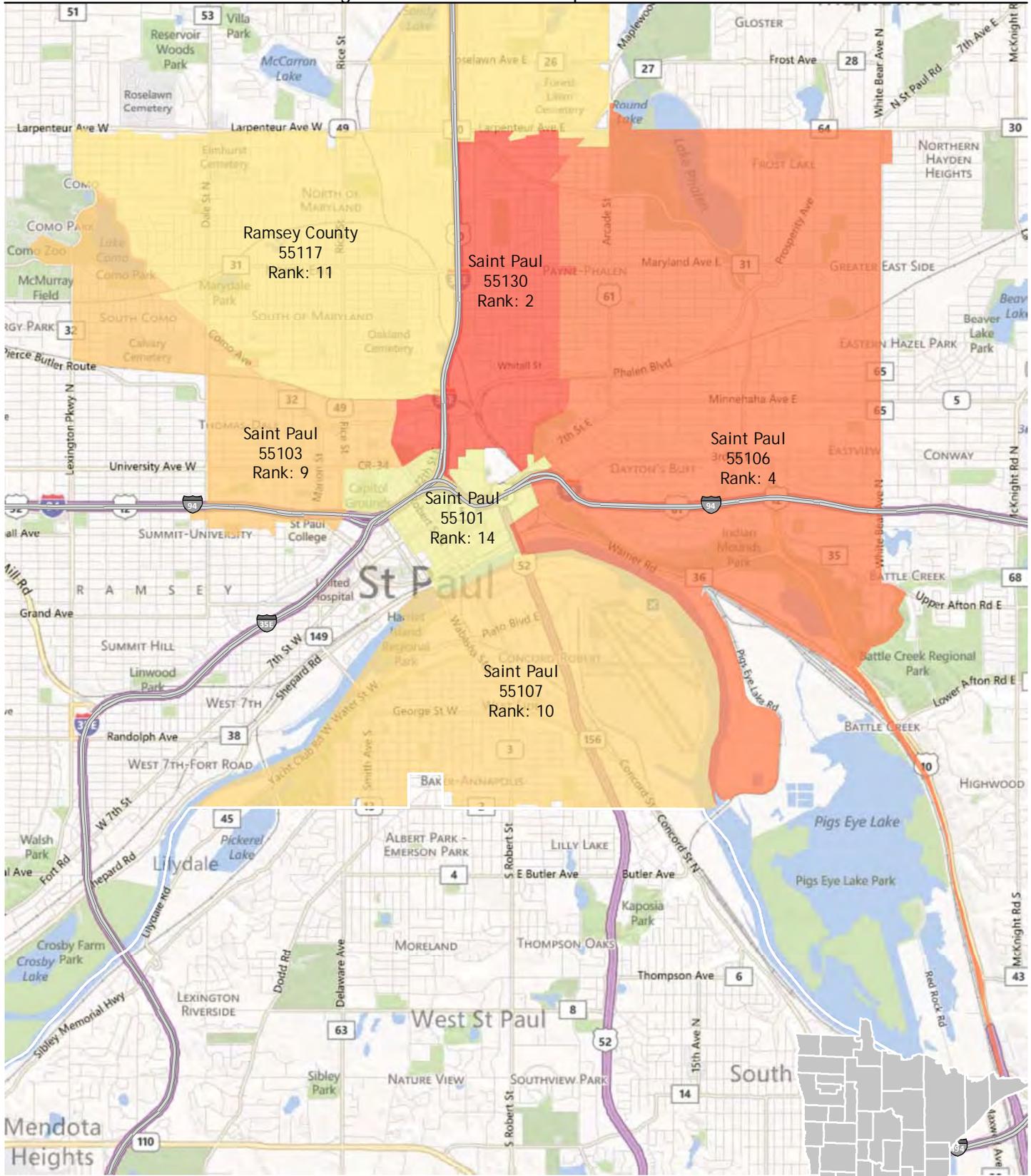
Prioritized High Need Foreclosure Zip Codes for Ramsey County



Rank of High Need Zip Codes



Prioritized High Need Foreclosure Zip Codes for Saint Paul



Rank of High Need Zip Codes





AGENDA ITEM: 8.A
MINNESOTA HOUSING BOARD MEETING
June 20, 2013

ITEM: Fiscal 2014 Administrative Budget

CONTACT: Barb Sporlein, 651-297-3125
 barb.sporlein@state.mn.us

Terry Schwartz, 651-296-2404
 terry.schwartz@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 administrative budget is prepared and presented to the Board each June. Presentation of the administrative budget is informational and no action by the Board is required.

