MEETINGS SCHEDULED FOR FEBRUARY

Location:

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

THURSDAY, FEBRUARY 19, 2015

Regular Board Meeting
State Street Conference Room – First Floor
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, February 19, 2015.

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
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

AGENDA

Minnesota Housing Board Meeting

Thursday, February 19, 2015

2:00 p.m.

State Street Conference Room – First Floor
400 Sibley Street, St. Paul, Minnesota 55101

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
   A. Regular Meeting of January 22, 2015 *(will be sent under separate cover)*
5. **Reports**
   A. Chair
   B. Commissioner
   C. Committee
   None.
6. **Consent Agenda**
   A. Commitment, Economic Development Housing Challenge (EDHC) Program
      - Lonoke, Minneapolis, D0837
7. **Action Items**
   A. Selections, Publicly Owned Housing Program (POHP) F
      - Public Housing Rehabilitation (General Obligation Bond Proceeds)
   B. Proposed Revisions to the Qualified Allocation Plan (QAP) and Procedural Manual, 2017 Housing Tax Credit (HTC) Program
   C. Commitment, Low and Moderate Income Rental (LMIR) Program
      - Medina Woods Townhomes, Medina, D7653
   D. Targeted Mortgage Opportunity Program Procedural Manual
8. **Discussion Items**
   A. 2015 Affordable Housing Plan and 2013-15 Strategic Plan: First Quarter Progress Report
   B. Financial Results for the Six Months Ending December 31, 2014
9. **Informational Items**
   A. Report of Action Under Delegated Authority
      - Multifamily Funding Modifications Annual Report
   B. Post-Sale Report, Homeownership Finance Bonds, 2015 Series A
10. **Other Business**
    None.
11. **Adjournment**

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AGENDA ITEM: 6.A.
MINNESOTA HOUSING BOARD MEETING
February 19, 2015

ITEM: Lonoke, Minneapolis (D0837)

CONTACT: Dan Walsh, 651-296-3797
dan.walsh@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________________

ACTION:

☑ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Minnesota Housing Finance Agency ("Agency") staff recommends the adoption of a resolution to increase the Economic Development and Housing Challenge ("EDHC") funding commitment for this development from $470,000 to $645,454.

FISCAL IMPACT:
The 2014 amended Affordable Housing Plan (AHP) as of July 24, 2014 allocated approximately $18 million in new activity for the EDHC program. Funding for this loans falls within the approved budget, and the loan will be made at interest rates and terms consistent with what is described in the AHP. Per Agency guidelines, the loan will not generate fee income.

MEETING AGENCY PRIORITIES:

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

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

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Background
- Resolution

Background

The Agency Board, at its November 7, 2013, meeting, approved a commitment under the EDHC program. The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION:	**2013**		**2015**		**VARIANCE**	
Total Development Cost	$2,958,767		$3,385,994		$427,227	
Gross Construction Cost	$1,082,344		$1,462,719		$380,375	
Agency Sources:						
EDHC	$470,000		$645,454		$175,454	
Total Agency Sources	$470,000		$645,454		$175,454	
Other Non-Agency Sources:						
Minneapolis 9% Housing Tax Credit Proceeds	$1,236,861		$1,241,287		$4,426	
Historic Tax Credit Proceeds	$543,208		$672,730		$129,522	
Minneapolis AHTF	$432,523		$432,523		$0	
Hennepin County ERF	$64,000		$64,000		$0	
Hennepin County AHIF	$0		$225,000		$225,000	
Sales Tax Rebate	$0		$30,000		$30,000	
FHLB	$68,567		$0		$(68,567)	
Private Donations/GP Contribution	$143,608		$75,000		$(68,608)	
Total Permanent Sources	$2,958,767		$3,385,994		$427,227	
Gross Rents:						
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
1 BR	10	$670	10	$670	0	0
1 BR	9	$703	9	$703	0	0
Total Number of Units	19		19		0	

Factors Contributing to Variances:

Costs

- The total development costs (TDC) have primarily increased due to construction bids coming in larger than predicted. The developer bid the project in October 2014, and bids came in 45% ($491,000) more than budgeted at selection. Working with the design team and Minnesota Housing’s staff architect, the developer has value engineered approximately $111,000 of the cost overrun. Minnesota Housing’s staff architect approves the current, revised scope of work.

- The current TDC per unit of $178,210 is within 125% of the $203,313 predictive model estimate.

Agency Sources

- The $175,454 increase in deferred funding is needed to close the permanent funding gap. Minneapolis awarded 9% HTC from the 2013 allocation and the developer must deliver the credits in 2015. With an estimated construction time frame of seven months, the development team is working towards closing in March 2015. Without additional Agency funds, the development could not close within the desired timeframe and would likely not be feasible.

Non-Agency Sources

- The developer secured $225,000 in AHIF funds from Hennepin County and added the sales tax rebate.

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

RESOLUTION NO. MHFA 15-

RESOLUTION APPROVING COMMITMENT MODIFICATION
ECONOMIC DEVELOPMENT HOUSING CHALLENGE (EDHC) PROGRAM

WHEREAS, the Agency Board, at its November 7, 2013, meeting, previously authorized a commitment for the development hereinafter named by its Resolution 13-061; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby increases the Economic Development and Housing Challenge ("EDHC") funding commitment on the development noted below and hereby confirms the renewal of said commitment, subject to any revisions noted:

1. Lonoke - D0837: The amount of the EDHC program funding commitment shall be increased from $470,000, to $645,454; and

2. All other provisions of Resolution 13-061 remain unchanged.

Adopted this 19th day of February 2015.

