**MEETINGS SCHEDULED FOR NOVEMBER**

**Location:**

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

**THURSDAY, NOVEMBER 21, 2013**

Finance and Audit Committee Meeting
Jelatis Conference Room –Third Floor
10:30 a.m.

Regular Board Meeting
State Street – First Floor
**NOTE TIME CHANGE**
2:00 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, November 21, 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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Minnesota Housing Finance Agency
400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
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*Equal Opportunity Housing and Equal Opportunity Employment*

**MINNESOTA HOUSING FINANCE AGENCY BOARD**

**NOTICE OF FINANCE AND AUDIT COMMITTEE MEETING**

**DATE:** Thursday, November 21

**TIME:** 10:30 a.m.

**LOCATION:** Minnesota Housing
Jelatis Conference Room
400 N. Sibley Street Suite 300
Saint Paul, Minnesota 55101

The topic for discussion at this meeting is:

A. Investment Banker Selection

Minnesota Housing Finance Agency

**AGENDA ITEM:** A
**FINANCE AND AUDIT COMMITTEE**
November 21, 2013

**ITEM:** Investment Banker Selection

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

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

**REQUEST:**

☑ Approval ☑ Discussion ☐ Information

**TYPE(S)**:

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

☐ Other: ______________________________

**ACTION:**

☑ Motion ☐ Resolution ☐ No Action Required

**SUMMARY REQUEST:**
The committee will conduct oral interviews of respondents to the investment banker RFP and recommend to the Board the appointment of an investment banking team for the next four years. Under separate cover, staff will provide the Board with background information on the process, and copies of the proposals from the firms selected for interviews.

**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):**

Minnesota Housing Finance Agency

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**A G E N D A**
**Minnesota Housing Finance Agency**
**Board Meeting**
Thursday, November 21, 2013
**2:00 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 November 7, 2013
5. **Reports**
   **A. Chair**
   **B. Commissioner**
   **C. Finance & Audit Committee of November 21, 2013**
      1. Investment Banker Selection
6. **Consent Agenda**
   A. Selections, Community Fix-Up Loan Program
   B. Operating Subsidy Renewal, Ending Long-term Homelessness Initiative Fund (ELHIF) – Country View Place, Willmar D3871
7. **Action Items**
   A. Approval, Program Concept, Targeted Home Improvement Loan Program
   B. Approval, Rotation of Independent Auditor Policy
8. **Discussion Items**
   A. Multifamily Preservation: Identifying Needs, Exploring Strategies (PINES) Proactive Preservation Pilot
   B. Request for Proposals for Auditing Services
   C. 2013 Affordable Housing Plan and 2013-15 Strategic Plan: Final Progress Report
9. **Informational Items**
10. **Other Business**
11. **Adjournment**

MINUTES

**MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING**
**Thursday, November 7, 2013**
10:00 a.m.
State Street Conference Room – First Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
Chair Ken Johnson called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 10:06 a.m.
2. **Roll Call.**
**Members present:** John DeCramer, Joe Johnson, Ken Johnson, Steve Johnson, Stephanie Klinzing, and State Auditor Rebecca Otto. Absent: Gloria Bostrom.
**Minnesota Housing staff present:** Amy Anderson, Tal Anderson, Paula Beck, Suzanne Best, Jim Cegla, Vicki Farden, Mike Haley, Anne Heitlinger, Karen Johnson, Margaret Kaplan, Bill Kapphahn, Kurt Keena, Kasey Kier, Janine Langsjoen, Julie LaSota, Diana Lund, Nira Ly, Eric Mattson, Leighann McKenzie, Tonja Orr, Jen Oscarson, Terri Parker, John Patterson, Luis Pereira, Bob Porter, Leslee Post, John Rocker, Gayle Rusco, Megan Ryan, Joel Salzer, Becky Schack, Kayla Schuchman, Nancy Slattsveen, Rick Smith, Jonathan Stanley, Eric Thiewes, Mike Thomas, Susan Thompson, Will Thompson, Mary Tingerthal, Katie Topinka, Kristi Tramp, Elaine Vollbrecht, Dan Walsh, Summer Watson.
**Others present:** Jan Plimpton, Habitat for Humanity; Mike Radcliffe, Twin Cities Habitat for Humanity; Stephanie Hawkinson, Landon Group; Chip Halbach, Jen Shadowens, ThaoMee Xiong, Minnesota Housing Partnership; Frank Fallon, RBC Capital Markets; Celeste Grant, Office of the State Auditor; Tom O'Hern, Assistant Attorney General.
3. **Agenda Review**
There were no changes to the agenda.
4. **Approval of the Minutes.**
**A. Regular Meeting of October 24, 2013**
Joe Johnson moved approval. Steve Johnson seconded the motion. Motion carries 6-0.
5. **Reports**
**A. Chair**
There was no chairman's report.
**B. Commissioner**
There was no commissioner's report.
**C. Committee**
There were no committee reports
6. **Consent Agenda**
**A. Annual Action Plan Approvals, 2014 Plan and Amendment to the 2013 Plan**
Ms. Klinzing moved approval of the consent agenda. Mr. Joe Johnson seconded the motion. Motion carries 6-0.

**7. Action Items**

**A. Housing Trust Fund (HTF) Rental Assistance for Highly Mobile Students Initiative**

Elaine Vollbrecht presented this request, describing the application process, which was a competitive process open to existing rental assistance administrators. Applications were reviewed by Minnesota Housing, Minnesota Department of Education (MDE) and Department of Human Services (DHS) staff. Five applications were received and three were recommended for approval and represent $2 million in funding that will serve up to 130 households for rental assistance of periods up to 24 months. The term of the program may be extended if funds are available. The next step following board approval is intake meetings with the grantees, schools and the Minnesota Department of Education.

Commissioner Tingerthal added that this is a new initiative and staff worked with the Minnesota Department of Education to conceive this use; the idea is to team up with schools, which are mandated to keep records about children who've experienced homelessness and must also provide transportation to those students to keep them in their home school. MDE Commissioner Cassellius testified in support of the initiative. In Minneapolis and Saint Paul, the initiative will be used in Federal promise neighborhoods, building on a strong foundation that draws on parental commitment to their children's education. Families must make substantive commitments prior to being eligible. Commissioner Tingerthal is hopeful that we will learn a lot in the program, which uses existing rental assistance infrastructure, so can be launched without a lot of additional costs.

In response to a question from Ms. Klinzing, Ms. Vollbrecht stated that only three of the five applications received met the priorities and requirements of the program. One of the applicants that was not selected did not meet the priority of having an established collaboration with a school district and the other non-selected applicant had very limited scope; staff wanted to ensure that the best applicants were selected so that the program would have the best chance of success. Mr. DeCramer stated that he was surprised to see only five applicants; in response Commissioner Tingerthal stated that the bar was set very high to ensure that selected applicants would have the capacity and collaborations necessary for the pilot to succeed. It was also important that the infrastructure was in place to allow the pilot get off the ground quickly so that the case can be made to carry it forward if successful. **MOTION:** Auditor Otto moved approval. Mr. DeCramer seconded the motion. Motion carries 6-0.

**B. 2013 Consolidated Request for Proposals**

Commissioner Tingerthal stated that this item was a presentation and there would be no action and that the action items would be following the general presentation. Commissioner Tingerthal added that there were a number of changes this year, including the large spreadsheets that were distributed prior to the meeting. These spreadsheets are a format that is easier to read and to understand and will be supplied to members of the press. Another change is some increased functionality on the Agency website that will allow people to quickly drill down on the projects that interest them. Commissioner Tingerthal thanked Single Family, Multifamily and Communications staff for their work on the improvements, adding that staff had debriefed following last year's meeting and re-engineered the presentations and the materials. The Commissioner asked that members share any comments, negative or positive, regarding the changes. Chair Johnson shared that he liked the changes very much.

Commissioner Tingerthal added that what the board would vote on is a long time coming; the agency set forth its general direction in the strategic plan and in step adopted the affordable housing plan, where it further refined its priorities. It is always the effort of the agency to address those priorities that have been articulated to the public. The selection process begins in April each year when the funding availability and priorities are announced. This year, Multifamily proposals were due in June and Single Family proposals were due in mid-July. All proposals underwent a number of reviews and a fair amount of checking among reviewers to ensure consistent application of selection criteria. Following selections, letters will be sent notifying applicants who were not selected to begin scheduling technical assistance meetings; applicants are eager to understand how they can improve their proposals. Later on, staff will begin loan processing and the board will then see the projects selected today come to them again for commitment approvals. Staff this year saw an increase in the number of tax exempt bond proposals. It is of note that while the cities of Minneapolis and Saint Paul and Dakota and Washington counties do their own qualified allocation plans and issue their own tax credits, they frequently will come into the RFP to get soft dollars or commitments for first mortgages. Commissioner Tingerthal added that the tax credits being awarded through the RFP will leverage roughly ten times the value of the credits.

The Multifamily RFP was just one unit shy of 1,400 units and commits $39 million in resources. The largest piece of the 2013 RFP is the first mortgage or LMIR financing and it is a flexible number. Oftentimes, proposers will put their hat in the ring to use our dollars, but may shop around. A lot of the dollars included are bridge loans and the number was fairly big last year because, with the housing infrastructure bonds (HIBs), many of the proposals to which we awarded HIBs were also utilizing tax exempt bonds. In 2013; we awarded $30 million in HIB proceeds. HIBs were not included in the current bonding bill and Agency staff made the decision to award all the proceeds in a single year rather than holding it out over two years, which we do with other resources, so there is a large amount that was included in last year's RFP that is not available this year.

**C. Single Family Selections, Community Homeownership Impact Fund (formerly known as Community Revitalization Fund)**

Assistant Commissioner for Single Family Mike Haley provided an overview of the Single Family RFP. Single Family implemented a number of changes in the process this year, focusing on iterative improvement and continuous improvement. Mr. Haley highlighted the following changes:

- The name of the program was changed from Community Revitalization Fund (CRV) to the Community Homeownership Impact Fund. Very few people knew what the name CRV meant.

- One thing that staff wanted to do was improve the application process; making it easier for our applicants to apply and easier for staff to make selections. To that end, the program moved to an activity-based application where applicants answered only questions relevant to the activity for which they were applying for funding.
- Earlier this year the board approved a revised scoring criteria that staff believes improved the transparency of the process and provided a lot of information to applicants on what the Agency would look at.
- The overall organizational review was enhanced. Staff always looked at applicant capacity and project feasibility as being absolutely critical. This year staff started looking more deeply into the organizations and how financially healthy they are and how they are positioned to deliver.
- The depth of the application was increased. Staff paid a lot of attention to proposed programs that were duplicative of programs already delivered by the Agency and considered if the proposal did not meet a particular niche need. It was acknowledged that there always is a tension when receiving applications for when you do and do not call for clarification. Staff made a deliberate decision that we were looking for strong proposals and not book reports and spent a lot of time clarifying applications.
- The way information was reported to the board has been revised to be less repetitive and clearer.

Mr. Haley also reported on Single Family selection trends, noting the priority in addressing foreclosure mitigation, which was reflected in a lot of proposals but many proposals were also moving on from foreclosure mitigation and onto overall community recovery. This move was particularly visible in the acquisition-rehab proposals. Within a subset of the community recovery theme, there were a fair number of proposals for new development for the first time since 2008. These proposals looked like they could work well within the overall community recovery or jobs/growth/housing mix. This was the first year for which the Agency had funding allocated for housing and jobs growth activities and three proposals met the specific criteria for that priority. There was also a new focus on increased owner-occupied rehabilitation to strengthen the existing housing stock.

Program staff member Luis Periera presented additional information about the applications received, stating that 44 proposals were received requesting $15.9 million in funding. In 2013, 38 proposals were received requesting $18.2 million in funding. Staff recommended 33 proposals for $7.38 million in funding, which is $2.8 million less than in 2013 but only one less award. Of the 33 proposals recommended, 20 are in the metro area and represented $4.5 million in funding and 13 are Greater Minnesota and represent $2.8 million in funding. The Greater Minnesota Housing Fund and the Met Council are providing partner funding. The bulk of the proposals will address aging housing stock as well as promoting and supporting successful homeownership. Three non-profit organizations are recommended to receive funding for jobs/growth activities.

Program staff member Nancy Slattsveen presented key statistics regarding the recommendations, as well as an overview of the selection process, during which staff discussed which proposals are most feasible to fund and reviewed organizational capacity. Staff is recommending the funding of 274 units. Thirteen of the projects are new construction. $2.5 million will support acquisition/rehab and ten owner occupied rehab programs. There also is one down-payment assistance program.

Program staff member Eric Thiewes shared the personal stories of persons and families whose lives have been changed by the Community Homeownership Impact Fund (CHIF) funded programs, specific recipients assisted by One Roof and Twin Cities Habitat for Humanity; two organizations again being recommended to receive funding; One Roof to continue its efforts to market homes to Native American Households and Twin Cities Habitat for Humanity to assist in community recovery efforts in Northeast Minneapolis.

Chair Ken Johnson commented that the southeast region of the state had only one application and questioned if there was an organizational capacity issue in that region of the state. Staff acknowledged that there are not as many administrators in that part of the state. Chair Johnson inquired if there was something the Agency can or should do to help more units be delivered, as their population share is similar to other areas with more activity. Ms. Slattsveen responded that the city of Winona has been active in previous years. Mr. Haley added that staff often thinks about what is happening in Rochester and that is the result of quite a bit of work having been done in the area. It is the Agency's expectation that, as years go by, there will be an increase in the activity in southeast Minnesota and that there had just been an Olmsted County housing summit. Mr. Haley added that, if you take a look at how funds have been allocated over a ten-year period, there have been very successful applicants in that area of the state, but there has been a fair amount of restrictions lately that may be impacting the ability of administrators like First Homes to apply.

Commissioner Tingerthal reviewed with the board a slide from the larger presentation that highlighted household share and application share across the state, noting that have a single funded application in a lower household share area can really skew the numbers. The five-year average included on that slide helps to cover the year-to-year variability. The current year skewed a little higher in the metro and this will cause staff to review selection criteria, set-asides and other components to determine if adjustments need to be made for 2014. The Agency has adopted a new procedure of community dialogues and one of the reasons we adopted this new format is for the events to be driven by the people in those communities, and the Agency can stimulate high scoring applications from parts of the state from which we've not seen them. This year in the northeast part of the state, that work was started and the percentages of funding that went to that area has increased; showing that, where you pay attention - things will happen. Community Development Director Margaret Kaplan works on an ongoing basis with communities in parts of the state from where we are not seeing strong applications. Ms.

Kaplan's work will help to identify what it will take for those areas to put forth successful proposals. The Agency cannot create capacity but it can provide technical assistance and stimulate the discussions. **MOTION:** Auditor Otto moved approval of the staff recommendations. Ms. Klinzing seconded the motion. Motion carries 4-0, with Mr. Joe Johnson and Mr. Ken Johnson recusing themselves from the vote due to conflicts of interest related to One Roof and the Twin Cities Community Land Bank, respectively.

**D. Multifamily Selections, Deferred Loans and Grants, Low and Moderate Income Rental (LMIR), Housing Tax Credit (HTC) Program, 2014 Round 1**

Assistant Commissioner for Multifamily Marcia Kolb presented an overview of the Multifamily Consolidated Request for Proposals (RFP), stating that it involved an incredible amount of hard work from customers, stakeholders and staff to arrive at the significant amount of investment being recommended. Ms. Kolb added that the financing of affordable housing is very complex and requires numerous resources; the RFP is the Agency's answer to that complexity. This year's available resources included $8 million dollars of 9% tax credits; $4 million from sub-allocators; $1.6 million in tax exempt bonds and $31 million in deferred financing; and $3.2 million in partner funding. The RFP and the tax credit process allow the Agency to effectively leverage resources. Selection trends included preservation, ending long-term homelessness, the development of workforce housing, transit oriented development, economic integration and senior housing.

This year for the Qualified Allocation Plan (QAP), from a federally assist perspective; staff were able to provide a tiered approach and categorizing properties into risk levels. This approach will be reviewed following the RFP and for the QAP. The data from the review will be used to help with future decisions.

The resources from the RFP will preserve 842 units of affordable housing, 540 of which are federally assisted and will leverage future rental assistance of $42 million.