FISCAL IMPACT:

The Agency funds its administrative budget with earnings from loans and other investments and with fees from service activities. The same revenue-generating activities also provide funding for programs; thus it is necessary for the agency to weigh administrative budget proposals against its desire to provide additional program funding. The fiscal 2014 administrative budget represents the funding necessary to support the level of program activity to which the Agency is committed.

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
- Administrative Budget FY 2014
- Administrative Budget History and Forecast
- Administrative Expenditures as % of Assistance Provided
- Operating Expense as a % of Assets
- Salaries and Benefits as a % of Revenues
- Average Adjusted Asset Balances by Fiscal Year

BACKGROUND

Staff has prepared the fiscal 2014 administrative budget for the operating expenses necessary to administer housing programs and initiatives and to meet work plan goals and objectives. The administrative budget does not include program expenditures such as loans, grants, and other housing assistance disbursements. Those expenditures are components of the Affordable Housing Plan, which is a one-year program expenditure budget approved by the Board.

The fiscal year 2014 administrative budget is \$28,133,000. This is \$1,246,000 or 4.63% more than the fiscal 2013 budget. If the 2014 budget is fully expended, it will represent an increase of \$2,663,000 or 10.45% compared with the projected actual expenditures for fiscal year 2013.

Actual expenditures have been less than the approved budget for the past several years with some technology-based investments and projects not being fully implemented during the administrative budget year.

The primary drivers of the increase for 2014 levels are:

1. Salary increases due to:
 - a. The implementation of approved labor and bargaining unit contracts (AFSCME, MAPE, MMA, Managerial Plan, Commissioners Plan),
 - b. Remaining hiring of positions delayed in previous years,
 - c. A few new FTEs to implement new business activities, and
 - d. Increased anticipated separation expenses for retiring employees;
2. Information technology investments that are expected to be larger in 2014 than 2013; and
3. Expenditure increases for professional development related to finance, underwriting, leadership and managerial development, and computer training.

All three of these drivers are related to maintaining and increasing organizational capacity, which is one of the Agency's six strategic priorities in its 2013-2015 Strategic Plan.

In addition, the Agency has seen a significant increase in funds available for housing investments over the last couple of years, which will likely continue. The increases have resulted from:

1. The approval of Housing Infrastructure and General Obligation Bonds in the 2012 legislative session (which added \$35.5 million to the 2013 AHP);
2. An increase during the 2013 legislative session of roughly 25% in state appropriations for existing and new initiatives, which will increase funding under the 2014 and 2015 AHPs;
3. An expected increase during 2013 of roughly \$150 million in homeownership lending, which has resulted from the Agency revamping its loan products for first-time homebuyers, adding new products for existing homebuyers, and using new financing tools, which include Mortgage Credit Certificates, selling mortgage-backed securities on the secondary market, and the new pass-through bond sale structure; and
4. More multifamily lending in the future with the Agency becoming an FHA Multifamily Accelerated Processing (MAP) lender.

The addition of new resources and development and implementation of new programs and activities requires additional administrative resources.

The estimated administrative expenses as a percentage of estimated assistance provided is 3.54%, which has been relatively steady over the past three years.

It should also be noted that while every effort is made to achieve a high degree of accuracy in forecasting expenditures through the end of fiscal 2013, actual expenditures may vary from the forecast. The forecast of Assistance Provided that is shown on the third table for fiscal 2013 is also subject to change, especially given that Assistance Provided uses activity through September 30, 2013, meaning that four months remain in the reporting period.

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<u>EXPENSE CATEGORY</u>	<u>2014 Budget</u>	<u>2013 Budget</u>	<u>2014 Budget Change from 2013 Budget</u>	<u>2013 Forecast</u>	<u>2013 Budget/Forecast (Savings) Overage</u>
Salaries	\$ 20,714,000	\$ 19,583,000	5.8 %	\$ 19,539,000	(0.2)%
Computer Systems & Services/Supplies/Equipment	2,588,000	1,843,000	40.4 %	1,702,000	(7.7)%
Professional & Technical Contracts	1,843,000	2,040,000	(9.7)%	1,360,000	(33.3)%
Other General Operating	1,732,000	2,049,000	(15.5)%	1,811,000	(11.6)%
Professional & Other Benefits	443,000	505,000	(12.3)%	325,000	(35.6)%
Travel	359,000	366,000	(1.9)%	271,000	(26.0)%
State Indirect Costs	454,000	501,000	(9.4)%	462,000	(7.8)%
TOTALS	\$ 28,133,000	\$ 26,887,000	4.6 %	\$ 25,470,000	(5.3)%