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CHAIRMAN

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AGENDA ITEM: 7.A.
MINNESOTA HOUSING BOARD MEETING
February 19, 2015

ITEM: Selections, Publicly Owned Housing Program (POHP)
- Public Housing Rehabilitation (General Obligation Bond Proceeds)

CONTACT: Susan Haugen, 651-296-9848, susan.haugen@state.mn.us
Kurt Keena, 651-296-3837, kurt.keena@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☑ Information

TYPE(S):

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

☐ Other:

ACTION:

☑ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff requests approval of selections under the Publicly Owned Housing Program (POHP) utilizing General Obligation (GO) Bond proceeds as authorized by the 2014 Legislature. Selections are subject to final underwriting and the terms and conditions of the POHP Program Guide and loan documents.

FISCAL IMPACT:
None

MEETING AGENCY PRIORITIES:

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

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

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Background
- 2014 POHP Funding Recommendations
- Map of 2014 POHP Funding Recommendations with Past POHP Funded Developments
- Resolution

Background
The 2014 Minnesota Legislature appropriated $20 million in General Obligation bond proceeds to Minnesota Housing for the rehabilitation of public housing. "Public Housing" means housing for low-income persons and households that is financed by the federal government and owned and operated by city and county public entities. By law, qualified applicants must have a HUD Real Estate Assessment Center (REAC) Public Housing Assessment System (PHAS) rating of 80 or above.

The Agency received proposals from 46 Public Housing Authorities (PHAs) for 89 developments. 28 applications were received from Metro area PHAs and 61 were received from Greater Minnesota PHAs. Requests totaled $52.5 million.

The Greater Minnesota Housing Fund (GMHF) and Family Housing Fund (FHF) funded technical assistance to PHAs that have limited staff and financial capacity. This technical assistance was provided by The Minnesota National Association of Housing and Redevelopment Authorities (MN NAHRO) and assisted 38 PHAs in completing POHP applications.

Two applications were deemed ineligible due to an incomplete application and a substandard PHAS rating. Eight of the 34 recommended PHAs have previously received PHOP funding. Four recommended developments received POHP funding in 2012. An application from the Redwood Falls HRA for funding was reviewed and its score qualified for selection and funding. However, the PHA has a pending application for emergency and disaster funding from HUD. Because the POHP proceeds are intended to meet needs that cannot be met through other sources, this application is not being recommended for funding at this time. After HUD makes a determination regarding the emergency and disaster funding application, the Redwood Falls HRA may update their application to request resources for needs unmet by the HUD award. Staff will review the revised application and make a recommendation for funding to the Board at that time.

Among comparable proposals, priority was given to work scopes that addressed the considerations listed on the following page and that maximized leverage of federal or local resources.

Program funds are being reserved to fund a modest contingency reserve for unexpected construction and/ or soft cost expenses which may occur in the rehabilitation work of aging buildings.

2014 POHP Application Summary and Process

Applications Received
- 46 PHAs applied
- 79 developments
- 212 scopes of work
- 7,554 housing units
- $54.4 million in requests
  - 26 Metro (33%)
  - 53 Greater Minnesota (67%)

Recommended for Funding
- 33 PHAs recommended
- 35 developments
- 104 scopes of work
- 2,438 housing units
- $23.6 million requested
- $17.7 million recommended
  - 9 Metro (26%)
  - 26 Greater Minnesota (74%)

Not Recommended
- 13 PHAs not recommended
- 44 developments
- 108 scopes of work
- 5,116 housing units
- $30.8 million requested
  - 18 Metro (41%)
  - 26 Greater Minnesota (59%)

After initial scoring and ranking, the 36 top scoring developments were reviewed by Agency underwriting, program for:
- Compliance with POHP program statutes, rules, and priorities;
- Overall project feasibility;
- Demonstration of financial need; and
- Organizational capacity.

The Agency architectural staff reviewed the proposed work scopes taking the following into consideration:
- PHA work scope priorities;
- Critical health and safety requests; and
- Water and energy conservation measures to reduce operating expenses.

The proposals recommended for funding are set forth on the following pages.

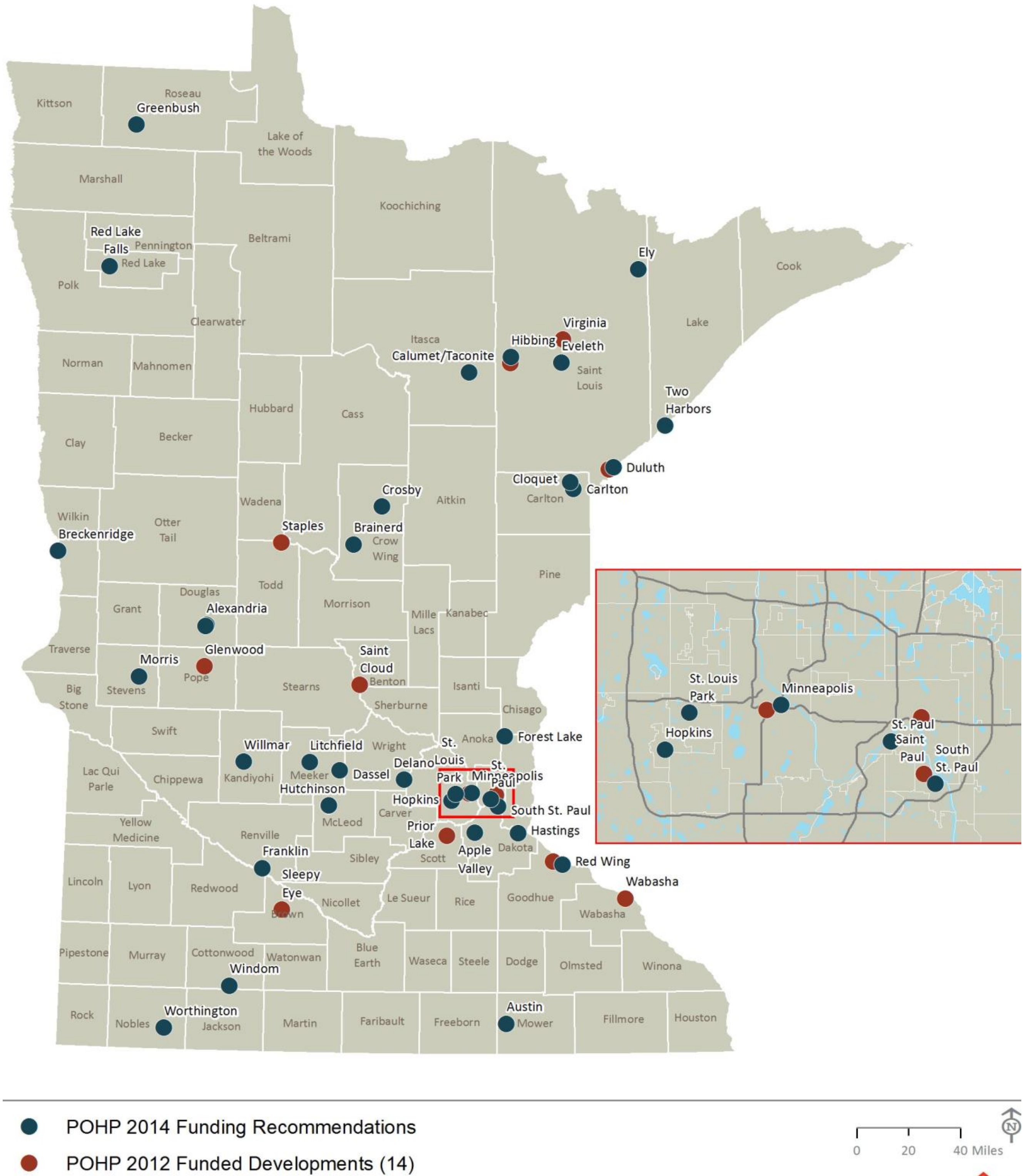
2014 POHP Funding Recommendations
02/19/2015