Ending long-term homelessness has been a strategic priority for a number of years. With the 91 units created in the current RFP, the state has now achieved the goal of the creation of 4,000 new housing opportunities for those who've experienced long-term homelessness. We are now in a position where we understand how to create these units and understand the importance of partnership between owners, managers and service providers in successfully providing housing to those who have experienced homelessness.

The Governor's initiative for workhouse housing created a great opportunity to move forward in communities that are ready. These resources are targeted with a focus on transit oriented development and to areas with job growth. Now is a once-in-a-lifetime opportunity to ensure that there is affordable housing in our new transit corridors and the current RFP includes 311 units in prime sites. One of the transit oriented developments is mostly market rate, with 20 units of affordable housing. This project will advance the goal of economic integration.

Senior housing is an important component of our rental housing stock and staff have recommended the funding of two developments that are specific to seniors. All recommended projects are affordable and appropriate for seniors due to their locations and would provide an opportunity to age in place.

RFP coordinator Kayla Schuchman described the applications received and the review process, which involved architects, underwriters and asset management staff. Ms. Schuchman also described general selection trends and provided the following information:

- The board report covers all competitive funding sources offered through the RFP and information regarding trends is presented at a high level across all funding sources. Deferred funding is a relatively small component of the RFP, making up 7% of the total available funding. Staff have continued to present the messages of scarce resources and the need for cost containment. The Agency maintained the use of the predictive cost model and created an incentive to applicants agreeing to certain thresholds. The Agency also began requiring appraisals to validate estimates of acquisition costs. This year, no application exceeded 25% of the predictive cost model.
- The selections presented for approval will: leverage as many outside resources as possible with $14 million in equity generated by Minnesota Housing tax credits and another $30 million in equity from sub-allocator credits; generate fee income and interest earnings for the agency; fund all loans from Pool 2 rather than with tax exempt bonds; provide gap financing under the financing for capital costs (FFCC) program to three developments.
- A major difference between the current and previous year's RFP are that deferred loan resources are down due to the loss of HIB proceeds and 1,000 fewer units are being financed. The per-unit amounts are largely in line with amounts seen in previous years.
- The LMIR and FFCC programs are currently oversubscribed for the current Affordable Housing Plan. If, following more thorough underwriting, the need remains, staff will come to the board for an amendment of the affordable housing plan.

Ms. Schuchman added that the majority of non-selected applicants applied for and did not receive tax credits. Without credits, the developments are not feasible to move forward. Staff will contact all non-selected applicants and begin scheduling technical assistance sessions with them.

Ms. Schuchman highlighted the following recommended applications, which are illustrative of policy trends:

- Ebenezer Tower, a 192-unit high rise south of downtown Minneapolis serves an elderly and disabled population, many of whom are formerly homeless. The 40-year-old property has suffered operationally and has unmet physical needs, and was determined to be at immediate risk due to its physical needs. The owners have worked with the interagency stabilization group to develop a long-term, cost-effective stabilization plan that includes tax credits and HOME funding from the city of Minneapolis and Minnesota Housing. The resources will be used to address physical needs and expand to 20 the number or units dedicated for long-term homelessness. The 91 units assisted by Section 8 will leverage over $10 million in rental assistance over the next 30 years. Ms. Schuchman shared the story of Jewel; a current resident who experienced job loss, unemployment, foreclosure and homelessness before finding a home at Ebenezer in 2012.

- Tamarack Place is a new construction, 40-unit building in Roseau, sponsored by Sand Companies. The development is located near jobs and retail and will meet the workforce housing needs of the community. The city of Roseau has found a housing shortage in the face of significant job growth. Polaris, which employs 1,600 workers at its Roseau plant, provided a letter in support of the application. While they have Polaris has added 250 jobs in the past 24 months and the housing shortage in Roseau impacts attracting and retaining workers. Polaris is planning a $4.5 million expansion at their Roseau plant and is working with the Minnesota Equity Fund to make a $1 million investment in Tamarack place by purchasing the tax credits at a premium.

- Hamline Station is a PPL sponsored family and mixed-use proposal in Midway along University Avenue. Hamline Station is within easy reach of both downtowns, has close proximity to employment and retail and has 108 units of affordable housing and 8 units for long-term homelessness. The two buildings will have shared underground parking and are adjacent to an LRT station. The project will include separately owned commercial space.

Mr. DeCramer stated that, when reviewing the information, one item that brings attention is that relationship between cost per square foot and the overall cost and that the Agency ends up financing the materials and labor costs. Mr. DeCramer questioned if it has ever been considered to do something along the lines of purchasing contracts that would involve building materials and if that could potentially bring those costs down. Commissioner Tingerthal responded that cost containment is something the Agency has really engaged in a dialogue with the developer community and we're looking for ways in which we can drive down costs in various categories whether they be hard construction costs or soft costs, like legal and accounting that go along with a complex financing tool. With regards to the direct question, one thing that is a bit awkward with how projects get developed is that they never happen at the same time; trying to get economies of scale by pooling purchasing power together would be frustrating and not fruitful; projects proceed at their own pace and we have construction starts all over the map.

Mr. DeCramer clarified that he was equating the process to the ways in which cities purchase police cars; they can go on a state bid contract area and purchase materials at the state contract rate; a pre-established price that is less than the standard retail price for other companies. Mr. DeCramer added an example of perhaps Marvin Windows putting in a bid on projects in that area; if they would be willing to give a discount on materials for projects financed by Minnesota Housing.

Commissioner Tingerthal stated that staff would take the suggestion into consideration and asked that John Patterson, director of planning, research and evaluation, to comment more broadly on some additional opportunities that we've talked about with Enterprise Corporation and the McKnight Foundation on tackling these new ideas about cost containment. Mr. Patterson shared that the Agency has put in the QAP the awarding of points for the lowest cost projects. The next step or question is to work with developers on creating efficiencies like Mr. DeCramer had spoken about. The question at hand is to create efficiencies and eliminate waste.

Ms. Schuchman provided an overview of the information contained in the board report and requested approval of the staff selections, which provide for financing of 1,630 total units; including market rate units as well as sub-allocator units for which Minnesota Housing is not financing units. Ms. Schuchman noted that partner funding recommendations are subject to partner approvals, which are expected to occur over the next few weeks.

- **Approvals Related to Multifamily Selections**
  - **Resolution approving Selection/Authorization to Close Loans /Grants**
    Auditor Otto moved approval of Resolution No. MHFA 13-061. Mr. DeCramer seconded the motion. Motion carries 6-0.
  - **Resolution Allocating Federal Low Income Housing Credits for Calendar Year 2014 to Certain Qualified Low Income Housing Buildings**
    Ms. Klinzing moved approval of Resolution No. MHFA 13-062. Mr. Steve Johnson seconded the motion. Motion carries 5-0 with Mr. Joe Johnson recusing himself.
  - **Resolution Approving Mortgage Commitment Preservation Affordable Rental Investment Fund (PARIF) Program**
    Mr. DeCramer moved approval of Resolution No. MHFA 13-063. Mr. Joe Johnson seconded the motion. Motion carries 6-0.

**8. Discussion Items**

None.

**9. Informational Items**

None.

**10. Other Business**

**11. Adjournment.**

The meeting was adjourned at 11:27 a.m.

Minnesota Housing Finance Agency

**AGENDA ITEM:** 6.A.
**MINNESOTA HOUSING BOARD MEETING**
**November 21, 2013**

**ITEM:** Selections, Community Fix-Up Loan Program

**CONTACT:** Krissi Hoffmann, 651-297-3121 krissi.hoffmann@state.mn.us Calvin Greening, 651-296-8843 cal.greening@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 board approval for renewing the Community Fix Up initiative described in the attached initiative detail. The Community Fix Up Loan Program accepts initiative proposals from participating Fix Up lenders and their community partners on an ongoing basis. The activities must address home improvement needs resulting in a community impact. Initiatives are approved for a two-year funding access period and are eligible for renewal.

**FISCAL IMPACT:**
Community Fix Up uses Pool 2 funds budgeted in the current Affordable Housing Plan. Action requested is consistent with the program terms described in the plan.

**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 and Initiative Detail

**BACKGROUND:**
This recommendation for renewing a Community Fix Up initiative meets the guidelines for participation described in the Program Concept. When presented with proposals and renewals, staff considers the presence of leverage and/or value added features, a targeted audience, partnerships and focused marketing activities.

**INITIATIVE DETAIL:**

| Region | Application Partners | Estimated Demand | General Program Description |
|---|---|---|---|
| Twin Cities Metro | Center for Energy and Environment (CEE) | 215 loans<br>$3,000,000 | __New X Renewal<br><br>In partnership with selected cities, CEE requests continuation of their initiative to offer discounted loans and value added service in metro cities.<br><br>• Discount loans to residents in the following cities: Anoka, Blaine, Coon Rapids, Fridley, New Hope, Minneapolis, and St Louis Park<br>• Value added service of Home Energy Services (HES), a program which incorporates energy efficiency education, low cost/no cost materials, and Energy tracking/feedback in the cities of Anoka, Blaine, Coon Rapids, Fridley, New Hope, Minneapolis, and St. Louis Park, Bloomington, Brooklyn Park, and Richfield |

**AGENDA ITEM: 6.B.**
**MINNESOTA HOUSING BOARD MEETING**
**November 21, 2013**

**ITEM:** Operating Subsidy Renewal, Ending Long Term Homelessness Initiative Fund (ELHIF) - Country View Place, Willmar (D3871)

**CONTACT:** Vicki Farden, 651-296-8125 vicki.farden@state.mn.us

Laird Sourdif, 651-296-9795 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 $70,000 of ELHIF for an Operating Subsidy Grant Renewal for D3871 Country View Place, Willmar. This action will renew the operating subsidy grant for six units of supportive housing for long-term homeless families, providing up to two years of funding. This is a renewal grant that should have been included in the operating subsidy program renewal grants approved by the Board on June 21, 2013, but was missed due to a technology and administrative error.

**FISCAL IMPACT:**

The funding recommended is available from reclaimed ELHIF operating subsidy funds from the 2013 Affordable Housing Plan (AHP) and was originally calculated into the total operating subsidy liabilities for the 2013 and 2014 Affordable Housing Plans. The funding is available in the current 2014 Affordable Housing Plan (AHP) and has not been identified for any other purpose.

**MEETING AGENCY PRIORITIES:**

☐ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☑ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

**ATTACHMENT(S):**

- Background
- Resolution

**BACKGROUND:**
The Operating Subsidy (OS) Program provides funds for revenue shortfalls and unique costs associated with operating low-income supportive housing developments. The Agency's Affordable Housing Plan set aside Ending Long-term Homelessness Initiative Fund (ELHIF) for this purpose.

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 where available. Owners are invited to apply for renewal funding when the grant expires and must continue to demonstrate need and the investigation of other resources and cost savings.

In February 2013, the Agency notified 39 grantees with operating subsidy grants expiring by December 31, 2013, of the opportunity to apply for renewal operating subsidy funding. Due to an administrative and technology error in the Housing Development Software (HDS) system, the grant was not identified as an expiring grant eligible for renewal, and consequently, the owner of Country View Place did not receive the renewal notification. The owner contacted the Agency to inquire about renewal funding after the operating subsidy funding renewals were approved by the Board on June 20, 2013. Due to the technology error, staff invited the owner to submit a renewal application for funding consideration.

It should be noted that the administrative technology error has been corrected so this type of error will not occur in the future. Every operating subsidy grant document has been reviewed, the grant terms have been updated in HDS, and several new reports have been developed to double check operating subsidy program liabilities, expenditures, grant terms and renewal dates. Operating procedures for the program have been significantly changed to create much stronger oversight and management of the operating subsidy program.

Agency staff reviewed the Country View Place renewal application, analyzed the property financial information and operating budget, and spoke with the owner to ensure the operating assistance is necessary. Country View Place is a six unit townhome development with two, three, and four bedroom units serving long term homeless families. Due to the small size of the development and the relatively large units, opportunities for cost efficiencies are minimal. The property demonstrates a continuing need for the operating subsidy for revenue shortfall. The owner is encouraged to continue seeking other resources to subsidize rents and reduce the operating subsidy need. Staff recommends funding the full renewal amount of $35,000 per year, for two years, for a total of $70,000.

Funding for this operating subsidy renewal grant is available from reclaimed operating subsidy funds from grants that ended in 2013. The reclaimed grant funds from ELHIF, HTF and the Department of Human Services (DHS) HSASMI funds were greater than anticipated, resulting in more funding available for the 2014 AHP, particularly from DHS. Therefore, funding is available that has not been identified for the anticipated 2014 operating subsidy renewal grants.

Board Agenda Item: 6.B
Attachment: Resolution

**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 a renewal request for an operating subsidy for D#3871 Country View Place, Willmar, a property serving families who are low income and long-term homeless.

WHEREAS, Agency staff has reviewed the renewal application and determined that it is 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 a grant agreement using Agency resources as set forth below, subject to changes allowable under Agency and Board policies:

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

| | | | |
|---|---|---|---|
| Country View Place | Willmar | D3871 | $70,000 |

2. The issuance of the grant agreement 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. The grant agreement end date is the development's fiscal year end date in 2015; and

3. The sponsor 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 21st day of November, 2013.

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Minnesota Housing Finance Agency

**AGENDA ITEM:** 7.A.
**MINNESOTA HOUSING BOARD MEETING**
**November 21, 2013**

**ITEM:** Approval, Program Concept, Targeted Home Improvement Loan Program

**CONTACT:** Robert Russell, 651-296-9804, robert.russell@state.mn.us
Luis Pereira, 651-296-8276, luis.pereira@state.mn.us

**REQUEST:**

[x] Approval [ ] Discussion [ ] Information

**TYPE(S)**:

[ ] Administrative [ ] Commitment(s) [ ] Modification/Change [x] Policy [ ] Selection(s) [ ] Waiver(s)

[ ] Other:

**ACTION:**

[x] Motion [ ] Resolution [ ] No Action Required

**SUMMARY REQUEST:**
Staff requests board approval of the program concept and the scoring guidelines for the Targeted Home Improvement Pilot (THIP).

**FISCAL IMPACT:**
THIP is funded with Pool 3 resources allocated under the Affordable Housing Plan. The recommended program concept will guide the use of the funds allocated to THIP and will position the Agency to better serve a target group of eligible homeowners with current low participation in Agency home improvement programs.

**MEETING AGENCY PRIORITIES:**

[x] Promote and support successful homeownership [ ] Preserve federally-subsidized rental housing

[ ] Address specific and critical needs in rental housing markets [ ] Prevent and end homelessness

[x] Prevent foreclosures and support community recovery [ ] Strengthening Organizational Capacity

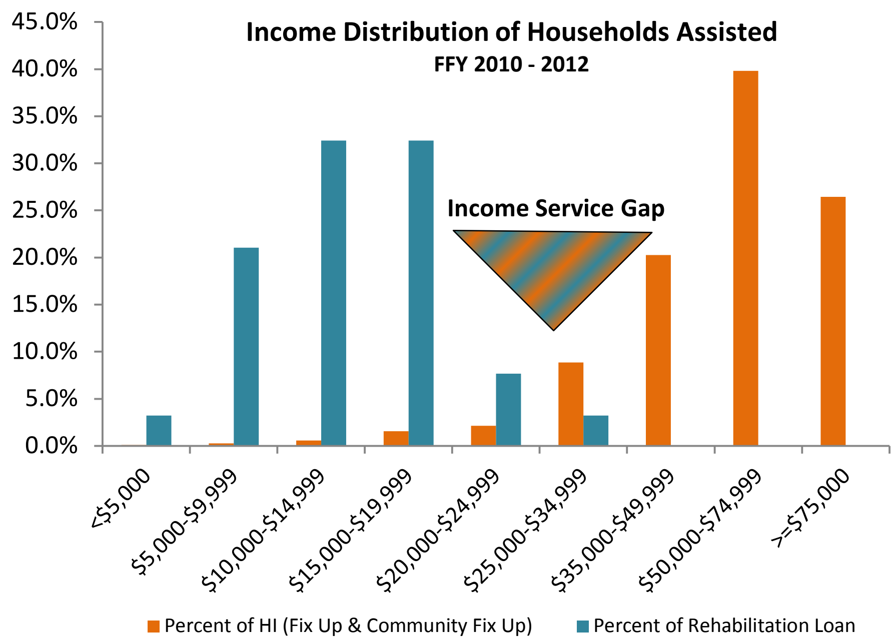
**ATTACHMENT(S):**
- Background
- Program Concept
- Scoring Guidelines

**BACKGROUND:**

The Agency has set aside $500,000 for the Targeted Home Improvement Pilot (THIP) as part of the 2014 Affordable Housing Plan (AHP). THIP will provide funding to administrators to discount the Community Fix Up interest rate for the purpose of providing more affordable home improvement financing to low- and moderate-income households. The proposed THIP income limit is 80% of Twin Cities Metro Area median income, applied statewide, which translates into a household income limit of $66,000. The AHP goal for THIP is to serve approximately 200 low- and moderate-income homeowners with a specific target to homeowners with incomes between those served by the Agency's two existing home improvement programs.