MINNESOTA HOUSING FINANCE AGENCY
ADMINISTRATIVE BUDGET HISTORY AND FORECAST TO FISCAL YEAR END 2013 (000's)

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY* 2013	FY 2014
Budgeted	20,843	21,850	21,266	23,523	24,472	27,502	25,697	26,063	25,612	26884	28133
Actual**	20,186	20,124 ³	21,266 ⁴	22,832 ⁵	24,001	25,178 ⁹	24,447 ⁹	23,319 ⁹	23,786 ¹⁰	25470	N/A
Variance	657	1,726	0	691	471	2,324	1,250	2,744	1,826	1,414	N/A

Average annual actual administrative expense growth during the five year period from 2007-2011 is 1.73%

Expense actual change % year/year 7.36% 5.12% 4.90% -2.90% -4.61% 2.00% 7.08%

Expense actual change \$\$ year/year 1,566 1,169 1,177 (731) (1,128) 467 1,684

Sustainable core net earnings before unrealized gain/loss*** 42,167 33,494⁶ 7,308⁷ 6,923⁷ 13,000⁸ 17000⁸ 18000

Notes:

* For FY2013 the "actual" amount is MHFA's forecast estimate.

** Actual expense is gross amount not reduced by overhead recoveries

³ No 4d. monitoring

⁴ Acquired second floor space

⁵ Implemented Single Family HDS

⁶ Funds restructure

⁷ Incurred higher loan losses and lower investment earnings

⁸ Incurred less loan losses

⁹ Incurred lower than expected Information Systems contractor expense and salary savings due to turnover, retirements & hiring restrictions.

¹⁰ Incurred lower than expected Information Systems contractor expense and salary savings due to turnover, retirements.



MINNESOTA HOUSING FINANCE AGENCY
 ADMINISTRATIVE EXPENDITURES AS A PERCENTAGE OF ASSISTANCE PROVIDED

<u>Expenditures (Thousands)</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013 Est</u>
Administrative Expenditures (NOTE A)	19,089	20,186	20,124	21,266	22,832	24,001	25,178	24,447	23,319	23,786	25,470
Assistance Provided (NOTE B)	466,806	533,983	637,314	717,616	744,983	669,756	444,237	717,376	726,979	638,307	719,371
Admin Exp % of Assistance Provided	4.09%	3.78%	3.16%	2.96%	3.06%	3.58%	5.67%	3.41%	3.21%	3.73%	3.54%