D #	Applicant	Development	City	Units	Recommended Amount
7778	Alexandria HRA	Viking Towers	Alexandria	106	$444,000
7779	Austin HRA	Twin Towers	Austin	205	$1,212,000
7625	Brainerd	NorthStar Apts	Brainerd	162	$405,000
7832	Breckenridge HRA	Park Manor	Breckenridge	73	$196,000
7781	Carlton HRA	Woodland Pines	Carlton	19	$386,000
7783	Cloquet HRA	Aspen Arms	Cloquet	76	$633,000
7784	Crosby HRA	Scattered Site	Crosby	20	$391,000
7785	Dakota County CDA	McKay Manor	Apple Valley	16	$466,000
7829		Pleasant Drive	Hastings	8	
7786	Delano EA	Crow River Villa	Delano	30	$435,000
7788	Douglas County HRA	Scattered Site	Alexandria, Brandon, Evansville, Miltona, Osakis	30	$173,000
7792	Ely HRA	Sibley Manor	Ely	39	$447,000
7793	Eveleth HRA	Hilltop Homes	Eveleth	34	$147,000
7794	Greenbush HRA	Elderbush	Greenbush	20	$62,000
7795	Hibbing	Seventh Avenue	Hibbing	70	$199,000
6379	Hopkins HRA	Dow Towers	Hopkins	76	$517,000
7790	HRA Of Duluth	Grandview Manor	Duluth	48	$456,000
6172	Hutchinson HRA	Park Towers	Hutchinson	101	$234,000
6381	Itasca County HRA	Narodni Stanovi and Casa Tranquilla	Taconite and Calumet	32	$196,000
7801	Kandiyohi County HRA	Lakeview Highrise	Willmar	126	$2,257,000
7803	Litchfield HRA	Lincoln Apts	Litchfield	61	$289,000
7804	Meeker County HRA	Dassel Apts	Dassel	17	$205,000

D #	Applicant	Development	City	Units	Recommended Amount
7810	Morris HRA	Grandview Apartments	Morris	60	$898,000
7806	MPHA	620 Cedar	Minneapolis	115	$1,200,000
7811	Red Lake Falls	Fairview Manor	Red Lake Falls	23	$245,000
7930	Red Wing HRA	Jordan Tower I	Red Wing	100	$923,000
7813	Renville HRA/EDA	Centennial Apartments	Franklin	17	$130,000
2514	South St. Paul HRA	John Carroll	South St. Paul	165	$684,000
3120		Nan McKay	South St. Paul	131	
6383	St. Louis Park HRA	Hamilton House	St. Louis Park	110	$280,000
7617	St. Paul PHA	Dunedin Terrace	St. Paul	88	$1,200,000
7798	Two Harbors HRA	Bayview Terrace	Two Harbors	58	$1,056,000
7540	Washington Co	Whispering Pines	Forest Lake	40	$271,000
7799	Windom HRA	Riverview Apts	Windom	58	$706,000
7827	Worthington HRA	Worthington Atrium High-Rise	Worthington	104	$392,000
Totals:	**33**	**35**		**2,438**	**$17,735,000**

Board Agenda Item: 7.A.
Attachment: Map

POHP 2014 Funding Recommendations with POHP Funded Developments



Source: Minnesota Housing. Date: 2/11/2015

Minnesota Housing Finance Agency

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

RESOLUTION NO. MHFA 15-
RESOLUTION APPROVING MORTGAGE COMMITMENTS
PUBLICLY OWNED HOUSING PROGRAM (POHP)

WHEREAS, the Minnesota Housing Finance Agency (Minnesota Housing) received applications to provide loans from General Obligation Bond proceeds for the purpose of addressing critical health and safety needs and to fund conservation measures for public housing developments occupied by persons and families of low- and moderate-incomes; and

WHEREAS, Minnesota Housing staff has determined that 33 such applicants are eligible applicants under the Minnesota Housing's rules, regulations, and policies; that such loans are not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the rehabilitation of the developments will assist in fulfilling the purpose of Minn. Stat. Ch. 462A; and

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Minnesota Housing staff to enter into loan agreements, and to make said loans using General Obligation Bond proceeds to the following 35 developments, in the amounts and in compliance with the conditions set forth below:

D #	Applicant	Development	Recommended Amount
7778	Alexandria HRA	Viking Towers	$444,000
7779	Austin HRA	Twin Towers	$1,212,000
7625	Brainerd	NorthStar Apts	$405,000
7832	Breckenridge HRA	Park Manor	$196,000
7781	Carlton HRA	Woodland Pines	$386,000
7783	Cloquet HRA	Aspen Arms	$633,000
7784	Crosby HRA	Scattered Site	$391,000
7785	Dakota County CDA	McKay Manor	$466,000
7829		Pleasant Drive	
7786	Delano EA	Crow River Villa	$435,000
7788	Douglas County HRA	Scattered Site	$173,000
7792	Ely HRA	Sibley Manor	$447,000
7793	Eveleth HRA	Hilltop Homes	$147,000
7794	Greenbush HRA	Elderbush	$62,000
7795	Hibbing	Seventh Avenue	$199,000
6379	Hopkins HRA	Dow Towers	$517,000
7790	HRA Of Duluth	Grandview Manor	$456,000
6172	Hutchinson HRA	Park Towers	$234,000
6381	Itasca County HRA	Narodni Stanovi and Casa Tranquilla	$196,000
7801	Kandiyohi County HRA	Lakeview Highrise	$2,257,000

D #	Applicant	Development	Recommended Amount
7803	Litchfield HRA	Lincoln Apts	$289,000
7804	Meeker County HRA	Dassel Apts	$205,000
7810	Morris HRA	Grandview Apartments	$898,000
7806	MPHA	620 Cedar	$1,200,000
7811	Red Lake Falls	Fairview Manor	$245,000
7930	Red Wing HRA	Jordan Tower I	$923,000
7813	Renville HRA/EDA	Centennial Apartments	$130,000
2514	South St. Paul HRA	John Carroll	$684,000
3120		Nan McKay	
6383	St. Louis Park HRA	Hamilton House	$280,000
7617	St. Paul PHA	Dunedin Terrace	$1,200,000
7798	Two Harbors HRA	Bay view Terrace	$1,056,000
7540	Washington Co	Whispering Pines	$271,000
7799	Windom HRA	Riverview Apts	$706,000
7827	Worthington HRA	Worthington Atrium High-Rise	$392,000
Totals:	**33**	**35**	**$17,735,000**

Conditions of lending:

1. Minnesota Housing staff shall review and approve the Mortgagors; and

2. The issuance of a loan commitment in form and substance acceptable to Agency staff and the closing of the loans shall occur no later than 20 months from the adoption date of this Resolution; but if a development elects the End Loan Commitment, the End Loan Commitment shall occur no later than 20 months from the adoption date of this Resolution and construction shall occur no later than 20 months from the adoption of this Resolution and construction of the development shall be completed within 18 months from the date of End Loan Commitment; and

3. The interest rate on each loan shall be 0 percent; and the maturity date of the loan shall be 20 years from the date of closing, at which time the loans may be forgiven; and

4. The commitment is subject to the ability of the Minnesota Housing or Minnesota Management and Budget, as necessary, to sell bonds on terms and conditions, and in time and manner acceptable to the Minnesota Housing or Minnesota Management and Budget; and

5. The Mortgagors and such other parties as Minnesota Housing staff in their sole discretion deem necessary shall execute all such documents relating to said loans as Minnesota Housing staff in their sole discretion deem necessary.

Adopted this 19th day of February, 2015.

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CHAIRMAN

AGENDA ITEM: 7.B.
MINNESOTA HOUSING BOARD MEETING
February 19, 2015

ITEM: Proposed Revisions to the Qualified Allocation Plan (QAP) and Procedural Manual, 2017 Housing Tax Credit (HTC) Program

CONTACT: Kayla Schuchman, 651-296-3705
kayla.schuchman@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff is recommending adoption of a motion for approval of the proposed revisions to the Housing Tax Credit Qualified Allocation Plan (QAP) and Procedural Manual for the 2017 Housing Tax Credit Program.

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

MEETING AGENCY PRIORITIES:

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

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

☑ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Background
- Timetable
- 2017 Housing Tax Credit Program, QAP and Procedural Manual Proposed Revisions
- Proposed 2017 Housing Tax Credit Program Self-Scoring Worksheet
- Methodologies
    - Workforce Housing Communities
    - Preservation Geographic Priority Areas
    - Location Efficiency
    - Qualified Census Tracts, Tribal Equivalent Areas
    - Community Economic Integration
    - Cost Containment
- Continuum of Care (CoC) Priorities

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

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

On February 12, 2015, staff met with tax credit suballocators to review proposed revisions for the 2017 QAP and to adopt the tentative 2017 HTC Program Schedule. The cities of Minneapolis and St. Paul, and Dakota and Washington counties are expected to continue to administer tax credits within their jurisdictions and the cities of Duluth, St. Cloud, and Rochester are expected to again enter into Joint Powers Agreements with the Agency to administer their 2016 housing tax credits.

A summary of the proposed revisions for the 2017 QAP and Procedural Manual will be made available for public review on the Agency's web site following Board approval of the proposed revisions, along with a notice of the upcoming HTC 2017 QAP public hearing. The Agency invites comments from tax credit developers, industry representatives, and the public regarding the Allocation Plan at a public hearing scheduled for March 23, 2015. Staff will review all comments, and changes will be incorporated into the HTC QAP and/or Manual where appropriate. The Board will review the Final 2017 HTC QAP and Procedural Manual revisions at its April 23rd Board meeting. Upon obtaining final Agency Board and Governor approval of the HTC QAP and Procedural Manual, staff will provide technical assistance to applicants.

Included in the Methodology attachments to this report are descriptions of the data and methodology to be used in various data-driven scoring criteria in the QAP. New data is expected to become available in the upcoming months, and if available prior to the scheduled public hearing, the data in the affected methodologies (as noted on the Workforce Housing Communities, Location Efficiency, and Community Economic Integration Methodology attachments) will be updated.