The Agency currently has two pipeline programs to serve the home improvement needs of Minnesota homeowners. First, the Fix Up Program provides below-market home improvement loans on either a secured or an unsecured basis. The current interest rate is 5.99% for secured loans and 6.99% for unsecured loans. A borrower can select a repayment term of up to 20 years, which allows the borrower to customize their monthly payment to their ability to repay. The Community Fix Up Program is a companion program. It offers local lenders and their community partners the opportunity to customize the Fix Up Program to serve local community needs through either a value-added service or a discounted (interest rate write-down) loan. Together, the Fix Up and Community Fix Up programs serve homeowners with a median income of $61,000 – well below the household income limit of $96,500.

The second program is the Rehabilitation Loan Program, which provides deferred, interest-free loans to low-income homeowners. Loans must be for improvements that directly affect the safety, habitability, or energy efficiency of the home. The Rehabilitation Loan Program serves households with a median income of $14,000.




The above chart illustrates the income service gap that currently exists between the Agency's two home improvement programs. For this reason, THIP will prioritize initiatives that serve households with incomes between $20,000 and $49,500. According to the 2012 American Community Survey, there are about

351,000 such households in Minnesota. More than 40% of these households are housing cost-burdened, meaning they pay more than 30% of their income for housing costs.

THIP will provide affordable financing for these households. The Pilot anticipates an average discount interest rate of 3.00% (from the current Community Fix Up interest rate of 5.75%), which translates into a monthly payment savings of $23.45 and a savings of about $3,700 over the life of an average Community Fix Up loan of $17,150.

THIP will be implemented by eligible administrators, who will be selected through a Request for Proposals (RFP) process. The RFP will give preference to proposals addressing a funding priority, namely: 1) areas in need of community recovery; 2) areas in need of foreclosure remediation; 3) needs identified in a cooperatively developed plan; 4) improvements allowing seniors to age in place; and 5) other needs identified by a local community. An eligible administrator is either a current Fix Up Program lender or an entity who partners with a current Fix Up Program lender. An eligible administrator will propose a local initiative that will address a local need, and the lender will originate the Community Fix Up loans to be discounted.

If approved by Board, the anticipated RFP schedule is as follows:

| | |
|---|---|
| RFP Released | 11/25/2013 |
| RFP Due | 1/10/2014 |
| Selections to Board | 2/27/2014 |

Additional RFPs will be made available, if necessary, as funding allows.

**Pilot Measurements**

THIP provides the Agency the opportunity to support a cohort of initiatives with different approaches and similar program terms that operate over same time period. The results of the pilot will be measured or evaluated on two fronts.

First, on an overall program basis:

- To serve 200 low- and moderate-income homeowners; and,
- To lower the overall median income level served by Fix Up and Community Fix Up from its current median income of $61,000, or 83.1% of state median.

Second, on the basis of specific program models:

- What is most effective in terms of targeting (e.g., targeting by rehabilitation type, targeting by neighborhood characteristics, etc.)?
- Which types of partnership are most effective (e.g., private-public partnership, private-nonprofit partnership, all-in-house approach, etc.)?
- Determine the types of benchmarks for success each administrator proposes for their initiative related to the community need identified (i.e., what's important to the community)?
- Which administrators were able to meet their benchmarks for success?

The above measures will provide valuable information that will inform how the Agency approaches funding in both Community Fix Up and Community Homeownership Impact Fund in terms of the content of technical assistance, including what the Agency will promote for program models.

Other objectives that cannot be easily measured are:

- To increase awareness of using the Community Fix Up program to serve low- and moderate-income households; and
- To increase awareness of the Community Homeownership Impact Fund as a potential source for writing down interest rates for Community Fix Up loans.

Board Agenda Item: 7.A.
Attachment: Program Concept

# Targeted Home Improvement Pilot Program Concept

## BACKGROUND

Minnesota Housing currently has two pipeline programs to serve the home improvement needs of Minnesota homeowners.

The Fix Up Program provides below market home improvement loans on either a secured or an unsecured basis. The current interest rate is 5.99% for secured loans and 6.99% for unsecured loans. A borrower can select a repayment term of up to 20 years, which allows the borrower to customize their monthly payments to their ability to repay. The Community Fix Up Program is a companion program. It offers local lenders and their community partners the opportunity to customize the Fix Up Program to serve local community needs through either a value-added service or a discounted (interest rate write-down) loan. Local lenders and their community partners propose Community Fix Up Initiatives to Minnesota Housing. Together, the Fix Up and Community Fix Up programs serve homeowners with a median income of $61,000 – well below the household income limit of $96,500.

The Rehabilitation Loan Program provides deferred, interest-free loans to low-income homeowners. Loans must be for improvements that directly affect the safety, habitability, livability, or energy efficiency of the home. The Rehabilitation Loan Program serves households with a median income of $14,000.

Minnesota Housing's programs serve a need not filled by the market, especially in the context of low- and moderate-income homeowners. Per data provided under the Home Mortgage Disclosure Act, overall home improvement lending to lower income households in Minnesota has declined over the last several years. The share of home improvement loan originations made to borrowers with incomes less than $100,000 dropped to 67% in 2012 compared to 72% in 2011 and the recent historical average of 75%. In short, low- and moderate-income homeowners have been unable to take advantage of historically low interest rates and current financing opportunities offered by traditional lenders.

## OBJECTIVE

The Targeted Home Improvement Pilot (THIP) targets households with incomes between those served by the two existing programs referenced above and focuses on communities with lower-income residents and older housing stock. The income limit for the Pilot is 80 percent of Twin Cities Metro Area median income, applied statewide. This translates into a household income limit of $66,000.

Minnesota Housing has set aside $500,000 to discount the Community Fix Up interest rate as part of the 2014 Affordable Housing Plan. The goal of the Pilot is to serve approximately 200 low- and moderate-income homeowners.

The Pilot will be implemented by eligible administrators, who will be selected through a Request for Proposals (RFP) process. An eligible administrator is either a current Fix Up Program lender or an entity who partners with a current Fix Up Program. An eligible administrator will propose a local initiative that will address a local need, and the lender will originate the Community Fix Up loans to be discounted.

## TARGETED HOME IMPROVEMENT PILOT TERMS

- Pilot funds will be provided to administrators as an eligible activity of the Community Homeownership Impact Fund (see chapter 4.01 of Community Homeownership Impact Fund Procedural Manual, formally known as Community Revitalization Fund (CRV)). As such, the requirements of the Community Homeownership Impact Fund must be followed.
- Pilot funds must be used to discount the interest rates of Community Fix Up loans. Community Fix Up loans are secured loans that meet the requirements of the Fix Up Program (see chapters 4.01, 4.02 and 5.01 of Fix Up Program Procedural Manual).
- Interest rates can be discounted from the Community Fix Up program rate of 5.75% to any of the following allowable rates listed in the table below, but, in order to meet the program service goal identified in the 2014 Affordable Housing Plan of 200 loans, the typical initiative proposal should seek to write down the interest rate to as low as 3.00%. Using the current Community Fix Up loan characteristics (average loan amount of $17,150 and average loan term of 156 months or 13 years), the following chart represents achievable loan production at certain discount rates:

| Loan Discounted To | Write Down Required | Total Number of Loans |
|---|---|---|
| 5.50% | $233 | 2,140 |
| 5.00% | $700 | 710 |
| 4.50% | $1,163 | 430 |
| 4.00% | $1,617 | 305 |
| 3.50% | $2,064 | 240 |
| 3.00% | $2,504 | 200 |
| 2.50% | $2,935 | 170 |
| 2.00% | $3,359 | 145 |
| 1.50% | $3,775 | 130 |
| 1.00% | $4,183 | 120 |
| 0.50% | $4,583 | 105 |
| 0.00% | $4,975 | 100 |

- Minnesota Housing will consider, on a limited basis, proposals that discount the interest rate below 3.00%. In such instances, there must be a reasonable justification of need that aligns with Minnesota Housing's priorities and/or additional leverage to bridge the gap of funding necessary to reach an increased write-down.

  *Example 1: An administrator proposes to discount a loan to 1.00% for households in its target area.* The administrator can use $2,504 of Pilot funds (allowable amount to discount the loan to an interest rate to 3.00%), but would need to provide another leverage source to cover the additional $1,679 necessary to discount the loan to 1.00%.

  *Example 2: An administrator proposes to discount a loan to 1.00% for households earning less than 50% of area median income and who live in a neighborhood with a high foreclosure rate that negatively impacts housing values.* If approved for funding, the administrator could use $4,183 of Pilot funds to get to the write-down amount necessary for the 1.00% loan.

- For more information on how to layer Pilot funding with Community Fix Up and the discount loan process, please review the following On Demand Training.

## BORROWER ELIGIBILITY

- Must have household income at or below 80 percent of Twin Cities Metro Area median income, currently $66,000. This household income limit applies to all proposals, statewide. However, Minnesota Housing will **prioritize** proposals that serve borrowers whose household income is at or below 60 percent of Twin Cities Metro Area median income, currently $49,500.
- Must meet the Household Eligibility requirements found in Chapter 2 of the Community Homeownership Impact Fund Program Procedural Manual *with the exception of 2.06 and 2.07 (which address income calculation)*. **The income calculation requirements found in Section 2.08 of the Fix Up Program Procedural Manual will apply to this Pilot.** Eligibility income is calculated using the gross annual projected income of borrowers; borrowers' spouse, if any; and, any other household resident who has ownership interest in the property to be improved.
- Must meet the Borrower Eligibility requirements found in Chapter 2 of the Fix Up Program Procedural Manual.
- Must have reasonable ability to repay the discounted Community Fix Up loan and meet the Fix Up lender's normal and prudent written underwriting standards utilizing the minimum Credit Requirements found in Chapter 4.06 of the Fix Up Program Procedural Manual.

## PROPERTY ELIGIBILITY

- Must meet the definition of Qualified Dwelling Unit found in Chapter 3.01 of the Community Homeownership Impact Fund Program Procedural Manual.
- Must meet the Property Eligibility requirements found in Chapter 3 of the Fix Up Program Procedural Manual.

## IMPROVEMENT ELIGIBILITY

- Must meet the eligible improvement requirements found in Chapter 4 of the Fix Up Program Procedural Manual.

## ELIGIBLE ADMINISTRATORS

- Cities;
- Housing and redevelopment authorities;
- Joint powers board established by two or more cities;
- Federally recognized American Indian Tribe or subdivision located in Minnesota or tribal housing corporation;
- Non-profit entities;
- For-profit entities.

## PROGRAM LENDER COMPENSATION

- Fix Up Program lender will be compensated per the secured loan compensation for each secured Community Fix Up loan purchased by the Agency, which includes a processing fee of $400 for each Community Fix Up loan and up to a 1% origination fee. Other fees and services can be charged to the borrower and in some cases financed in the loan. See Chapter 1.08 of the Fix Up Program Procedural Manual for more details.
- Administrators will not be paid additional fees for administering the amount of funds allocated for discounting Community Fix Up loans.

## REQUEST FOR PROPOSAL (RFP)

- Minnesota Housing will seek initiative proposals from interested eligible administrators through an RFP. Approvals will be brought to the Agency's board per the normal Community Fix Up Initiative approval process. The anticipated schedule is as follows:

| | |
|---|---|
| RFP Released | 11/25/2013 |
| RFP Due | 1/10/2014 |
| Selections to Board | 2/27/2014 |

- Additional RFPs will be made available if funding allows.
- The RFP will utilize the existing Proposal for Community Fix Up Initiative application process, where the Community Fix Up Program lender will outline the details of the proposed initiative.
- In an addendum to Proposal for Community Fix Up Initiative, the applicant will provide information about its eligibility as a Pilot administrator, the details about the nature of its proposed initiative including the targeting to be used, and the justification of the need for a write-down.
- Eligible targeting includes:
  - To areas in need of Community Recovery – Target areas with lower median household incomes (below $44,850 in the seven-county Twin Cities Metro Area or below $46,500 in Greater Minnesota), older housing stock (built before 1950), and higher than average declines in home sales prices (between 2007 and 2012).
  - To areas in need of Foreclosure Remediation – Target areas with higher than average rates of foreclosure and/or vacant properties due to foreclosure.
  - To needs identified in a cooperatively developed plan;
  - To provide financing to allow seniors to age in place or to be used as gap financing for projects partially funded with the Elderly Waiver program or other programs designed to assist seniors to age in place;
  - To specific improvements such as code violations, health and safety improvements, accessibility improvements and energy improvements (if energy improvements, must detail how a write-down below the 4.99% incentive rate is necessary); and
  - To other defined needs specific to the local target area, as documented with supporting data. Minnesota Housing's Community Profiles data and mapping tool may be helpful in identifying and characterizing needs.

- Geographic areas are defined by the applicant.
- Minnesota Housing provides resources, including maps and lists, of areas in the state meeting the Community Recovery and Foreclosure Remediation priorities.
- Proposals must include a plan for outreach and marketing to ensure the funds reach the intended households while addressing the identified community need.
- Proposals must identify how the applicant will measure the impact the funds will have on addressing the community need.

## FUNDING

- Funds will be awarded to selected qualifying proposals with funding amounts varying, based on the scores received pursuant to the Scoring Guidelines and amounts needed to serve the need identified in the proposal.

**SCORING GUIDELINES:**

THIP RFP criteria and points will be allocated and published as follows:

1. **Community Need and/or Goal** – up to 5 points total, with full or partial points allocated based on how well the applicant identified, quantified and justified the community need/goal – use of data is required.

2. **Linkage to Funding Priority** – up to 8 points total, with up to 2 points for addressing each priority:
   - **Foreclosure Remediation –** up to 2 points total, with partial points allocated based on the extent to which proposed target area coincides with a Foreclosure Remediation Priority Area.
   - **Community Recovery Strategy -** up to 2 points total, with partial points allocated based on the extent to which proposed target area coincides with a Community Recovery Priority Area.
   - **Cooperatively-developed plan**[1] – up to 2 points total, with points awarded based on the extent to which a clear connection is made between the plan's housing needs and proposed housing activity.
   - **Serving Other Community Needs** – up to 2 points total, with points awarded based on the likelihood that the proposal's geographic and/or demographic targeting will have an impact on the local need(s) identified.

3. **Types of Improvements** – up to 2 points total, based on the extent to which a clear connection is made between the anticipated rehabilitation types and the community need/goal.

4. **Leverage** – up to 7 points total, based on:
   a. The diversity of leverage (e.g., local employer, local government, philanthropic, regulatory incentive);
   b. The total leverage committed by activity; and
   c. The leverage ratio.

5. **Link to Serving Low-Income Populations** – up to 5 points total, based on whether the proposed initiative sets a lower household income limit than required by THIP.

6. **Measuring Community Impact –** up to 1 point total, based on how the proposed initiative will measure the impact on the need/goal as it relates to immediate impacts on housing units and households as well as longer-term impacts on the community.

7. **Marketing and Outreach –** up to 2 points total, based on the appropriateness of marketing techniques, tools, and sales methods to reach eligible target populations.

8. **Organizational Capacity** – up to 5 points total, based on administrator's, or its partner lender's, past performance in the Fix Up and Community Fix Up programs or past performance implementing a Community Fix Up write-down initiative via the Community Homeownership Impact Fund (formerly known as CRV), as well as the feasibility to complete their projected THIP production.