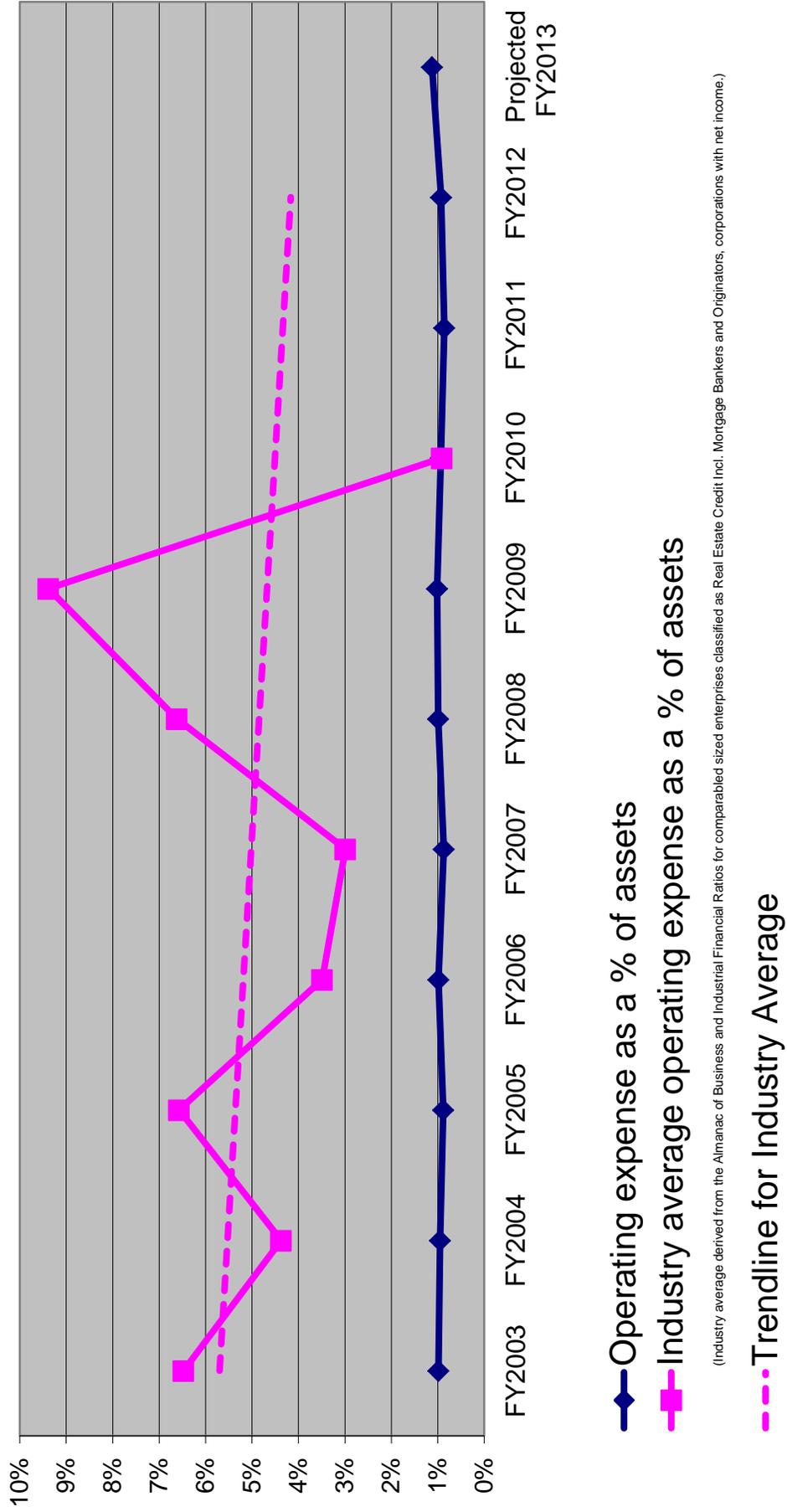
NOTE A. The administrative expenditures are taken from the state accounting system. In each case, the figure is for the state fiscal year ending 6/30/xx.

NOTE B. The assistance amounts are taken from the agency's assessment report and are for the federal fiscal years ending 9/30/xx.