The proposed revisions to the QAP are presented in the form of a blackline version of the Self-Scoring Worksheet. The Self-Scoring Worksheet is a form that is provided to potential applicants for the HTC program and contains all of the scoring criteria presented in the QAP. Copies of the current QAP and Procedural Manual are available on the Agency's website, www.mnhousing.gov (Home -> Multifamily Rental Partners -> Programs & Funding -> Tax Credits -> 2016 QAP Planning Materials)

TIMETABLE:

2017 HTC PROGRAM SCHEDULE

March 23, 2015	Minnesota Housing 2017 QAP Public Hearing
April 23, 2015	Agency Board asked to approve final 2017 QAP and Manual
April 18, 2016 (tentative date)	Publish RFP for HTC 2017 Rounds 1 and 2
May 31, 2016 (tentative date)	HTC 2017 Round 1 and 2016 MF Consolidated RFP Application Deadline
October 27, 2016 (tentative date)	Agency Board asked to approve HTC 2017 Round 2 selection recommendations
January 24, 2017 (tentative date)	HTC 2017 Round 2 Application Deadline
April 27, 2017 (tentative date)	Agency Board asked to approve HTC 2017 Round 2 selection recommendations

2016 HTC PROGRAM SCHEDULE

March 17, 2014	Minnesota Housing 2016 QAP Public Hearing
April 24, 2014	Agency Board asked to approve final 2016 QAP and Manual
April 20, 2015	Publish RFP for HTC 2016 Rounds 1 and 2
June 2, 2015	HTC 2016 Round 1 and 2015 Multifamily Consolidated RFP Application Deadline
October 22, 2015	Agency Board asked to approve HTC 2016 Round 2 selection recommendations
January 26, 2016 (tentative date)	HTC 2016 Round 2 Application Deadline
April 28, 2016 (tentative date)	Agency Board asked to approve HTC 2016 Round 2 selection recommendations

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2017 Housing Tax Credit Program, QAP and Procedural Manual
Proposed Revisions

Statutory
No statutory changes are proposed.

Qualified Allocation Plan, Procedural Manual, and/or Self-Scoring Worksheet

1. Add requirement that all projects seeking 9% competitive tax credits must meet one of the Strategic Priority Policy Thresholds defined for the year.

Minnesota Housing's Qualified Allocation Plan attempts to address and balance many competing priorities. While this has ensured that the selection priorities encompass a broad range of important policy goals, it is difficult to ensure outcomes of these priorities have the desired strategic focus. While all of the selection priorities in the Qualified Allocation Plan are important, there are certain policy goals related to the Agency's strategic priorities and the current policy environment and market that staff is proposing all proposals must meet in order to apply for competitive 9% tax credits. These Strategic Priority Policy Thresholds are detailed in the Proposed 2017 Housing Tax Credit Program Self-Scoring Worksheet Attachment and below. Staff proposes to redefine these Strategic Priority Policy Thresholds annually as needed based on the housing and policy needs the Agency identifies as most pressing to meet our strategic priorities for that year.

Proposed Strategic Priority Policy Thresholds: (projects must meet at least one of these priorities)

- **Access to Fixed Transit**: Projects within one half mile of a completed or existing LRT, BRT, or commuter rail station
- **Greater Minnesota Workforce Housing**: Projects in Greater Minnesota documenting all three of the following:
    - Need – projects in communities with low vacancy (typically considered 4% and below) and:
        - That that have experienced net job growth of 100 or more jobs
        - With 15 percent or more of the workforce commuting 30 or more miles to work, or
        - With planned job expansion documented by a local employer
    - Employer Support
    - Cooperatively Developed Plan – projects that are consistent with a community-supported plan that addresses workforce housing needs
- **Economic Integration**: Projects located in higher income communities with access to low and moderate wage jobs, meeting either First or Second Tier Community Economic Integration as defined in Selection Priority 2 on the Self-Scoring Worksheet
- **Tribal**: Projects sponsored by tribal governments or tribal corporate entities
- **Planned Community Development**: Projects that contribute to Planned Community Development efforts, as defined in section 7.A of the Housing Tax Credit Procedural Manual, to address locally identified needs and priorities, in which local stakeholders are actively engaged
- **Preservation**: Existing federally assisted or other critical affordable projects eligible for points under Selection Priority 11 on the Self-Scoring Worksheet

- **Supportive Housing**: Permanent housing proposals with at least 5 percent of units (rounded up to the next full unit), with a minimum of 4 units either:
    - Set aside and rented to households experiencing long-term homelessness targeted to single adults, OR
    - Set aside and rented to households experiencing long-term homelessness, at significant risk of long-term homelessness, or as prioritized for permanent supportive housing by the Coordinated Entry System, targeted to families with children or youth

2. Revise the Household Targeting scoring criterion.

In the 2016 QAP, given the addition of the Universal Design scoring criterion, points were reduced for the Special Populations component of the Household Targeting scoring criterion. However, as more work has been done around the Olmstead Plan, and as Department of Human Services has provided data on the number of people living in institutions and segregated settings, it is evident that there is a large need to add units that support Special Populations to our housing infrastructure. While many people with disabilities are eligible for Home and Community Based Services to enable them to live in the community, a major barrier for people to transition from care facilities into rental housing in the community is locating affordable housing. To ensure the QAP provides sufficient incentives to advance the goals of the Olmstead Plan, and create more easily accessible, affordable housing options for people with disabilities, staff is proposing adding five points to the Special Populations scoring category.