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[1] A cooperatively-developed plan is a community-supported plan that encompasses multiple affordable housing and related service initiatives in a geographically-defined area that is developed through the cooperation and input of a local unit of government and a community or housing partner.

**AGENDA ITEM:** 7.B
**MINNESOTA HOUSING BOARD MEETING**
**November 21, 2013**

**ITEM:** Rotation of Independent Auditor Policy

**CONTACT:** Tom O'Hern, 651.296.9796
tom.o'hern@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:**
At the request of the Board, counsel has prepared a draft policy regarding the rotation of auditors for the Board's discussion and approval.

**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):**
- Draft Policy

## Rotation of Independent Auditor Policy

*Adopted: [insert date of adoption]*

The Board believes that periodic rotation of the agency's independent financial audit firm is a prudent business practice because it would promote essential attributes needed in its external auditor:  independence, objectivity and professional skepticism in its evaluation of the agency's financial statements and internal controls. The Board also believes that the advantages of periodic rotation outweigh the potential short-term increase in audit costs and loss of institutional knowledge.  Therefore, it is the policy of the Board that every four fiscal years, or sooner if circumstances warrant, the Board will request proposals from qualified firms to audit the agency's financial statements and provide additional services, as needed, to the Board. The incumbent auditor will be permitted to submit a proposal, in competition with other qualified firms, to the subsequent request for proposals. However, a firm may not serve as the agency's auditor for more than eight consecutive years.

**AGENDA ITEM:** 8.A.
**MINNESOTA HOUSING BOARD MEETING**
**November 21, 2013**

**ITEM:** Multifamily Preservation: Identifying Needs, Exploring Strategies (PINES) Proactive Preservation Pilot

**CONTACT:** Julie LaSota, 651-296-9827
Julie.lasota@state.mn.us

☐ Approval ☑ Discussion ☐ Information

**TYPE(S)**:

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

☐ Other: ______________________________

**ACTION:**

☐ Motion ☐ Resolution ☑ No Action Required

**SUMMARY REQUEST:**

Provide background information to the Board members on a pilot that will be launched in 2014 to proactively preserve federally assisted developments resulting in extended affordability periods.

**FISCAL IMPACT:**

Activities under the PINES (Preservation: Identifying Needs, Exploring Strategies) pilot do not impact the Agency adversely as the primary funding programs that will be utilized in this pilot are state and federal resources (PARIF and HOME HARP, respectively).

**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

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**Background:**
Minnesota has over 1,100 developments containing approximately 40,000 units that participate in the U.S. Department of Housing and Urban Development's (HUD) project-based Section 8 program or Rural Development's Rental Assistance program. Households served by these rental assistance programs pay 30% of their income towards housing. Historically, these households have had an average annual income of less than $12,000.

Preservation of federally assisted housing units has been front and center since the early 1990s, when there was the first opportunity for owners (many of them profit motivated) to exit project-based programs. Early on, Minnesota's housing stakeholders identified the need to work collaboratively, as evidenced by:

- Establishment of the Interagency Stabilization Groups (ISGs) - Metro ISG and Greater MN ISG and, more recently, the Stewardship Council (supportive housing focused).
- The Consolidated Request for Proposal (RFP) -funding partners and funding stakeholders aligning funding and priorities.
- Minnesota Preservation Plus Initiative - a MacArthur Foundation funded initiative that focused on tools and programs designed to shift preservation decisions from reactive to proactive.
- The Legislature's ongoing funding of preservation activities through the Agency's base budget (PARIF – Preservation – Affordable Rental Investment Fund) and through appropriation bonds.
- To date, the Agency and its partner funders have taken actions that have led to the long-term preservation of more than 200 federally assisted properties, including public housing properties. These actions have preserved long-term affordability for more than 14,000 units with project-based federal rent subsidies and should leverage more than $1 billion in federal rent subsidies over the affordability period.

Preservation of *project-based federally subsidized* rental housing was specifically identified as a strategic priority in Minnesota Housing's 2013 – 2015 Strategic Plan. The "PINES" Project (Preservation: Identifying Needs, Exploring Strategies) was initiated to address the state's long-term preservation policies and processes. One significant PINES achievement over the past year has been the development of a three-tiered approach to preservation that was rolled out in conjunction with the 2014-2015 Qualified Allocation Plan (QAP) and the Consolidated RFP that prioritized Imminent Risk, High Risk and Stabilization efforts. Preliminary findings from the 2014 QAP round are that most of the preservation risk was shown to be centered around High Need risk (critical capital needs) and that refinements may be necessary to further prioritize within this category based on the severity of the capital needs gap.

While the low-income housing tax credit (LIHTC) program is a very important resource in the preservation of federally assisted units because it generates significant outside leverage, its use tends to result in a significant increase in total development cost (due to the need to transfer ownership, even if it is to a related party, and increases in soft costs related to participating in a highly regulated program) compared to previous actions taken that resulted in preservation without a change in ownership.

With scarce resources available to preserve Minnesota's federally assisted units and a demand that exceeds these resources, it is critical to set investment priorities. Along with the acceptance that we can't preserve every unit comes the recognition of how important it is to develop a better understanding of the owners of these portfolios: their business structure and motivation; the condition or health of their portfolio; their needs for capital or financial incentives and their willingness to make long-term commitments to participate in the federal program. We must also recognize that the LIHTC program may not be the right fit for all owners or situations. With this increased understanding, the Agency will be better positioned to move from reactive to anticipatory in its approach to preservation.

**Pilot Overview:**

PINES staff has developed a Preservation Pilot to test out receptivity of owners to make long-term commitments to preserve federally assisted housing within two target markets, both of which take action well in advance of loan maturity or subsidy contract expiration dates. The pilot will replace the current pipeline process and will be delivered in a substantially different way by prioritizing properties and proactively reaching out to owners that appear to meet the priorities. Owners will be invited to apply following an initial assessment of how a particular property meets the priorities of the pilot.

The proposed pilot concept has been discussed and shaped within the Agency. The pilot strives to strategically target the preservation of federally subsidized units based on location first and then based on the risk of conversion to market or capital needs (the two target markets). The proactive aspect of this pilot is a departure from the reactive pipeline process currently in place. By proactively contacting identified owners about preserving specific properties we will learn about future preservation planning needs for their entire assisted portfolios.

Each discussion with an owner will begin with a holistic review of the owner’s needs and the individual property’s financial and physical structure. If the owner decides to proceed, we will work to structure a financing package that will meet the owner's needs and ensure long term viability. Restructuring of existing debt may be offered when beneficial and feasible.

Significant preservation-related resources available in the current Affordable Housing Plan (PARIF state appropriations and HOME HARP along with amortizing financing) provide the scale necessary to test the two target markets discussed below.

In the long run, it is expected that efforts under this pilot will show cost savings by getting ahead of the curve with funding by restructuring projects well before their loan maturity or contract expiration dates, rather than reacting to emergency situations. Further, by acting early, these efforts may avoid the trauma to residents that comes with owners formally filing their intentions to opt out.

**Target Markets:**

- Market Conversion Threat (Incentive Based Model)
    - Target a group of Section 8 owners with a high likelihood of opting out in the future based on their past performance (opting out of a program with other properties) or the property’s small percentage of Section 8 units (which lends itself more easily to market conversion).
    - The highest priority will be placed on developments most likely to be repositioned in the market as higher-rent housing or conversion to homeownership or another use, as

evidenced by a significant rent differential between the restricted rents and market rents, transit oriented location and/or strong physical condition of property.
    - We will negotiate with owners to offer a financing package that could include a number of elements in exchange for the owner's commitment to remain in the project-based rental assistance program for a minimum of twenty years.
    - Any incentive offer will be sized to achieve at least a 4:1 return on the Agency's deferred loan investment; every one dollar of Agency investment will leverage at least a present value of four dollars in federal rent subsidies over the term of the investment. Restructuring of existing debt will be offered when beneficial and feasible.
- Capital Needs (Early Intervention Model)
    - Target a group of Section 8 properties that have not received substantial Agency capital funding since 1998 and have strong locations or are located in high need areas and, due to their age, may have capital needs that are not able to be met through debt restructuring or operations alone.
    - Priority will be given to properties with a nonprofit or local unit of government sponsor and properties with long-term assistance contracts. The funding sources of PARIF and HOME dictate these preferences.
    - The twenty year capital needs of the property will be taken into consideration in negotiations with owners to develop a financing package that could include a number of elements in exchange for the owner's commitment to remain in the project-based rental assistance program for a minimum of twenty years. Restructuring of existing debt will be offered when beneficial and feasible.
    - Capital investments of HOME or PARIF funds may be offered and will focus on replacement of major systems that have surpassed their useful life or critical physical needs that can be cost-effectively handled sooner rather than later.

**Pilot Goals and Measurements**
Based on criteria established for each group, we estimate that efforts made through the pilot will result in the preservation of 400 - 600 project-based units (5-8 properties).

The discussions we have with owners will also offer an opportunity for them to receive technical assistance for the development of a strong LIHTC application for properties that may not be eligible for or compatible with the pilot. Trends and information gleaned from the pilot may be used to develop more targeted, proactive and efficient preservation efforts in the future.

The extent of interest by owners in preserving their properties can be used to support future requests for Housing Infrastructure Bonds (HIB) and PARIF appropriations from the legislature.

The results of the pilot will be measured or evaluated in several ways, which may include:

- How do the total costs of preservation under the pilot compare to the methods currently utilized through the RFP/HTC? Do they result in substantially lower development costs because we avoid acquisition costs and additional soft costs and lower ongoing operating costs because of reduced compliance requirements?

- What factors appear to influence an owner's decision to participate in these proactive preservation efforts: for example, the extent of a substantial rent differential between restricted rents and market rents?
- Measurements relating to the deployment of resources
    - Number of federally assisted units proactively preserved
    - Each approved pilot transaction results in leverage of more than $4 in federal rent subsidies to each $1 of deferred loan investment based on an owner commitment of twenty years
    - Commitment of funds before September 2014
    - Candidate properties are not paired with the use of LIHTC

**<u>Pilot Timeline</u>:**

| | |
|---|---|
| Launch: | On or before January 2, 2014 |
| 100% Commitment of Funds: | September 1, 2014 |
| Pilot Evaluation: | July 2014 through July 2015 |

**AGENDA ITEM:** 8.B
**MINNESOTA HOUSING BOARD MEETING**
**November 21, 2013**

**ITEM:** Request for Proposals for Auditing Services

**CONTACT:** Bill Kapphahn, 651-215-5972
william.kapphahn@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: Finance

**ACTION:**

☐ Motion ☐ Resolution ☑ No Action Required

**SUMMARY REQUEST:**
The board has a practice of reviewing its external auditor relationship every four years. The last such review occurred in October, 2009.

**FISCAL IMPACT:**
The Agency will incur annual fees for the audit services and for any additional services requested from the audit firm. The fee amount will be determined from the responses to the Request for Proposals.

**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
- Proposed timeline
- Draft Request for Proposals

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CliftonLarsonAllen LLP was selected during the board's previous auditor review. They performed the external audit for fiscal years 2010 through 2013. They (and their predecessor firm LarsonAllen) have been engaged as the Agency's external auditors since the fiscal 2005 audit.

Staff will seek proposals from qualified auditing firms to provide auditing services for the next four fiscal years beginning with the fiscal year 2014 audit. Two or three firms will be selected based upon the scoring of the criteria described in the Request for Proposals. The selected firms will be invited to appear for an interview by the audit committee of the board sometime in mid-January, 2014. It is anticipated that the audit committee will select an auditing firm at that time.

The draft of the Request for Proposals is a lengthy document. As you review the proposal, note that the information after the 4th page of the document is boilerplate language required by the State of Minnesota.

# Minnesota Housing Finance Agency
# Auditor RFP
# Proposed Timeline
# 2013

| Date | Milestone |
|---|---|
| 11/21/2013 | Board approves draft Auditor RFP |
| 12/2/2013 | Publication of the availability of the Auditor RFP in the Bond Buyer |
| 12/2/2013 | Begin distribution of Auditor RFP |
| 12/12/2013 | Last date for receipt of questions on the Auditor RFP; answers to all questions distributed to all RFP requestors |
| 12/23/2013 | RFP responses due to Minnesota Housing by noon |
| 1/6/2014 | Based upon meeting the minimum requirement thresholds and the scoring of the evaluation criteria, finalist firms are selected by staff |
| mid-January 2014 | Audit committee interviews finalists and selects a firm |
| 2/14/2014 | Contract fully executed |

# REQUEST FOR PROPOSALS
# Minnesota Housing Finance Agency

**Project Overview**

The Minnesota Housing Finance Agency (the Agency or the State) is requesting proposals from qualified independent accounting firms for audit services. Because the incumbent firm has been engaged for the past nine years, the Agency deems it a prudent business practice to rotate auditors. The incumbent firm will not be considered for this RFP.

**Goal**

Services to be provided include the annual audit of the Agency's financial statements (fiscal year ends June 30), providing an audit opinion on each of the eight individual funds; Single Audit of federally funded programs; preparation of the Data Collection Form; management letter; review of information systems controls, security, data protection, and best practices; consent for issuance of financial information in conjunction with the sale of Agency bonds; program review of Financing Adjustment Factors and McKinney Act Savings for certain Section 8 projects on a triennial schedule, next due for the fiscal year ending June 30, 2016; education of Agency board and staff regarding audit and accounting practices and emerging GAAP and their impact on the Agency, and other services as requested. The preparation of schedules, financial statements, management's discussion and analysis, footnotes, and supplementary information is completed by Agency staff. Planning for the audits normally occurs in February, interim work for the audits must be completed by the end of May and the year-end field work completed by mid-August. Drafts of the audit reports, required communications, and report on the effectiveness of information technology controls must be completed and delivered to the Agency eight days before the August board meeting date in order to be included in the board mailing for the August meeting (normally held on the fifth Thursday of that month). The audit results are to be presented to the audit committee of the board at that meeting.

The Agency's board practice requires bidding of audit services for durations covering four fiscal years. The Agency intends to enter into a one-year contract with the selected firm and then renew the contract on an annual basis for each of the succeeding three years. The contract will commence in February, 2014, or as soon as is practical after selection.

This request for proposal does not obligate the State to award a contract or complete the project, and the State reserves the right to cancel the solicitation if it is considered to be in its best interest.

Prospective responders who have any questions regarding this request for proposal may email them to:
eric.mattson@state.mn.us

Please include "Audit RFP" in the subject line. All questions must be received by 2:30 p.m. central standard time on December 12, 2013. Other personnel are not authorized to discuss this request for proposal with responders before the proposal submission deadline. Contact regarding this RFP in any manner other than described above could result in disqualification.

The Agency's most recent audited financial statements may be viewed on our web site at: http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1358904899538&pagename=External%2FPage%2FEXTStandardLayout Prior years' audited financial statements are located on our web site at: http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1358904919230&pagename=External%2FPage%2FEXTStandardLayout The Single Audit for the year ended June 30, 2013 reported total expenditures of federal awards of $192 million. Three programs were tested as major programs. The Agency was determined to be a low risk auditee.

**Proposal Content**

Your proposal should address the following items:

1. Describe your firm and its areas of expertise.
2. Describe your local office and its areas of expertise.
3. Describe the decision making authority of the local office and its relationship to national, regional, or other headquarter offices of your firm.
4. Describe your relevant work with financial institutions, real estate, other housing finance agencies and government organizations.
5. Discuss your philosophy of providing audit services to the client.
6. Annual audits- financial statements and federal programs (i.e., Single Audit).
7. Describe the information technology process/approach to the financial audit, including tools, systems and practices used in performing the audit
8. Consent for issuance of financial information in conjunction with the sale of Agency bonds.
9. Other services (e.g., tax consulting and software design review).
10. Discuss your philosophy of establishing fees for audit services and the effect of a four-year rotation. Provide a proposed fee structure for both the audits, including start-up costs, if any. Any hourly rates proposed should indicate if the rates apply to audit, tax and consulting services.
11. Provide resumes of personnel to be assigned to the Agency and the portion of their time devoted to federal audits. Describe your policy on notification of changes in key personnel.
12. Discuss your firm's ability to provide review services for the Agency's internally developed software and information systems platforms, security infrastructure, and change management controls.
13. Future annual audited financial statements are anticipated to be similar to those recently produced by the Agency. If your firm has any discomfort with them in terms of format, accounting treatment or disclosure, please discuss this and describe what you would require in the way of changes.
14. Indicate your firm's peer review results over the past three years. Indicate whether your firm has been the object of any disciplinary action during the past three years. Provide results of any relevant external quality control reviews.
15. Provide names and contact person(s) for up to three references each for financial audit and single audit work most similar to the Agency's. The same references may be used for both audits.
16. Other required items as described under the General Requirements section that follows.