Operating Expense as a % of Assets

Industry Average compared to Sustainable Core

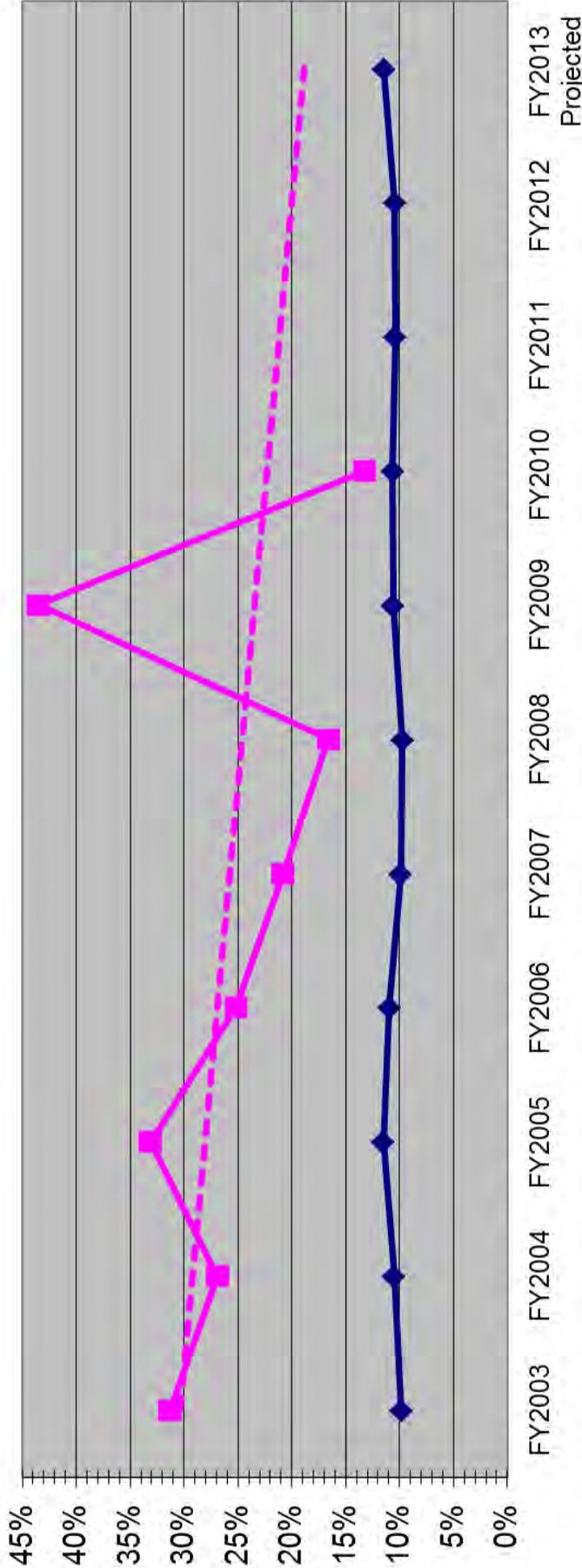


(Industry average derived from the Almanac of Business and Industrial Financial Ratios for comparable sized enterprises classified as Real Estate Credit Incl. Mortgage Bankers and Originators, corporations with net income.)



Salaries and Benefits as a % of Revenues

Industry Average compared to Sustainable Core



—◆— Salaries, benefits, and contract employee expense as a % of revenues

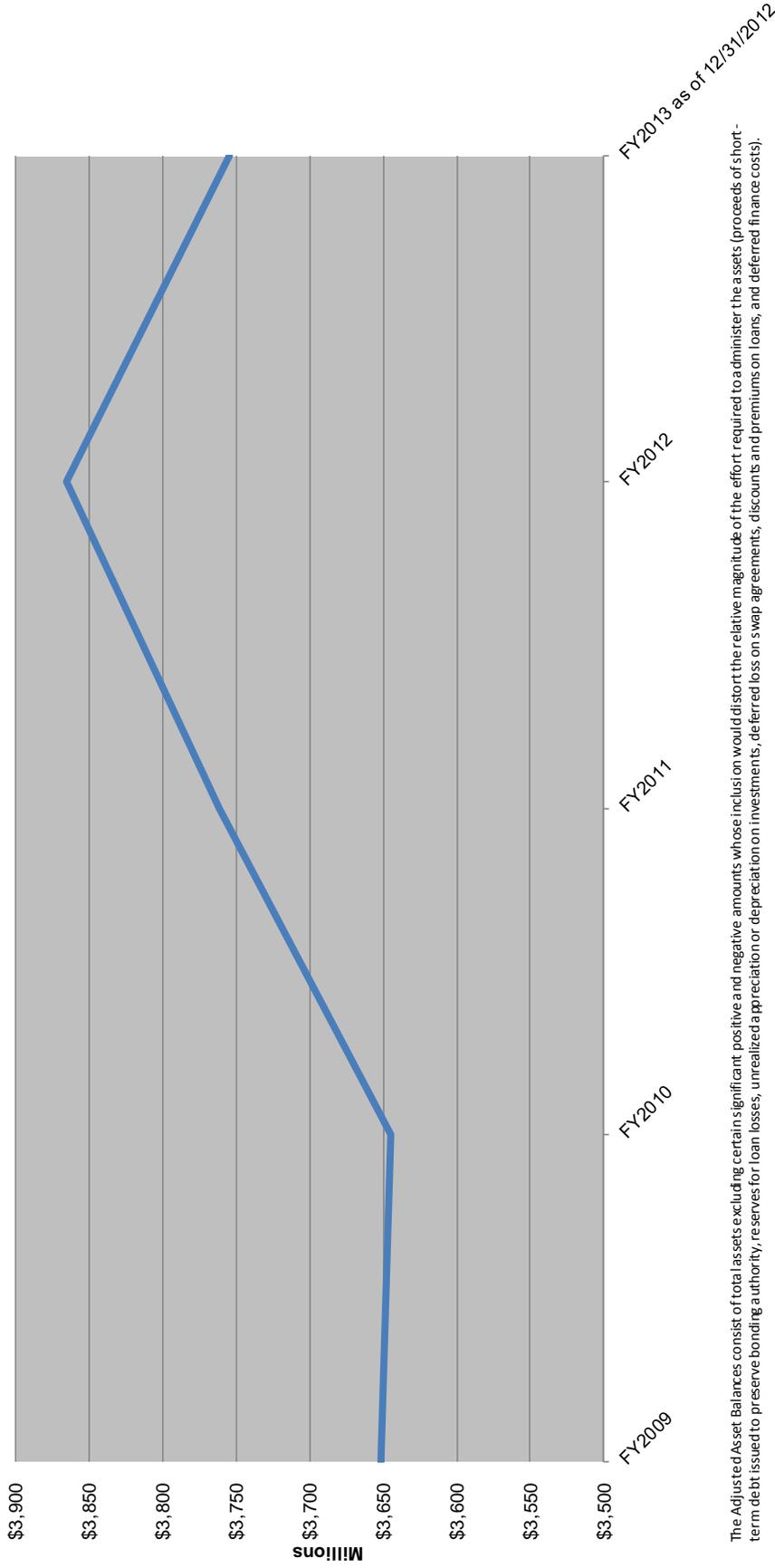
—■— Industry average salaries and benefits as a % of revenues