In addition, the performance requirements of the Special Populations and Single Room Occupancy sections of this category are being revised. In order to serve Special Populations, or households with incomes at or below 30 percent of area median income as required under the Single Room Occupancy section, owners must typically have rental assistance or other operating support, in addition to supportive services. Because rental assistance, operating, and supportive services funding commitments do not typically extend for the full 30-year term of the HTC Declaration of Land Use Restrictive Covenants (HTC Declaration), syndicators often require large reserves to be funded through the capital budget to ensure enough funds are available in the event one of these funding streams is not renewed or becomes unavailable. Because Minnesota Housing has recognized that it may not be feasible, or produce desirable outcomes, to require a property owner to continue housing long-term homeless (LTH) households without the necessary rental, operating, or service funding in place, a provision has been in place in the QAP that allows for owners to petition the Agency to no longer serve LTH households if these necessary funding streams are lost due to no fault of the owner, as determined by the Agency. If the Agency determines that the necessary funding streams at any point within the 30-year term of the HTC Declaration later become available, the owner must again serve LTH households. It is expected that this provision has significantly reduced the cost of capitalized reserves, which can be a substantial line item in the development budget for supportive housing projects. The same performance requirement provision is proposed to be added to the HTC Declaration for the Special Populations and Single Room Occupancy criteria. Staff will also add this provision to the 2016 HTC Declaration.

3. Replace the Strategically Targeted Resources and the Temporary Priority – Foreclosed Properties scoring criteria with a Community Recovery – Planned Community Development scoring criterion, and revise the definition of, and requirements for, Community Revitalization to align with the proposed definition of Planned Community Development.

The Strategically Targeted Resources scoring criterion currently provides 10 points for rehabilitation projects that meet state and federal rehabilitation per unit requirements, 10 points for new construction projects that utilize existing sewer and water lines without substantial extensions, and an additional two points for rehabilitation projects that are part of a community revitalization or stabilization plan.

The effect of this category has been that nearly all projects receive 10 points for proposing either rehabilitation or new construction. Because the rehabilitation amounts included in the current scoring criterion are required by state and federal law, all rehabilitation projects must comply in order to receive tax credits, and thus a pointing incentive mirroring these requirements is not necessary. Similarly, because Minnesota Housing's mandatory Green Communities Criteria require all new construction projects (except for those on rural tribal lands or in communities with populations of less than 10,000) to be located on sites with access to existing roads, water, and sewers, within or contiguous to existing development, no new construction projects may be selected if substantial extensions to sewer or water lines would be required, and therefore a pointing incentive for this is also unnecessary.

While prioritizing community revitalization is meaningful, the definition of what constitutes community revitalization, along with whether a project is part of community revitalization, is largely undefined and has therefore been difficult to apply in a meaningful manner.

Separately, the temporary priority for Foreclosed Properties that was adopted in the 2011 QAP in response to the foreclosure crisis requires refinement. While foreclosure rates are still somewhat elevated from pre-recession levels, mortgage foreclosures have decreased annually, with a 34 percent drop in 2013 being the third consecutive year of double digit percentage declines. In 2014, for the first time since 2006, foreclosure rates for the state dropped below one percent. Given the data on the foreclosure crisis, and to align with Agency strategy around foreclosure recovery in other programs, staff is proposing a shift in focus from the foreclosure crisis toward community recovery, and supporting local community development efforts.

Local communities are well-positioned to identify the needs and priorities of their communities, and to engage local stakeholders to plan for addressing these needs and priorities. By supporting a housing proposal that contributes to addressing the identified needs and priorities of a Planned Community Development effort, Minnesota Housing can better address the varying needs of communities throughout the state. Further, aligning Agency resources with community investments will allow for greater impact in the lives of residents and in communities.

Staff therefore recommends replacing the Strategically Targeted Resources and the Temporary Priority – Foreclosed Properties scoring criteria with a criterion titled Community Recovery – Planned Community Development. The proposed definition of Planned Community Development will be added to the Procedural Manual and referenced for all other considerations for community revitalization in the Manual, including consideration for the State Designated Basis Boost, variances from HTC Development Standards, and waivers to per development or per developer credit limit caps, along with references in the Self-Scoring Worksheet in the Community Recovery – Planned Community Development and QCT – Community Revitalization scoring criteria, as indicated in the Proposed 2017 Housing Tax Credit Program Self-Scoring Worksheet Attachment.

<u>Proposed Definition for Procedural Manual</u>:

To be considered Planned Community Development, an applicant must document the following about a community plan or initiative:

- The local community is currently actively engaged in the plan or initiative
- Geographic boundaries of a targeted geographic area are identified by the plan or initiative
- The plan or initiative pursues community, economic, or transit oriented development objectives for the target geography, aimed at creating more vibrant, livable, sustainable and equitable communities, reversing historic underinvestment or decline in an area, or responding to a crisis or opportunity.
- The plan or initiative includes the rehabilitation or production of affordable housing as a primary strategy to meet identified objectives.
- The plan or initiative identifies specific activities and investments by which the local community is pursuing and implementing the objectives.

A comprehensive plan, land use plans and general neighborhood planning documents are not by themselves considered evidence of Planned Community Development. In addition to submission of evidence of Planned Community Development, evidence from local community development partners that the housing proposal contributes to the objectives of the plan must be provided.

4. Revise the Workforce Housing Communities scoring criterion.

Under the current QAP, five points are available to Metro projects in the top five communities with the most jobs and the top 10 communities in job growth in the previous five years with at least 2,000 total jobs. In Greater Minnesota these points are provided for projects in the top ten communities with the most jobs and any community with at least 2,000 jobs that had positive job growth in the previous five years.

Staff is proposing to revise the Net Five Year Job Growth component to provide points for projects in communities with at least 2,000 jobs that had net job growth of at least 100 jobs in Greater Minnesota, and at least 500 jobs in the Metro. As our economy has moved out of recession, the number of communities that would begin to qualify for having any positive net growth has grown, and so staff is recommending a slightly more rigorous measure of growth in this regard. In addition, the proposed QAP adds as eligible for these five points communities that neither meet the Top Job Center or Net Five Year Job Growth components, but that document that an individual area employer has added at least 100 net jobs during the previous five years.