Proposals are limited to ten 8-1/2" x 11" pages, excluding cover letter (limited to 2 pages), personnel resumes, and the items required by the General Requirements section that follows. Proposals must be signed in ink by an authorized member of the firm submitting the proposal, including a statement that the information provided is true, correct and reliable for purposes of evaluation for potential contract award. Proposals should be submitted in a sealed package, clearly marked on the outside of the package "Proposal for Audit Services", along with the respondent firm's name. In considering proposal costs, respondents should be aware that the State does not make regular payments based upon the passage of time, but only pays for services performed or work completed/delivered after it is accomplished.

All costs incurred in responding to this RFP will be borne by the responder.

**Proposal Evaluation**

All responses received by the deadline will be evaluated by representatives of the Minnesota Housing Finance Agency. Proposals will first be reviewed to determine if the minimum requirements have been met. Proposals that fail to meet minimum requirements will not advance to the next phase of the evaluation. Qualified proposals will be evaluated on the basis of "best value" as determined by Agency staff. Staff will select two or three firms by January 6, 2014. Those firms will be notified and invited to appear for an interview before the audit committee of the Agency's board on or about [mid-January, 2014 - date to be selected by the board]. It is anticipated that a firm will be selected by the audit committee of the board at that time. A 100-point scale will be used to create the final evaluation recommendation. The following criteria will be considered by staff in evaluating the proposals and selecting the firms to be referred to the audit committee of the board:

- Evaluation of capabilities and quality of work product. 30 points
- Qualifications and expertise of the firm and proposed staff. 20 points
- Relevant prior experience (relevant state work or work with large county or city housing authorities preferred; size of compliance audit clients also considered). 20 points
- Proposed fees. 20 points
- Feedback obtained from references. 5 points
- Responsiveness to this RFP. 5 points

Please submit ten copies of your proposal by 12:00 p.m., CST, December 23, 2013 to:

Minnesota Housing Finance Agency
Attn: William Kapphahn, Finance Director
400 Sibley Street, Suite 300
St. Paul, MN 55101

Proposals received late, via fax or sent electronically, will not be considered.

**Mandatory Requirements (Scored as Pass/Fail)**

The following will be considered on a pass/fail basis:

1. Proposals must be received on or before the due date and time specified in this solicitation. In addition, the respondent must:
2. have auditing/accounting revenues in excess of $20 million annually

3. be actively engaged in providing audit and comfort review services to clients who issue public debt in individual offerings greater than $30 million
4. be currently providing financial audit and federal single audit services to state, county, city, or other government entities, housing authorities, or non-profit housing entities with assets greater than $500 million
5. have substantial depth of knowledge and experience with mortgage lenders and commercial banks that originate and service residential ownership and commercial mortgage loans

**General Requirements**

**Affidavit of Noncollusion**

Each responder must complete the attached Affidavit of Noncollusion and include it with the response.

**Conflicts of Interest**

Responder must provide a list of all entities with which it has relationships that create, or appear to create, a conflict of interest with the work that is contemplated in this request for proposals. The list should indicate the name of the entity, the relationship, and a discussion of the conflict.

**Proposal Contents**

By submission of a proposal, Responder warrants that the information provided is true, correct and reliable for purposes of evaluation for potential contract award. The submission of inaccurate or misleading information may be grounds for disqualification from the award as well as subject the responder to suspension or debarment proceedings as well as other remedies available by law.

**Disposition of Responses**

All materials submitted in response to this RFP will become property of the State and will become public record in accordance with Minnesota Statutes, section 13.591, after the evaluation process is completed. Pursuant to the statute, completion of the evaluation process occurs when the government entity has completed negotiating the contract with the selected vendor. If the Responder submits information in response to this RFP that it believes to be trade secret materials, as defined by the Minnesota Government Data Practices Act, Minnesota Statute § 13.37, the Responder must:

- clearly mark all trade secret materials in its response at the time the response is submitted,
- include a statement with its response justifying the trade secret designation for each item,

and

- defend any action seeking release of the materials it believes to be trade secret, and indemnify and hold harmless the State, its agents and employees, from any judgments or damages awarded against the State in favor of the party requesting the materials, and any and all costs connected with that defense. This indemnification survives the State's award of a contract. In submitting a response to this RFP, the Responder agrees that this indemnification survives as long as the trade secret materials are in possession of the State.

The State will not consider the prices submitted by the Responder to be proprietary or trade secret materials.

Notwithstanding the above, if the State contracting party is part of the judicial branch, the release of data shall be in accordance with the Rules of Public Access to Records of the Judicial Branch promulgated by the Minnesota Supreme Court as the same may be amended from time to time.

**Contingency Fees Prohibited**

Pursuant to Minnesota Statutes Section 10A.06, no person may act as or employ a lobbyist for compensation that is dependent upon the result or outcome of any legislation or administrative action.

**Sample Contract**

You should be aware of the State's standard contract terms and conditions in preparing your response. A sample State of Minnesota Professional/Technical Services Contract is attached for your reference. Much of the language reflected in the contract is required by statute. If you take exception to any of the terms, conditions or language in the contract, you must indicate those exceptions in your response to the RFP; certain exceptions may result in your proposal being disqualified from further review and evaluation. Only those exceptions indicated in your response to the RFP will be available for discussion or negotiation.

**Reimbursements**

Reimbursement for travel and subsistence expenses actually and necessarily incurred by the contractor as a result of the contract will be in no greater amount than provided in the current "Commissioner's Plan" promulgated by the commissioner of Employee Relations. Reimbursements will not be made for travel and subsistence expenses incurred outside Minnesota unless it has received the State's prior written approval for out of state travel. Minnesota will be considered the home state for determining whether travel is out of state.

**Organizational Conflicts of Interest**

The responder warrants that, to the best of its knowledge and belief, and except as otherwise disclosed, there are no relevant facts or circumstances which could give rise to organizational conflicts of interest. An organizational conflict of interest exists when, because of existing or planned activities or because of relationships with other persons, a vendor is unable or potentially unable to render impartial assistance or advice to the State, or the vendor's objectivity in performing the contract work is or might be otherwise impaired, or the vendor has an unfair competitive advantage. The responder agrees that, if after award, an organizational conflict of interest is discovered, an immediate and full disclosure in writing must be made to the Assistant Director of the Department of Administration's Materials Management Division ("MMD") which must include a description of the action which the contractor has taken or proposes to take to avoid or mitigate such conflicts. If an organization conflict of interest is determined to exist, the State may, at its discretion, cancel the contract. In the event the responder was aware of an organizational conflict of interest prior to the award of the contract and did not disclose the conflict to MMD, the State may terminate the contract for default. The provisions of this clause must be included in all subcontracts for work to be performed similar to the service provided by the prime contractor, and the terms "contract," "contractor," and "contracting officer" modified appropriately to preserve the State's rights.

**Preference to Targeted Group and Economically Disadvantaged Business and Individuals**

In accordance with Minnesota Rules, part 1230.1810, subpart B and Minnesota Rules, part 1230.1830, certified Targeted Group Businesses and individuals submitting proposals as prime contractors will receive a six percent preference in the evaluation of their proposal, and certified Economically Disadvantaged Businesses and individuals submitting proposals as prime contractors will receive a six percent preference in the evaluation of their proposal. Eligible TG businesses must be currently certified by the Materials Management Division prior to the solicitation opening date and time. For information regarding certification, contact the Materials Management Helpline at 651.296.2600, or you may reach the Helpline by email at mmdhelp.line@state.mn.us. For TTY/TDD communications, contact the Helpline through the Minnesota Relay Services at 1.800.627.3529.

**Veteran-Owned Preference**

In accordance with Minn. Stat. § 16C.16, subd. 6a, (a) Except when mandated by the federal government as a condition of receiving federal funds, the commissioner shall award up to a six percent preference on state procurement to **certified small businesses** that are **majority-owned and operated by**:

(1) recently separated veterans who have served in active military service, at any time on or after September 11, 2001, and who have been discharged under honorable conditions from active service, as indicated by the person's United States Department of Defense form DD-214 or by the commissioner of veterans affairs;

(2) veterans with service-connected disabilities, as determined at any time by the United States Department of Veterans Affairs; or

(3) any other veteran-owned small businesses certified under section 16C.19, paragraph (d).

In accordance with Minn. Stat. § 16C.19 (d), a veteran-owned small business, the principal place of business of which is in Minnesota, is certified if it has been verified by the United States Department of Veterans Affairs as being either a veteran-owned small business or a service disabled veteran-owned small business, in accordance with Public Law 109-461 and Code of Federal Regulations, title 38, part 74.

To receive a preference the veteran-owned small business must meet the statutory requirements above by the solicitation opening date and time.

If you are claiming the veteran-owned preference, **attach documentation, sign and return the Veteran-Owned Preference Form with your response to the solicitation.** Only eligible veteran-owned small businesses that meet the statutory requirements and provide adequate documentation will be given the preference.

**Foreign Outsourcing of Work Prohibited**

All services under this contract shall be performed within the borders of the United States. All storage and processing of information shall be performed within the borders of the United States. This provision also applies to work performed by subcontractors at all tiers.

**Human Rights Requirements**

For all contracts estimated to be in excess of $100,000, responders are required to complete the attached Affirmative Action Data page and return it with the response. As required by Minnesota Rule 5000.3600, “It is hereby agreed between the parties that Minnesota Statute § 363A.36 and Minnesota Rule 5000.3400 - 5000.3600 are incorporated into any contract between these parties based upon this specification or any modification of it. A copy of Minnesota Statute § 363A.36 and Minnesota Rule 5000.3400 - 5000.3600 are available upon request from the contracting agency."

**Certification Regarding Lobbying**
Federal money will be used or may potentially be used to pay for all or part of the work under the contract, therefore the Proposer must complete the attached **Certification Regarding Lobbying** and submit it as part of its proposal.

**Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion.**
Federal money will be used or may potentially be used to pay for all or part of the work under the contract, therefore the Proposer must certify the following, as required by the regulations implementing Executive Order 12549.

**Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion -- Lower Tier Covered Transactions**
Instructions for Certification

1. By signing and submitting this proposal, the prospective lower tier participant is providing the certification set out below.
2. The certification in this clause is a material representation of fact upon which reliance was placed when this transaction was entered into. If it is later determined that the prospective lower tier participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.
3. The prospective lower tier participant shall provide immediate written notice to the person to which this proposal is submitted if at any time the prospective lower tier participant learns that its certification was erroneous when submitted or had become erroneous by reason of changed circumstances.
4. The terms *covered transaction, debarred, suspended, ineligible, lower tier covered transaction, participant, person, primary covered transaction, principal, proposal, and voluntarily excluded*, as used in this clause, have the meaning set out in the Definitions and Coverages sections of rules implementing Executive Order 12549. You may contact the person to which this proposal is submitted for assistance in obtaining a copy of those regulations.
5. The prospective lower tier participant agrees by submitting this response that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency with which this transaction originated.
6. The prospective lower tier participant further agrees by submitting this proposal that it will include this clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion--Lower Tier Covered Transaction," without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
7. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, ineligible, or voluntarily excluded from covered transactions, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not

required to, check the List of Parties Excluded from Federal Procurement and Nonprocurement Programs

8. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.
9. Except for transactions authorized under paragraph 5 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is proposed for debarment under 48 C.F.R. 9, subpart 9.4, suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the federal government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.

**Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions**

1. The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.
2. Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

**Insurance Requirements**

A. Contractor shall not commence work under the contract until they have obtained all the insurance described below and the State of Minnesota has approved such insurance. Contractor shall maintain such insurance in force and effect throughout the term of the contract.

B. Contractor is required to maintain and furnish satisfactory evidence of the following insurance policies:

   1. **Workers' Compensation Insurance:** Except as provided below, Contractor must provide Workers' Compensation insurance for all its employees and, in case any work is subcontracted, Contractor will require the subcontractor to provide Workers' Compensation insurance in accordance with the statutory requirements of the State of Minnesota, including Coverage B, Employer's Liability. Insurance **minimum** limits are as follows:

      $100,000 – Bodily Injury by Disease per employee
      $500,000 – Bodily Injury by Disease aggregate
      $100,000 – Bodily Injury by Accident

      If Minnesota Statute 176.041 exempts Contractor from Workers' Compensation insurance or if the Contractor has no employees in the State of Minnesota, Contractor must provide a written statement, signed by an authorized representative, indicating the qualifying exemption that excludes Contractor from the Minnesota Workers' Compensation requirements.

      If during the course of the contract the Contractor becomes eligible for Workers' Compensation, the Contractor must comply with the Workers' Compensation Insurance requirements herein and provide the State of Minnesota with a certificate of insurance.

2. **Commercial General Liability Insurance:** Contractor is required to maintain insurance protecting it from claims for damages for bodily injury, including sickness or disease, death, and for care and loss of services as well as from claims for property damage, including loss of use which may arise from operations under the Contract whether the operations are by the Contractor or by a subcontractor or by anyone directly or indirectly employed by the Contractor under the contract. Insurance **minimum** limits are as follows:

   $2,000,000 – per occurrence
   $2,000,000 – annual aggregate
   $2,000,000 – annual aggregate – Products/Completed Operations

   The following coverages shall be included:

   Premises and Operations Bodily Injury and Property Damage
   Personal and Advertising Injury
   Blanket Contractual Liability
   Products and Completed Operations Liability
   State of Minnesota named as an Additional Insured, to the extent permitted by law

3. **Commercial Automobile Liability Insurance:** Contractor is required to maintain insurance protecting it from claims for damages for bodily injury as well as from claims for property damage resulting from the ownership, operation, maintenance or use of all owned, hired, and non-owned autos which may arise from operations under this contract, and in case any work is subcontracted the contractor will require the subcontractor to maintain Commercial Automobile Liability insurance. Insurance **minimum** limits are as follows:

   $2,000,000 – per occurrence Combined Single limit for Bodily Injury and Property Damage

   In addition, the following coverages should be included:

   Owned, Hired, and Non-owned Automobile

4. **Professional/Technical, Errors and Omissions, and/or Miscellaneous Liability Insurance**

   This policy will provide coverage for all claims the contractor may become legally obligated to pay resulting from any actual or alleged negligent act, error, or omission related to Contractor's professional services required under the contract.

   Contractor is required to carry the following **minimum** limits:

   $2,000,000 – per claim or event
   $2,000,000 – annual aggregate

   Any deductible will be the sole responsibility of the Contractor and may not exceed $50,000 without the written approval of the State. If the Contractor desires authority from the State to have a deductible in a higher amount, the Contractor shall so request in writing, specifying the amount of the desired deductible and providing financial documentation by submitting the most current audited financial statements so that the State can ascertain the ability of the Contractor to cover the deductible from its own resources.

The retroactive or prior acts date of such coverage shall not be after the effective date of this Contract and Contractor shall maintain such insurance for a period of at least three (3) years, following completion of the work. If such insurance is discontinued, extended reporting period coverage must be obtained by Contractor to fulfill this requirement.

C. Additional Insurance Conditions:

- Contractor's policy(ies) shall be primary insurance to any other valid and collectible insurance available to the State of Minnesota with respect to any claim arising out of Contractor's performance under this contract;

- If Contractor receives a cancellation notice from an insurance carrier affording coverage herein, Contractor agrees to notify the State of Minnesota within five (5) business days with a copy of the cancellation notice, unless Contractor's policy(ies) contain a provision that coverage afforded under the policy(ies) will not be cancelled without at least thirty (30) days advance written notice to the State of Minnesota;

- Contractor is responsible for payment of Contract related insurance premiums and deductibles;

- If Contractor is self-insured, a Certificate of Self-Insurance must be attached;

- Contractor's policy(ies) shall include legal defense fees in addition to its liability policy limits, with the exception of B.4 above;

- Contractor shall obtain insurance policy(ies) from insurance company(ies) having an "AM BEST" rating of A- (minus); Financial Size Category (FSC) VII or better, and authorized to do business in the State of Minnesota; and

- An Umbrella or Excess Liability insurance policy may be used to supplement the Contractor's policy limits to satisfy the full policy limits required by the Contract.