- - - Trendline for Industry Average

(Industry average derived from the Almanac of Business and Industrial Financial Ratios for comparable sized enterprises classified as Real Estate Credit Inc., Mortgage Bankers and Originators, corporations with net income)



Average Adjusted Asset Balances by Fiscal Year



The Adjusted Asset Balances excluding certain significant positive and negative amounts whose inclusion would distort the relative magnitude of the effort required to administer the assets (proceeds of short-term debt issued to preserve bonding authority, reserves for loan losses, unrealized appreciation or depreciation on investments, deferred loss on swap agreements, discounts and premiums on loans, and deferred finance costs).



AGENDA ITEM: 9.A
MINNESOTA HOUSING BOARD MEETING
June 20, 2013

ITEM: Report of Complaints Received by Agency or Chief Risk Officer

CONTACT: Will Thompson, 651-296-9813 Paula Beck, 651-296-9806
 will.thompson@state.mn.us paula.beck@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 and the Chief Risk Officer have developed procedures for the receipt, retention and treatment of complaints received by the Agency or the Chief Risk Officer regarding conflict of interest, misuse of funds and fraud that have been submitted by any person external or internal to the Agency.

Update from the Chief Risk Officer regarding complaints of potential Conflict of Interest, Misuse of Funds and Fraud that have been reported to the Agency or the Chief Risk Officer since the Board adopted Reporting Non-Compliance with Agency Policy and Procedures on January 27, 2011.

FISCAL IMPACT:

There were 23 instances of conflicts of interests, misused funds and fraudulent activity for the 30-month period beginning December 2010 and ending May 2013. A total of \$131,474 was not recovered: misused funds (\$115,268); an increase of \$29,998 from last quarter, and fraudulent activity (\$16,206); which is unchanged from last quarter.

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):

Reporting Non-Compliance with Agency Policy and Procedures.

Reporting Non-Compliance with Agency Policy and Procedures.

This reporting is designed to convey to the Board any complaints received, their current status, and their resolution, if one has been reached.

An updated report will be delivered to the Board quarterly, with the next report due September 26, 2013.

Complaints Received by Agency or Chief Risk Officer			
Complaint	Status		
Resolution	Closed	In Process	Grand Total
Conflict of Interest	3		3
External Employment Approved	1		1
Insufficient Evidence	2		2
Fraud / Embezzlement	2	4	6
Funding Transferred to Different Entity	1		1
HUD Investigation Initiated		2	2
Insufficient Evidence	1		1
Revenue Recapture		1	1
Notice of Acceleration		1	1
Misuse of Funds	13	1	14
All Funds Returned to Agency	1		1
Insufficient Evidence	2		2
Issue Cured	1		1
Negotiated Settlement	5		5
None – Nonviable Counterparty	1		1
OLA Forwarded Complaint to County	1		1
Revenue Recapture	1		1
Entry of Judgment	1		1
Notice of Default		1	1
Grand Total	18	5	23

Key Trends:

- One new alleged misuse of funds case and one new alleged fraud / embezzlement case were opened from March 2013 – May 2013
- Three cases were closed from March 2013 – May 2013

Report Legend:

- Complaint – An allegation or inquiry of non-compliance with Agency policy and procedures
- Status – Can be either In Process or Closed
- Resolution – How was the complaint resolved (Closed Status), or current disposition (In Process)