The proposed QAP also adds three points for projects that are in communities where at least 15 percent of the workforce commutes into the community for work from 30 or more miles away. Communities where households work but are unable to find housing are considered to have a housing supply issue, and increasing the supply of housing in these communities is vital to ensure affordability and in order to retain and grow the number of jobs in the community.

Lastly, prior to the 2017 funding rounds, staff is proposing to update the eligible Workforce Housing Communities lists to include cities that would be eligible using data current as of April 2016. Additional eligible communities would be added to the list, however no communities would be removed.

See the Workforce Housing Communities Methodology and the Proposed 2017 Housing Tax Credit Program Self-Scoring Worksheet Attachments for additional details.

5. Clarify the Federal/Local/Philanthropic Contributions scoring criterion.

In the current QAP, contributions from any part of the ownership entity are excluded from the calculation for federal/local/philanthropic funds unless awarded by local units of government or nonprofit charitable organizations pursuant to a funding competition. The purpose of this exclusion is to ensure that general partner equity is not construed as a federal, local, or philanthropic source. An unintended consequence of this exclusion, as currently written, is that it is unclear how funds from local and tribal governments should be treated. The exclusion is therefore being clarified. In addition the calculation related to the value of certain local or tribal tax incentives is being clarified. These clarifications are detailed on the Proposed 2017 Housing Tax Credit Program Self-Scoring Worksheet Attachment.

6. Revise the Preservation scoring criterion.

The current QAP provides from 26 to 35 points for units qualifying as Preservation of Existing Federal Assistance. Because there is nothing analogous that is available solely for new construction projects, they have to make up these 26 to 35 points over the other remaining categories. This has meant that selected new construction projects have tended to meet multiple strategic priority policy goals, including locational priorities and the ending long-term homelessness priority. However, an unintended consequence has been that new construction projects that meet Agency strategic priorities have been more ready to proceed with more federal/local/philanthropic contributions than comparable federally assisted preservation projects. While there are other resources available for preservation developments, the 9% housing tax credit is especially important for new construction given the large amount of capital needed to build a new development. Given the current state of the rental market meaning low vacancy rates and increased rents, the limited new construction during the recession and following years, along with the pressing need for workforce housing being identified in communities across the state, it is important that new construction projects that meet Agency strategic priorities are able to compete for 9% tax credits. Therefore, staff is recommending a five point decrease for Existing Federal Assistance in the Preservation scoring criterion as detailed in the Proposed 2017 Housing Tax Credit Program Self-Scoring Worksheet Attachment.

7. Revise the Permanent Supporting Housing for Individuals Experiencing Long Term Homelessness scoring criterion; retitle Permanent Supportive Housing for Households Experiencing Homelessness.

In the 2016 QAP the scoring category was revised so that only proposals targeting Long Term Homeless (LTH) families with children and youth were eligible for the 100 bonus points provided in the QAP for supportive housing. In the current QAP, the requirements for the 100 bonus points are being clarified to say that not all of a proposal's supportive housing units must target these populations, but that five percent of total units, or a minimum of four units, must.

In addition, while the increased targeting incentive for families and youth is important to meet the goals of the Heading Home MN Plan to Prevent and End Homelessness, it is also important to support local communities in serving other high priority populations in their communities. While the Heading Home Plan identifies families with children and youth as having the highest needs statewide, the characteristics of the homeless population vary from community to community. To address the needs of the homeless in local communities, staff is proposing to add points for proposals targeting populations that are identified by the local Continuum of Care (CoC) as high priority. Local CoCs will rank priorities for household type and sub-populations based on local point in time count homelessness data and needs assessment and will be approved by their governing boards. These priorities will be published annually with the QAP. Current CoC priorities are detailed in the Continuum of Care (CoC) Priorities attachment.

Lastly, staff is recommending broadening eligibility for units targeting families with children and youth to include those who are at significant risk of LTH, and family/youth prioritized for permanent supportive housing by the Coordinated Entry System. The family and youth populations need more flexibility in the definition because families and youth have different patterns of homelessness than many single adults, and the impacts of homelessness on children are traumatic and compounded with time. The 2012 Wilder Research Survey shows that young people are most at risk for homelessness in Minnesota, and also indicates a high rate of recidivism for adults who were homeless as children. There are also fewer shelters for families and youth around the state, so the need is hidden by couch hopping and doubling up with family or friends, making it difficult to document length of homelessness. Research has shown that other risk factors beyond the length of homelessness must be considered to determine the need and prioritization for permanent supportive housing for families and youth. With the move toward the Coordinated Entry System, households will be assessed and prioritized for supportive housing based on a number of risk factors, including history of homelessness, trauma, health, and daily functioning. The Coordinated Entry System will better prioritize families and youth who need supportive housing, and help bend the curve to end homelessness for families and youth.

The Proposed 2017 Housing Tax Credit Program Self-Scoring Worksheet Attachment details these revisions.

8. Revise the Location Efficiency scoring criterion.

Eligibility for Access to Transit points for projects in Greater Minnesota communities with fixed route transit service is being revised to include projects near planned fixed route transit stops as eligible for points, in addition to existing stops, as detailed in the Proposed 2017 Housing Tax Credit Program Self-Scoring Worksheet Attachment. This is proposed to provide consistency with the criteria for Metro projects, as points in the Metro are available for projects near both completed and planned LRT, BRT, or commuter rail stations.

In addition, Minnesota Housing will be entering into a licensing agreement with WalkScore. This will provide applicants access to dispute a walk score for a particular address by contacting WalkScore directly. WalkScore will then respond within five working days. While Minnesota Housing and the broader Research community have found WalkScore to be a valid tool, this licensing agreement will ensure that any anomalies found can be handled in a fair, consistent, and neutral manner.