D. The State reserves the right to immediately terminate the contract if the contractor is not in compliance with the insurance requirements and retains all rights to pursue any legal remedies against the contractor. All insurance policies must be open to inspection by the State, and copies of policies must be submitted to the State's authorized representative upon written request.

E. The successful responder is required to submit Certificates of Insurance acceptable to the State of MN as evidence of insurance coverage requirements prior to commencing work under the contract.

**E-Verify Certification (In accordance with Minn. Stat. §16C.075)**

By submission of a proposal for services in excess of $50,000, Contractor certifies that as of the date of services performed on behalf of the State, Contractor and all its subcontractors will have implemented or be in the process of implementing the federal E-Verify program for all newly hired employees in the United States who will perform work on behalf of the State. In the event of contract award, Contractor shall be responsible for collecting all subcontractor certifications and may do so utilizing the E-Verify Subcontractor Certification Form available at http://www.mmd.admin.state.mn.us/doc/EverifySubCertForm.doc. All subcontractor certifications must be kept on file with Contractor and made available to the State upon request.

**CERTIFICATION REGARDING LOBBYING**

For State of Minnesota Contracts and Grants over $100,000

The undersigned certifies, to the best of his or her knowledge and belief that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, A Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, Disclosure Form to Report Lobbying in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by 31 U.S.C. 1352. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

__________________________________________
Organization Name

__________________________________________
Name and Title of Official Signing for Organization

By:_______________________________________
Signature of Official

_____________________________________
Date

## State Of Minnesota – Affirmative Action Certification

**If your response to this solicitation is or could be in excess of $100,000**, complete the information requested below to determine whether you are subject to the Minnesota Human Rights Act (Minnesota Statutes 363A.36) certification requirement, and to provide documentation of compliance if necessary. **It is your sole responsibility to provide this information and—if required—to apply for Human Rights certification prior to the due date of the bid or proposal and to obtain Human Rights certification prior to the execution of the contract. The State of Minnesota is under no obligation to delay proceeding with a contract until a company receives Human Rights certification.**

**BOX A – For companies which have employed more than 40 full-time employees within Minnesota on any single working day during the previous 12 months. All other companies proceed to BOX B.**

Your response will be rejected unless your business:

has a current Certificate of Compliance issued by the Minnesota Department of Human Rights (MDHR)

*–or–*

has submitted an affirmative action plan to the MDHR, which the Department received prior to the date the responses are due.

Check one of the following statements if you have employed more than 40 full-time employees in Minnesota on any single working day during the previous 12 months:

- ❑ We have a current Certificate of Compliance issued by the MDHR. **Proceed to** BOX C. **Include a copy of your certificate with your response.**
- ❑ We do not have a current Certificate of Compliance. However, we submitted an Affirmative Action Plan to the MDHR for approval, which the Department received on ___________________ (date). **Proceed to** BOX C.
- ❑ We do not have a Certificate of Compliance, nor has the MDHR received an Affirmative Action Plan from our company. **We acknowledge that our response will be rejected. Proceed to** BOX C. **Contact the Minnesota Department of Human Rights for assistance.** (See below for contact information.)

**Please note:** Certificates of Compliance must be issued by the Minnesota Department of Human Rights. Affirmative Action Plans approved by the Federal government, a county, or a municipality must still be received, reviewed, and approved by the Minnesota Department of Human Rights before a certificate can be issued.

BOX B – **For those companies not described in** BOX A

Check below.

- ❑ We have not employed more than 40 full-time employees on any single working day in Minnesota within the previous 12 months. **Proceed to** BOX C.

BOX C – **For all companies**

By signing this statement, you certify that the information provided is accurate and that you are authorized to sign on behalf of the responder. You also certify that you are in compliance with federal affirmative action requirements that may apply to your company. (These requirements are generally triggered only by participating as a prime or subcontractor on federal projects or contracts. Contractors are alerted to these requirements by the federal government.)

Name of Company: ___________________________________________ Date ________________________________________

Authorized Signature: _________________________________________ Telephone number: __________________________

Printed Name: _______________________________________________ Title: _______________________________________

**For assistance with this form, contact:**

Minnesota Department of Human Rights, Compliance & Community Relations

| | | | | | |
|---|---|---|---|---|---|
| Mail: | The Freeman Building 625 Robert Street North, Saint Paul, MN 55155 | TC Metro: | (651) 296-5663 | Toll Free: | 800-657-3704 |
| Web: | www.humanrights.state.mn.us | Fax: | (651) 296-9042 | TTY: | (651) 296-1283 |
| Email: | compliance.mdhr@state.mn.us | | | | |

**STATE OF MINNESOTA**
**AFFIDAVIT OF NONCOLLUSION**

I swear (or affirm) under the penalty of perjury:

1. That I am the Responder (if the Responder is an individual), a partner in the company (if the Responder is a partnership), or an officer or employee of the responding corporation having authority to sign on its behalf (if the Responder is a corporation);

2. That the attached proposal submitted in response to the ________________________ Request for Proposals has been arrived at by the Responder independently and has been submitted without collusion with and without any agreement, understanding or planned common course of action with, any other Responder of materials, supplies, equipment or services described in the Request for Proposal, designed to limit fair and open competition;

3. That the contents of the proposal have not been communicated by the Responder or its employees or agents to any person not an employee or agent of the Responder and will not be communicated to any such persons prior to the official opening of the proposals; and

4. That I am fully informed regarding the accuracy of the statements made in this affidavit.

Responder's Firm Name:___________________________________________

Authorized Representative (Please Print) ______________________________

Authorized Signature: ______________________________________________

Date: __________________

Subscribed and sworn to me this _________ day of ___________

Notary Public Signature: ________________________________

My commission expires: _________

# STATE OF MINNESOTA

## VETERAN-OWNED PREFERENCE FORM

In accordance with Minn. Stat. § 16C.16, subd. 6a, (a) Except when mandated by the federal government as a condition of receiving federal funds, the commissioner shall award up to a six percent preference in the amount bid on state procurement to **certified small businesses** that are **majority-owned and operated by**:

(1) recently separated veterans who have served in active military service, at any time on or after September 11, 2001, and who have been discharged under honorable conditions from active service, as indicated by the person's United States Department of Defense form DD-214 or by the commissioner of veterans affairs;
(2) veterans with service-connected disabilities, as determined at any time by the United States Department of Veterans Affairs; or
(3) any other veteran-owned small businesses certified under section 16C.19, paragraph (d).

In accordance with Minn. Stat. § 16C.19 (d), a veteran-owned small business, the principal place of business of which is in Minnesota, is certified if it has been verified by the United States Department of Veterans Affairs as being either a veteran-owned small business or a service disabled veteran-owned small business, in accordance with Public Law 109-461 and Code of Federal Regulations, title 38, part 74.

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To receive a preference the veteran-owned small business must meet the statutory requirements above by the solicitation opening date and time. When responding to a Request for Bid (RFB), the preference is applied only to the first $500,000 of the response. When responding to a Request for Proposal (RFP), the preference is applied as detailed in the RFP.

If you are claiming the veteran-owned preference, **attach documentation, sign and return this form with your response to the solicitation.** Only eligible veteran-owned small businesses that meet the statutory requirements and provide adequate documentation will be given the preference.

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**I HEREBY CERTIFY THAT THE FIRM LISTED BELOW:**

My firm is a certified small business and it is majority-owned and operated by an eligible person as defined by Minn. Stat. § 16C.16, subd. 6a.

___**Yes** ___**No** (must check yes or no) **State the type of documentation attached:**________________________________________

**DOCUMENTATION MUST BE PROVIDED FOR ONE OF THE FOLLOWING REQUIREMENTS:**

___ (1) recently separated veterans who have served in active military service, at any time on or after September 11, 2001, and who have been discharged under honorable conditions from active service, as indicated by the person's United States Department of Defense form DD-214 or by the commissioner of veterans affairs;

**State the type of documentation attached:** ___________________________________________

___ (2) veterans with service-connected disabilities, as determined at any time by the United States Department of Veterans Affairs;

**State the type of documentation attached:** ___________________________________________

___ (3) any other veteran-owned small businesses certified under Minnesota Statute Section 16C.19, paragraph (d).

**State the type of documentation attached:** _________________________________________________________

| | | | |
|---|---|---|---|
| Name of Company: | ________________________________ | Date: | ____________________________ |
| Authorized Signature: | ________________________________ | Telephone: | ____________________________ |
| Printed Name: | ________________________________ | Title: | ____________________________ |

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**IF YOU ARE CLAIMING THE VETERAN-OWNED PREFERENCE, ATTACH DOCUMENTATION, SIGN AND RETURN THIS FORM WITH YOUR RESPONSE TO THE SOLICITATION.**

# STATE OF MINNESOTA
# RESIDENT VENDOR FORM

In accordance with Laws of Minnesota 2013, Chapter 142, Article 3, Section 16, amending Minn. Stat. § 16C.02, subd. 13, a "Resident Vendor" means a person, firm, or corporation that:

(1) is authorized to conduct business in the state of Minnesota on the date a solicitation for a contract is first advertised or announced. It includes a foreign corporation duly authorized to engage in business in Minnesota;
(2) has paid unemployment taxes or income taxes in this state during the 12 calendar months immediately preceding submission of the bid or proposal for which any preference is sought;
(3) has a business address in the state; and
(4) has affirmatively claimed that status in the bid or proposal submission.

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To receive recognition as a Minnesota Resident Vendor ("Resident Vendor"), your company must meet each element of the statutory definition above by the solicitation opening date and time. If you wish to affirmatively claim Resident Vendor status, you should do so by submitting this form with your bid or proposal.

Resident Vendor status may be considered for purposes of resolving tied low bids or the application of a reciprocal preference.

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**I HEREBY CERTIFY THAT THE COMPANY LISTED BELOW:**

1. Is authorized to conduct business in the State of Minnesota on the date a solicitation for a contract is first advertised or announced. *(This includes a foreign corporation duly authorized to engage in business in Minnesota.)*
   **___Yes ___No (must check yes or no)**

2. Has paid unemployment taxes or income taxes in the State of Minnesota during the 12 calendar months immediately preceding submission of the bid or proposal for which any preference is sought.
   **___Yes ___No (must check yes or no)**

3. Has a business address in the State of Minnesota.
   **___Yes ___No (must check yes or no)**

4. Agrees to submit documentation, if requested, as part of the bid or proposal process, to verify compliance with the above statutory requirements.
   **___Yes ___No (must check yes or no)**

**BY SIGNING BELOW**, you are certifying your compliance with the requirements set forth herein and claiming Resident Vendor status in your bid or proposal submission.

Name of Company: ________________________________________ Date: ______________________________

Authorized Signature: ________________________________________ Telephone: ______________________________

Printed Name: ________________________________________ Title: ______________________________

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**IF YOU ARE CLAIMING RESIDENT VENDOR STATUS, SIGN AND RETURN THIS FORM WITH YOUR BID OR PROPOSAL SUBMISSION.**

# Professional and Technical Services Contract

State of Minnesota

SWIFT Contract No.:

This Contract is between the State of Minnesota, acting through its ________________________________ ("State") and _______________________________________________ ("Contractor").

## Recitals

1. Under Minn. Stat. § 15.061 the State is empowered to engage such assistance as deemed necessary.
2. The State is in need of _______________________________________________________________________.
3. The Contractor represents that it is duly qualified and agrees to perform all services described in this Contract to the satisfaction of the State.

## Contract

1. **Term of Contract**
   **1.1 Effective date:** ___________________________, or the date the State obtains all required signatures under Minn. Stat. § 16C.05, subd. 2, whichever is later. The Contractor must not begin work under this Contract until this Contract is fully executed and the Contractor has been notified by the State's Authorized Representative to begin the work.
   **1.2 Expiration date:** ___________________________, or until all obligations have been satisfactorily fulfilled, whichever occurs first.
   **1.3 Survival of terms:** The following clauses survive the expiration or cancellation of this Contract: 8. Indemnification;
   9. State audits; 10. Government data practices and intellectual property; 14. Publicity and endorsement; 15. Governing law, jurisdiction, and venue; and 16. Data disclosure.

2. **Contractor's duties**
   The Contractor, who is not a State employee, will:
   ________________________________________________________________________________
   ________________________________________________________________________________

3. **Time**
   The Contractor must comply with all the time requirements described in this Contract. In the performance of this Contract, time is of the essence.

4. **Consideration and payment**
   **4.1 Consideration.** The State will pay for all services performed by the Contractor under this Contract as follows:
   *(a)* *Compensation.* The Contractor will be paid $_____________.
   *(b)* *Travel expenses.* Reimbursement for travel and subsistence expenses actually and necessarily incurred by the Contractor as a result of this Contract will not exceed $______________; provided that the Contractor will be reimbursed for travel and subsistence expenses in the same manner and in no greater amount than provided in the current "Commissioner's Plan" established by the Commissioner of Minnesota Management and Budget which is incorporated in to this Contract by reference. The Contractor will not be reimbursed for travel and subsistence expenses incurred outside Minnesota unless it has received the State's prior written approval for out-of-state travel. Minnesota will be considered the home state for determining whether travel is out of state.
   *(c)* *Total obligation.* The total obligation of the State for all compensation and reimbursements to the Contractor under this Contract will not exceed $ _______________.
   **4.2 Payment.**
   *(a)* *Invoices.* The State will promptly pay the Contractor after the Contractor presents an itemized invoice for the services actually performed and the State's Authorized Representative accepts the invoiced services.

Invoices must be submitted timely and according to the following schedule:
______________________________________________________________________
______________________________________________________________________

*(b)* *Retainage.* Under Minn. Stat. § 16C.08, subd. 5(b), no more than 90 percent of the amount due under this Contract may be paid until the final product of this Contract has been reviewed by the State's agency head. The balance due will be paid when the State's agency head determines that the Contractor has satisfactorily fulfilled all the terms of this Contract.

*(c)* *Federal funds.* (Where applicable, if blank this section does not apply.) Payments under this Contract will be made from federal funds obtained by the State through ____________________________________. The Contractor is responsible for compliance with all federal requirements imposed on these funds and accepts full financial responsibility for any requirements imposed by the Contractor's failure to comply with federal requirements.



**5. Conditions of payment**

All services provided by the Contractor under this Contract must be performed to the State's satisfaction, as determined at the sole discretion of the State's Authorized Representative and in accordance with all applicable federal, state, and local laws, ordinances, rules, and regulations including business registration requirements of the Office of the Secretary of State. The Contractor will not receive payment for work found by the State to be unsatisfactory or performed in violation of federal, state, or local law.

**6. Authorized Representative**

The State's Authorized Representative is ___________________________________________________, or his/her successor, and has the responsibility to monitor the Contractor's performance and the authority to accept the services provided under this Contract. If the services are satisfactory, the State's Authorized Representative will certify acceptance on each invoice submitted for payment.

The Contractor's Authorized Representative is ______________________________________________, or his/her successor. If the Contractor's Authorized Representative changes at any time during this Contract, the Contractor must immediately notify the State.

**7. Assignment, amendments, waiver, and contract complete**

**7.1 Assignment.** The Contractor may neither assign nor transfer any rights or obligations under this Contract without the prior consent of the State and a fully executed assignment agreement, executed and approved by the same parties who executed and approved this Contract, or their successors in office.

**7.2 Amendments.** Any amendment to this Contract must be in writing and will not be effective until it has been executed and approved by the same parties who executed and approved the original Contract, or their successors in office.

**7.3 Waiver.** If the State fails to enforce any provision of this Contract, that failure does not waive the provision or its right to enforce it.

**7.4 Contract complete.** This Contract contains all negotiations and agreements between the State and the Contractor. No other understanding regarding this Contract, whether written or oral, may be used to bind either party.

**8. Indemnification**

In the performance of this Contract by Contractor, or Contractor's agents or employees, the Contractor must indemnify, save, and hold harmless the State, its agents, and employees, from any claims or causes of action, including attorney's fees incurred by the State, to the extent caused by Contractor's:

a) Intentional, willful, or negligent acts or omissions; or
b) Actions that give rise to strict liability; or
c) Breach of contract or warranty.

The indemnification obligations of this section do not apply in the event the claim or cause of action is the result of the State's sole negligence. This clause will not be construed to bar any legal remedies the Contractor may have for the State's failure to fulfill its obligation under this Contract.

**9. State audits**

Under Minn. Stat. § 16C.05, subd. 5, the Contractor's books, records, documents, and accounting procedures and practices relevant to this Contract are subject to examination by the State and/or the State Auditor or Legislative Auditor, as appropriate, for a minimum of six years from the end of this Contract.

**10. Government data practices and intellectual property**

**10.1 Government data practices.** The Contractor and State must comply with the Minnesota Government Data Practices Act, Minn. Stat. ch. 13, (or, if the State contracting party is part of the Judicial Branch, with the Rules of Public Access to Records of the Judicial Branch promulgated by the Minnesota Supreme Court as the same may be amended from time to time) as it applies to all data provided by the State under this Contract, and as it applies to all data created, collected, received, stored, used, maintained, or disseminated by the Contractor under this Contract. The civil remedies of Minn. Stat. § 13.08 apply to the release of the data governed by the Minnesota Government Practices Act, Minn. Stat. ch. 13, by either the Contractor or the State.

If the Contractor receives a request to release the data referred to in this clause, the Contractor must immediately notify and consult with the State's Authorized Representative as to how the Contractor should respond to the request. The Contractor's response to the request shall comply with applicable law.

**10.2 Intellectual property rights.**

(a) *Intellectual property rights.* The State owns all rights, title, and interest in all of the intellectual property rights, including copyrights, patents, trade secrets, trademarks, and service marks in the works and documents created and paid for under this Contract. The "works" means all inventions, improvements, discoveries (whether or not patentable), databases, computer programs, reports, notes, studies, photographs, negatives, designs, drawings, specifications, materials, tapes, and disks conceived, reduced to practice, created or originated by the Contractor, its employees, agents, and subcontractors, either individually or jointly with others in the performance of this Contract. "Works" includes documents. The "documents" are the originals of any databases, computer programs, reports, notes, studies, photographs, negatives, designs, drawings, specifications, materials, tapes, disks, or other materials, whether in tangible or electronic forms, prepared by the Contractor, its employees, agents, or subcontractors, in the performance of this Contract. The documents will be the exclusive property of the State and all such documents must be immediately returned to the State by the Contractor upon completion or cancellation of this Contract. To the extent possible, those works eligible for copyright protection under the United States Copyright Act will be deemed to be "works made for hire." The Contractor assigns all right, title, and interest it may have in the works and the documents to the State. The Contractor must, at the request of the State, execute all papers and perform all other acts necessary to transfer or record the State's ownership interest in the works and documents.

(b) *Obligations*

(1) Notification. Whenever any invention, improvement, or discovery (whether or not patentable) is made or conceived for the first time or actually or constructively reduced to practice by the Contractor, including its employees and subcontractors, in the performance of this Contract, the Contractor will immediately give the State's Authorized Representative written notice thereof, and must promptly furnish the State's Authorized Representative with complete information and/or disclosure thereon.

(2) Representation. The Contractor must perform all acts, and take all steps necessary to ensure that all intellectual property rights in the works and documents are the sole property of the State, and that neither Contractor nor its employees, agents, or subcontractors retain any interest in and to the works and documents. The Contractor represents and warrants that the works and documents do not and will not infringe upon any intellectual property rights of other persons or entities. Notwithstanding Clause 8, the Contractor will indemnify; defend, to the extent permitted by the Attorney General; and hold harmless the State, at the Contractor's expense, from any action or claim brought against the State to the extent that it is based on a claim that all or part of the works or documents infringe upon the intellectual property rights of others. The Contractor will be responsible for payment of any and all such claims, demands, obligations, liabilities, costs, and damages, including but not limited to, attorney fees. If such a claim or action arises, or in the Contractor's or the State's opinion is likely to arise, the Contractor must, at the State's discretion, either procure for the State the right or license to use the intellectual property rights at issue or replace or modify the allegedly infringing works or documents as necessary and appropriate to obviate the infringement claim. This remedy of the State will be in addition to and not exclusive of other remedies provided by law.

**11. Workers' compensation and other insurance**

Contractor certifies that it is in compliance with all insurance requirements specified in the solicitation document relevant to this Contract. Contractor shall not commence work under the Contract until they have obtained all the insurance specified in the solicitation document. Contractor shall maintain such insurance in force and effect throughout the term of the Contract.

Further, the Contractor certifies that it is in compliance with Minn. Stat. § 176.181, subd. 2, pertaining to workers' compensation insurance coverage. The Contractor's employees and agents will not be considered State employees. Any claims that may arise under the Minnesota Workers' Compensation Act on behalf of these employees or agents and any claims made by any third party as a consequence of any act or omission on the part of these employees or agents are in no way the State's obligation or responsibility.

**12. Debarment by State, its departments, commissions, agencies, or political subdivisions**
Contractor certifies that neither it nor its principals is presently debarred or suspended by the State, or any of its departments, commissions, agencies, or political subdivisions. Contractor's certification is a material representation upon which the Contract award was based. Contractor shall provide immediate written notice to the State's Authorized Representative if at any time it learns that this certification was erroneous when submitted or becomes erroneous by reason of changed circumstances.

**13. Certification regarding debarment, suspension, ineligibility, and voluntary exclusion**
Federal money will be used or may potentially be used to pay for all or part of the work under the Contract, therefore Contractor certifies that it is in compliance with federal requirements on debarment, suspension, ineligibility and voluntary exclusion specified in the solicitation document implementing Executive Order 12549. Contractor's certification is a material representation upon which the Contract award was based.

**14. Publicity and endorsement**

**14.1 Publicity.** Any publicity regarding the subject matter of this Contract must identify the State as the sponsoring agency and must not be released without prior written approval from the State's Authorized Representative. For purposes of this provision, publicity includes notices, informational pamphlets, press releases, research, reports, signs, and similar public notices prepared by or for the Contractor individually or jointly with others, or any subcontractors, with respect to the program, publications, or services provided resulting from this Contract.

**14.2 Endorsement.** The Contractor must not claim that the State endorses its products or services.

**15. Governing law, jurisdiction, and venue**
Minnesota law, without regard to its choice-of-law provisions, governs this Contract. Venue for all legal proceedings out of this Contract, or its breach, must be in the appropriate state or federal court with competent jurisdiction in Ramsey County, Minnesota.

**16. Data disclosure**
Under Minn. Stat. § 270C.65, subd. 3 and other applicable law, the Contractor consents to disclosure of its social security number, federal employer tax identification number, and/or Minnesota tax identification number, already provided to the State, to federal and state agencies, and state personnel involved in the payment of state obligations. These identification numbers may be used in the enforcement of federal and state laws which could result in action requiring the Contractor to file state tax returns, pay delinquent state tax liabilities, if any, or pay other state liabilities.

**17. Payment to subcontractors**
(If applicable) As required by Minn. Stat. § 16A.1245, the prime Contractor must pay all subcontractors, less any retainage, within 10 calendar days of the prime Contractor's receipt of payment from the State for undisputed services provided by the subcontractor(s) and must pay interest at the rate of one and one-half percent per month or any part of a month to the subcontractor(s) on any undisputed amount not paid on time to the subcontractor(s).

**18. Termination**

**18.1 Termination by the State.** The State or Commissioner of Administration may cancel this Contract at any time, with or without cause, upon 30 days' written notice to the Contractor. Upon termination, the Contractor will be entitled to payment, determined on a pro rata basis, for services satisfactorily performed.

**18.2 Termination for insufficient funding.** The State may immediately terminate this Contract if it does not obtain funding from the Minnesota Legislature, or other funding source; or if funding cannot be continued at a level sufficient to allow for the payment of the services covered here. Termination must be by written or fax notice to the Contractor. The State is not obligated to pay for any services that are provided after notice and effective date of termination. However, the Contractor will be entitled to payment, determined on a pro rata basis, for services satisfactorily performed to the extent that funds are available. The State will not be assessed any penalty if the Contract is terminated because of the decision of the Minnesota Legislature, or other funding source, not to appropriate funds. The State must provide the Contractor notice of the lack of funding within a reasonable time of the State's receiving that notice.

**19. Non-discrimination (In accordance with Minn. Stat. § 181.59)**

The Contractor will comply with the provisions of Minn. Stat. § 181.59 which require:

*"Every contract for or on behalf of the state of Minnesota, or any county, city, town, township, school, school district, or any other district in the state, for materials, supplies, or construction shall contain provisions by which the contractor agrees:*

*(1) that, in the hiring of common or skilled labor for the performance of any work under any contract, or any subcontract, no contractor, material supplier, or vendor, shall, by reason of race, creed, or color, discriminate against the person or persons who are citizens of the United States or resident aliens who are qualified and available to perform the work to which the employment relates;*

*(2) that no contractor, material supplier, or vendor, shall, in any manner, discriminate against, or intimidate, or prevent the employment of any person or persons identified in clause (1) of this section, or on being hired, prevent, or conspire to prevent, the person or persons from the performance of work under any contract on account of race, creed, or color;*

*(3) that a violation of this section is a misdemeanor; and*

*(4) that this contract may be canceled or terminated by the state, county, city, town, school board, or any other person authorized to grant the contracts for employment, and all money due, or to become due under the contract, may be forfeited for a second or any subsequent violation of the terms or conditions of this contract."*

**20. Affirmative action requirements for contracts in excess of $100,000 and if the Contractor has more than 40 full-time employees in Minnesota or its principal place of business**

The State intends to carry out its responsibility for requiring affirmative action by its contractors.

**20.1 Covered contracts and contractors.** If the Contract exceeds $100,000 and the Contractor employed more than 40 full-time employees on a single working day during the previous 12 months in Minnesota or in the state where it has its principle place of business, then the Contractor must comply with the requirements of Minn. Stat. § 363A. 36 and Minn. R. 5000.3400-5000.3600. A contractor covered by Minn. Stat. § 363A.36 because it employed more than 40 full-time employees in another state and does not have a certificate of compliance, must certify that it is in compliance with federal affirmative action requirements.

**20.2 Minn. Stat. § 363A.36.** Minn. Stat. § 363A.36 requires the Contractor to have an affirmative action plan for the employment of minority persons, women, and qualified disabled individuals approved by the Minnesota Commissioner of Human Rights ("Commissioner") as indicated by a certificate of compliance. The law addresses suspension or revocation of a certificate of compliance and contract consequences in that event. A contract awarded without a certificate of compliance may be voided.

**20.3 Minn. R. 5000.3400-5000.3600.**

*(a)* *General*. Minn. R. 5000.3400-5000.3600 implements Minn. Stat. § 363A.36. These rules include, but are not limited to, criteria for contents, approval, and implementation of affirmative action plans; procedures for issuing certificates of compliance and criteria for determining a contractor's compliance status; procedures for addressing deficiencies, sanctions, and notice and hearing; annual compliance reports; procedures for compliance review; and contract consequences for non-compliance. The specific criteria for approval or rejection of an affirmative action plan are contained in various provisions of Minn. R. 5000.3400-5000.3600 including, but not limited to, Minn. R. 5000.3420-5000.3500 and 5000.3552-5000.3559.

*(b)* *Disabled Workers*. The Contractor must comply with the following affirmative action requirements for disabled workers.

(1) The Contractor must not discriminate against any employee or applicant for employment because of physical or mental disability in regard to any position for which the employee or applicant for employment is qualified. The Contractor agrees to take affirmative action to employ, advance in employment, and otherwise treat qualified disabled persons without discrimination based upon their physical or mental disability in all employment practices such as the following: employment, upgrading, demotion or transfer, recruitment, advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

(2) The Contractor agrees to comply with the rules and relevant orders of the Minnesota Department of Human Rights issued pursuant to the Minnesota Human Rights Act.

(3) In the event of the Contractor's noncompliance with the requirements of this clause, actions for noncompliance may be taken in accordance with Minn. Stat. § 363A.36, and the rules and relevant orders of the Minnesota Department of Human Rights issued pursuant to the Minnesota Human Rights Act.

(4) The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices in a form to be prescribed by the Commissioner. Such notices must state the Contractor's obligation under the law to take affirmative action to employ and advance in employment qualified disabled employees and applicants for employment, and the rights of applicants and employees.

(5) The Contractor must notify each labor union or representative of workers with which it has a collective bargaining agreement or other contract understanding, that the Contractor is bound by the terms of Minn. Stat. § 363A.36, of the Minnesota Human Rights Act and is committed to take affirmative action to employ and advance in employment physically and mentally disabled persons.

*(c)* *Consequences*. The consequences for the Contractor's failure to implement its affirmative action plan or make a good faith effort to do so include, but are not limited to, suspension or revocation of a certificate of compliance by the Commissioner, refusal by the Commissioner to approve subsequent plans, and termination of all or part of this Contract by the Commissioner or the State.

*(d)* *Certification*. The Contractor hereby certifies that it is in compliance with the requirements of Minn. Stat. § 363A.36 and Minn. R. 5000.3400-5000.3600 and is aware of the consequences for noncompliance.

**21. E-Verify certification (In accordance with Minn. Stat. § 16C.075)**
For services valued in excess of $50,000, Contractor certifies that as of the date of services performed on behalf of the State, Contractor and all its subcontractors will have implemented or be in the process of implementing the federal E-Verify Program for all newly hired employees in the United States who will perform work on behalf of the State. Contractor is responsible for collecting all subcontractor certifications and may do so utilizing the *E-Verify Subcontractor Certification Form* available at http://www.mmd.admin.state.mn.us/doc/EverifySubCertForm.doc. All subcontractor certifications must be kept on file with Contractor and made available to the State upon request.

[**Signatures as required by the State.]**

Minnesota Housing Finance Agency

**AGENDA ITEM:** 8.C.
**MINNESOTA HOUSING BOARD MEETING**
**Board Meeting November 21, 2013**

**ITEM:** 2013 Affordable Housing Plan and 2013-15 Strategic Plan: Final Progress Report

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

**REQUEST:**

☐ Approval ☑ Discussion ☐ Information

**TYPE(S)**:

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

☐ Other: ________________________________

**ACTION:**

☐ Motion ☐ Resolution ☑ No Action Required

**SUMMARY REQUEST:**
Staff has attached for your review the final (fourth quarter) progress report for the 2013 Affordable Housing Plan and the 2013-15 Strategic 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):**

- 2013 Affordable Housing Plan and 2013-15 Strategic Plan: Final Progress Report

# 2013 Affordable Housing Plan and 2013-15 Strategic Plan Final Progress Report

## (October 1, 2012 – September 30, 2013)

## November 14, 2013

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## Overview

Minnesota Housing successfully implemented the 2013 Affordable Housing Plan (AHP) and advanced the 2013-15 Strategic Plan. As discussed in previous reports, the Agency accomplished a lot during the year, which involved a slowly recovering economy and a challenging credit and regulatory environment. Key accomplishments included:

- Adding new financing tools, which included: (1) selling bonds with a different payment structure (to attract investors who purchase mortgage-backed securities, rather than relying solely on investors who purchase municipal tax-exempt bond), (2) selling the Agency's mortgage-backed securities on the secondary market, (3) issuing mortgage credit certificates, and (4) becoming an approved HUD MAP (Multifamily Accelerated Processing) lender.

- Launching a revamped set of first-mortgage products and enhancements (down-payment and closing-cost assistance) in December of 2012 and increasing first-mortgage production by 18%, from 2,328 last year to 2,765 this year. This is particularly noteworthy when a recent national analysis by the Federal Reserve Bank found that in an 18-month period, mortgage originations for home purchases declined by 50 percent for borrowers with credit scores between 620 and 680 and by 15 percent for borrowers between 680 and 720. In the last year, a typical Minnesota Housing borrower had a credit score in the 690 to 730 range, with some borrowers having scores as low as 640.[1]

- Awarding more than $134 million during the RFP/tax-credit selection process last fall to build, preserve, and support over 3,100 units of affordable housing. This more than doubled the previous year's awards. These projects leveraged hundreds of millions of dollars in additional private investment and will support more than 4,500 jobs across Minnesota.

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[1] Federal Reserve Governor Elizabeth A. Duke, *Comments on Housing and Mortgage Markets at the Mortgage Bankers Association's Mid-Winter Housing Finance Conference* (March 8, 2013); http://www.federalreserve.gov/newsevents/speech/duke20130308a.htm.

- Reinvigorating the Minnesota Interagency Council on Homelessness and laying the groundwork for creating a new statewide plan.

There were only a few areas of concern.

- A sluggish lending environment for home improvement limited production for much of the year. As a result, the Agency monitored the market and refined its strategies for improving production of home improvement loans, which started to show initial signs of success with higher production in the last few months.

- The Agency did not fully utilized the available resources under a few multifamily production programs, including Low and Moderate Income Rental (LMIR), Flexible Financing for Capital Costs (FFCC), HOME Affordable Rental Preservation (HOME HARP), and Preservation Affordable Rental Investment Fund (PARIF). Even with a lower than anticipated use of these resources, the Agency nearly achieved its overall production goal for rental units. Funding per unit from the Agency was lower than the historical norm, allowing the Agency to finance more units with less funding.

- The Agency delayed utilizing its multifamily asset management funds as it refined its strategies for preserving and stabilizing the existing multifamily portfolio. With expanded outreach, production is expected to increase significantly next year.

The following three tables provide more information about the Agency's activities. Each line of the table has a corresponding note following the tables that provides details and explanations.

In June, the Board approved an amendment to the 2013 AHP that included a transition quarter to bring the AHP for state appropriated funds into sync with all the other funds. State appropriated funds had been tracked on a July 1 to June 30 cycle, while all other funds are tracked on a October 1 to September 30 cycle. The AHP amendment brought all funds into sync on a October 1 to September 30 cycle by adding an additional 3 months of state appropriated funding to the 2013 AHP, which has resulted in the 2013 AHP covering 15 months of activity for state appropriated funds. For consistency purposes and keeping reporting on an annual basis, the first set of tables (and the subsequent line-item discussions) apply to the funding originally made available under the 2013 AHP, which applies to one year of funding for all programs. The last section of the report covers the additional commitment of state appropriations during the three month transition quarter.

# Table 1: Production (Units with Funding Commitments), Programmatic, and Financial Indicators

## Quarter 4 of 2013 AHP (100% through AHP)

| | AHP Forecast | Actual To-Date | Portion of AHP Forecast Completed |
|---|---|---|---|
| **Single Family Production – Homes** | | | |
| 1. First Mortgages (purchased/settled loans) | 2,917 | 2,765 | 95% |
| 2. Other Opportunities | 502 | 525 | 105% |
| 3. Owner-Occupied Home Improvement/Rehabilitation | 1,618 | 1,141 | 71% |
| *Total* | *5,037* | *4,431* | *88%* |
| **Multifamily Production – Rental Units** | | | |
| 4. New Rental Construction | 668 | 870 | 130% |
| 5. Rental Unit Rehabilitation | 3,310 | 2,935 | 89% |
| 6. Asset Management | 250 | 0 | 0% |
| *Total* | *4,228* | *3,805* | *90%* |
| **Rental Assistance - Households** | | | |
| 7. Agency Funded Rental Assistance | 2,539 | 2,361 | 93% |
| 8. Section 8 and 236 Contracts | 30,227 | 30,445 | 101% |
| *Total* | *32,766* | *32,806* | *100%* |
| **Build Sustainable Housing** | | | |
| 9. Percentage of New Construction or Rehabilitation Units that Meet Sustainable Design Criteria: | | | |
| a. Single Family | 50% | 57% | ** |
| b. Multifamily | 100% | 74% | ** |
| **Address Foreclosures** | | | |
| 10. Foreclosure Counseling Interventions (7/1/2012-6/30/2013) | 6,000 | 6,124 | 102% |
| 11. Homes/Units Acquired | 470 | 513 | 136% |
| **End Long-Term Homelessness** | | | |
| 12. Number of Housing Opportunities Funded* | TBD | TBD | TBD |
| **Increase Emerging Market Homeownership** | | | |
| 13. Percentage of Mortgages Going to Emerging Market Households (First-Time Homebuyers – Start Up) | 22% | 23% | ** |
| **Earn Revenue to Sustain Agency and Fund Pool 3** | | | |
| 14. Return on Net Assets – State Fiscal Year 2013*** | $17.5 million | $19.4 million | ** |
| 15. Annualized Return on Net Assets (%) – State Fiscal Year 2013*** | 2.6% | 2.7% | ** |

* These are opportunities funded under the Business Plan to End Long-Term Homelessness by Minnesota Housing and other state agencies. The opportunities are counted on calendar year basis. Because the state is finishing the current Business Plan by financing the last of the 4,000 housing opportunities outlined in the plan, a goal has not been set for calendar year 2013. The next Business Plan will determine the state's next set of goals.

** Not Applicable.

*** Minnesota Housing does not forecast return on net assets. The figure in the forecast column is the result from the previous state fiscal year (2012) and is provided as a point of reference.

## Table 2: Distribution of Resources
### Quarter 4 of 2013 AHP (100% through AHP)

| | AHP Forecast | Actual To-Date |
|---|---|---|
| 16. Percentage of Funds Committed or Disbursed Under the AHP | 95% | 92% |

## Table 3: Management of Loan Assets
### Quarter 4 of 2013 AHP (100% through AHP)

| | AHP Forecast | Actual To-Date |
|---|---|---|
| 17. Delinquency Rate for Whole & MBS Loan Single-Family Portfolio (Sept. 30, 2013) | 3.57%* | 6.69%** |
| 18. Foreclosure Rate for Whole & MBS Loan Single-Family Portfolio (Sept. 30, 2013) | 1.01%* | 1.64%** |
| 19. Percentage of Multifamily Developments with Amortizing Loan on Watch List | Under 10% | 6.16% |
| 20. Percentage of Outstanding Multifamily Loan Balances on Watch List | Under 10% | 3.87% |

* This is benchmark, rather than a forecast, and it is based on the Minnesota-wide rate for similar loans as reported by the Mortgage Bankers Association.
**The information presented is on an Agency-wide basis and includes both whole loan and MBS production as part of the loan portfolio. As such, the information is not directly relevant to the security of any bonds of the Agency and should not be relied upon for that purpose. The Agency publishes separate disclosure reports for each of its bond resolutions.

## Discussion of Items in the Table

- **Line 1:** Lending for single-family first mortgages fell just short of its production goal. The Agency launched a revamped set of loan products in December. After an initial settling-in period, production increased significantly. In recent months, the Agency has had some of its best production levels in years.

- **Line 2:** The Agency met is production goal for other single-family housing opportunities. These programs include the Community Homeownership Impact Fund (formerly the Community Revitalization or CRV program), Habitat for Humanity, Housing Infrastructure Bonds for single family projects, revolving funds for the Twin Cities Community Land Bank, and a contract for deed program in Greater Minnesota. Strong production in the first four program areas overcame no production in the contract for deed program.

  In the 2013 AHP, the Agency made available $4 million with the intention of financing the purchase of 40 homes through contracts for deed in Greater Minnesota, similar to the Bridge to Success program in the metro area. During the Agency's housing dialogues in the spring of 2012, we consistently heard about the need for contract-for-deed financing in Greater Minnesota. After spending several months exploring the feasibility of this type of program, we have decided to not move forward with it at this time because of capacity and interest issues at the local level.

- **Line 3:** While the Agency had strong production in owner-occupied rehabilitation under the Community Homeownership Impact Fund and the Rehabilitation Loan program, production was been slow under the regular home improvement programs (Fix-Up Fund and Community Fix-Up Fund). The lack of activity reflected a low level of home improvement lending across the market. Staff continues to closely monitor home improvement lending activity and refine the Agency's strategies for increasing production, which is showing signs of paying off with increased production in recent months.

- **Line 4:** Production in new rental construction was very strong. During last fall's RFP and tax credit selection process, the Agency allocated more funding to new construction than originally forecasted.

- **Line 5:** Rental rehabilitation production was relatively strong even though funding allocated to it under RFP and tax credit selections was less than originally forecasted. (Additional funds went to new construction.) The Agency is close to meeting its production goal, largely because funding per unit was less than the historical average.

  This lower level of funding per unit allowed the Agency to achieve 96% of its combined new construction and rehabilitation goal (3,805 units funded compared with a goal of 3,978, as shown by adding lines 4 and 5) when the Agency only allocated 86% of the available funds for these activities. Resources were not fully utilized under Low and Moderate Income Rental (LMIR), Flexible Financing for Capital Costs (FFCC), HOME Affordable Rental Preservation (HOME HARP), and Preservation Affordable Rental Investment Fund (PARIF). Under the 2014 AHP, the Agency reevaluated the funding needs for these programs and is in the process of developing refined strategies for deploying the resources.

- **Line 6**: There has been a pause in the use of Asset Management funds (used to preserve and stabilize the Agency's existing multifamily portfolio) while the Agency refines its approach to preservation/stabilization. With expanded outreach, production is expected to increase significantly next year.

- **Line 7:** The number of households receiving rental assistance under the Bridges and Housing Trust Fund programs was very close to the forecast. The assisted households include anyone receiving assistance in the last year and incorporates program turnover (households moving off the program and new households starting to receive the assistance). The historical turnover rate has been about 15% per year.

- **Line 8:** Section 8 and 236 assistance is on track.

- **Line 9:** The majority of Minnesota Housing's production meets sustainable design criteria.

On the single-family side, all of the homes receiving funds under the Community Homeownership Impact Fund for new construction or rehabilitation meet the standard. However, the Fix-Up Fund (FUF) and the Community Fix-Up Fund (CFUF) home improvement programs are market driven, and borrowers are not required to follow sustainable design criteria in their home improvement efforts. Thus, the single-family percentage is less than 100%.

Typically, the multifamily percentage is about 100%. The current percentage is 26% lower because a sizable number of units were funded with General Obligation (G.O.) bond proceeds under the Publicly Owned Housing Program (POHP). Projects funded with G.O. bond proceeds are by law subject to the Minnesota Sustainable Building Guidelines (also known as "B-3 Guidelines"). Due to the limited scope of work under POHP, most projects received a waiver from the Center for Sustainable Building Research, the entity that administers the B-3 guidelines on behalf of the state, and did not have to meet the sustainable guidelines.

- **Line 10:** With respect to foreclosure counseling, the Agency met it production goal. It should be noted that over the last couple of years, the number of foreclosure counseling interventions has declined as mortgage delinquencies and demand for counseling has declined. (This activity is funded through the Homebuyer Education, Counseling, and Training – HECAT program – which has operated on state fiscal year.)

- **Line 11:** The Agency has achieved its target for acquiring foreclosed housing units.

- **Line 12:** These housing opportunities are funded under the Business Plan to End Long-Term Homelessness by Minnesota Housing and other state agencies. The opportunities are counted on calendar year basis. Because the state is finishing the current Business Plan by financing the last of the 4,000 housing opportunities outlined in the Plan, a goal has not been set for calendar year 2013. The next Business Plan will determine the state's next set of goals.

- **Line 13:** The Agency continues to meet its goal of serving emerging markets (communities of color or Hispanic ethnicity) through homeownership. The Agency estimates that 20% to 26% of renter households that are income eligible for Minnesota Housing first mortgages are from an emerging market. The achievement of 23% indicates that the Agency has no disparities in its lending, which is a challenge in the current credit and regulatory environment.

- **Lines 14 and 15:** During state fiscal year 2013, the Agency's return on net assets was $19.4 million, which is a 2.7% annualized rate – surpassing last year's earnings.

- **Line 16:** The Agency fell just short of its goal of allocating 95% of the funds originally made available under the 2013 AHP. Overall, utilization of funds was strong with a few caveats. As discussed in previous bullets: (1) the home improvement market has been sluggish, (2) the Agency cancelled the creation a $4 million contract for deed initiative for Greater Minnesota, (3) the Agency has delayed utilizing multifamily asset management funds, and (4) some rental production resources were not fully utilized, including Low and Moderate Income Rental (LMIR), Flexible Financing for Capital Costs (FFCC), HOME Affordable Rental Preservation (HOME HARP), and Preservation Affordable Rental Investment Fund (PARIF). Nevertheless, rental production was still strong because Agency funding per unit was lower than the historical average, allowing the Agency to fund more units with less funding.

- **Lines 17-18:** The Agency's delinquency rate (6.69%) for single family first mortgages (whole loan and MBS) is higher than the market-wide benchmark for Minnesota (3.57%). The Agency's foreclosure rate is also higher than the benchmark. The Agency's rates are typically above the benchmark, especially during challenging economic times. Staff is concerned that these percentages remain high as the economy begins to improve and continues to work with the servicer to improve performance.

  In addition, the Agency is in the process of purchasing from CoreLogic more detailed performance data for loans across the state. We will use the data to create more refined benchmarks to assess and evaluate the performance of our loan portfolio.

- **Line 19-20**: The Agency is meeting its goal for minimizing the number and share of loans on its multifamily watch list.

### Transition Quarter Commitments

This past June, the Board amended the 2013 AHP to fund contracts that the Board approved between July 1 and September 30, 2013 with state appropriations. This transition quarter funding brought the Agency's tracking of state appropriated programs into sync with all the Agency's other funding. Starting with the 2014 AHP, all programs will be tracked on an October 1 to September 30 cycle, which matches the federal fiscal year. The following table shows the funds committed as part of the transition quarter. It also shows the source of these funding split between: (1) funds that were already available and (2) additional funds added to the 2013 AHP under the transition quarter amendment in June.

## Table 4: Transition Quarter Commitments – Commitment Amounts and Source

| | | Funds Committed During Transition Quarter | Funds that Were Already Available [d] | Funds Added under the Transition Quarter Amendment | Comment |
|---|---|---|---|---|---|
| 1 | Homeownership Education, Counseling & Training | $1,406,020 | $115,020 | $1,291,000 | One-year contracts |
| 2 | Housing Trust Fund – Regular | $22,471,078 | 3,319,078 | $19,152,000 | Two-year contracts |
| 3 | Housing Trust Fund – Targeted Rental Assistance (ex-offenders and highly mobile families) | $0 | $0 | $3,000,000 | Commitment of funds was held off until 2014 AHP |
| 4 | Housing Trust Fund – DHS Funded Operating Subsidy Contracts | $1,708,543 | $1,000,000 | $708,543 [a] | Two-year contracts |
| 5 | Ending Long-Term Homelessness Initiative Fund [b] | $3,402,541 | $2,351,185 | $1,051,356 [c] | Two-year contracts |
| 6 | Bridges | $5,423,000 | $0 | $5,676,000 | Two-year contracts. Not all of the funds added in the transition quarter were committed. |
| 7 | Family Homeless Prevention and Assistance Program, | $15,724,000 | $0 | $15,724,000 | Two-year contracts |

a. Adjusted from the $718,000 in the June amendment. Received more current information from DHS about the funding level.
b. These are Pool 3 funds, not state appropriations. We included them in this table because they are combined with state appropriations to fund the two-year contracts for rent assistance and operating subsidies.
c. Adjusted from the $1,433,294 in the June amendment. These are unused Pool 3 funds recaptured from projects funded under previous AHPs. The amount actually recaptured was less than originally estimated.
d. While these funds were already available under the 2013 AHP and not included in the transition quarter amendment that added funds to the 2013 AHP, they were included in the overall discussion of the funds that were to be committed during the transitions quarter. The amounts shown in this table are different than the amounts discussed in the transition quarter amendment. The amounts changed as our estimates of receipts, repayments, and cancellations were revised.

OTHER NOTES: The June AHP amendment also included $3.5 million of additional Pool 3 funds for Monthly Payment Loan program. These funds were not part of the transition quarter to bring the tracking of state appropriated funds into sync with all other funds. The additional $3.5 million was needed to support the homebuyer first-lien production originally forecasted under the AHP. In addition, the amendment included the transfer of up to $3 million of unused flood disaster funds to the Rehabilitation Loan Program. Only $1 million has been transferred so far. This $1 million is not shown in this table because it reflects a $1 million transfer within the AHP and not additional funding.