9. Revise the Universal Design scoring criterion.

In the 2016 QAP, with the addition of the Universal Design scoring criterion, projects would receive three points for having the required universal design elements, and projects that would both include the required universal design elements and agree to very low rents or that have a commitment of rental assistance, would receive an additional two points. These two additional points were intended to offset the reduction of five points that was made to Special Populations under the Household Targeting scoring criterion. However, as planning and data analysis around the Olmstead Plan has progressed, staff proposes restoring the 10 points previously available for Special Populations as a more direct incentive toward serving Special Populations, which typically will require rental assistance or very low rents, rather than tying this goal to the Universal Design incentive, which relates more directly to households with physical disabilities. Staff therefore recommends, in conjunction with the increase for Special Populations in the Household Targeting scoring criterion detailed in the report above, removing the two bonus points from the Universal Design criterion, as detailed in the Proposed 2017 Housing Tax Credit Program Self-Scoring Worksheet Attachment.

10. Revise the Rental Assistance scoring criterion.

Staff is proposing to add a definition of rental assistance to this scoring criterion in order to provide clear direction about what required elements the assistance must include in order to be considered for points under this category.

Staff is also proposing to reduce the minimum commitment percentage required so that developments having a commitment for project based Rental Assistance for at least five percent, but no fewer than 4 units, receive points under this category. This will allow projects with small commitments of project based assistance, which are typically general occupancy projects with a small percentage of LTH units, to receive priority over those without commitments of rental assistance.

In addition, the current QAP provides points (under Rental Assistance category G in the Proposed 2017 Housing Tax Credit Program Self-Scoring Worksheet Attachment) for owners which will enter into a cooperatively developed housing plan to provide other rental assistance, as evidenced by a letter of intent at the time of application. In practice, this category has resulted in the generation of letters of intent that do not result in a more meaningful form of collaboration or contribution to the development, and it has been unclear what types of other rental assistance contributions are eligible for these points. Staff is proposing to clarify that this section provides consideration for non-project based assistance (either tenant based, sponsor based, or assistance through master leasing) and to clarify the requirements of acceptable documentation. Also, staff is proposing to reduce available points under this category for other rental assistance to ensure that applicants with project based rental assistance receive higher weighting than those receiving points for non-project based assistance, given the combined point availability between the Rental Assistance and the Serves Lowest Income Tenants/Rent Reduction scoring criteria.

11. Revise the QCT/Community Revitalization scoring criterion; retitle QCT/Community Revitalization & Tribal Equivalent Areas.

Federal law requires housing tax credit allocators to give preference to projects located in a federally-designated Qualified Census Tract (QCT), as annually published by HUD for census tracts determined to have 50 percent or more of its households having incomes below 60 percent of the Area Median Gross Income or a poverty rate of 25 percent or more. However, because the federally-published QCTs do not look just at geographies within tribal lands, and may also encompass non-tribal surrounding communities, the federal QCTs do not capture many of the tribal areas that have a great need for low and moderate income housing. As such, staff is proposing publishing Tribal Equivalent Areas which, in addition to federally-designated QCTs, would be eligible for one point. See the Qualified Census Tracts, Tribal Equivalent Areas Methodology for a list and maps of eligible communities, along with further details on eligibility.

12. Revise Cost Containment methodology.

In the Cost Containment methodology in the current QAP, a 10 percent cost adjustment is applied to development costs located on Tribal lands due to the unique costs and situation of such projects. Staff is proposing to increase this adjustment factor to 15 percent based on additional data and further analysis. A 15 percent adjustment better captures the unique costs faced by developers on Tribal land. See the Cost Containment Methodology Attachment for more detail on this criterion.

13. General Administrative and Clarifications:

Perform various administrative checks for spelling, formatting, text and instruction corrections and clarifications within QAP, Manual, Self-Scoring Worksheet, and other 2017 tax credit program related documents.

Self-Scoring Worksheet
~~2016~~ 2017 Housing Tax Credit Program

Development Name: _______

Development Location: _____

Development City: _____

Please note the following:

1. Strategic Priority Policy Threshold:
   - All projects with the exception of those obtaining tax credits in association with Tax Exempt Bonds over and above the State's allocation of Housing Tax Credits must meet at least one of the Strategic Priority Policy Thresholds defined in Article 11 of the HTC Qualified Allocation Plan in order to apply for Housing Tax Credits.
2. Minimum Point Requirements:
   - Request for Minnesota Housing Finance Agency (Minnesota Housing) administered tax credits from the State's volume cap must demonstrate the project is eligible for not less than 30 points.
   - Request for tax credits in association with Tax Exempt Bonds over and above the State's allocation of Housing Tax Credits must demonstrate the project is eligible for not less than 30 points.
   - Minnesota Housing reserves the right to reject applications not meeting its Project Selection requirements as contained in the Procedural Manual, or to revise proposal features, and associated scoring, to ensure the project meets the requirements.
3. Documentation of Points:
   - Indicate the selection and/or preference priority points expected for your project. Where multiple points per section are available please check the appropriate box (☐) for points claimed. **Attach directly to this self-scoring worksheet, a separate detail sheet and documentation that clearly supports points claimed. Minnesota Housing will determine actual selection points awarded – points will not be awarded unless documentation is provided along with the application to justify the points claimed.**
4. Extended Duration:
   - All projects with the exception of those obtaining tax credits in association with Tax Exempt Bonds over and above the State's allocation of Housing Tax Credits must maintain the duration of low-income use for a minimum of 30 years. The owner agrees that the provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a qualified contract for the acquisition of the project) do not apply to the project, and that the Section 42 income and rental restrictions shall apply for the period of 30 years beginning with the first day of the compliance period in which the building is a part of a qualified low income housing project.
5. Design Standards:
   - The project must meet the requirements in the Minnesota Housing Rental Housing Design/Construction Standards and be evidenced by a Design Standards Certification form executed by the owner and architect. Additional design requirements will be imposed if Large Family Housing points are claimed/awarded or points are claimed/awarded which require specific design elements (i.e. High Speed Internet, Universal Design).
6. A Declaration of Land Use Restrictive Covenants:
   - Covering the rent restrictions and occupancy requirements presented at selection must be recorded against the property.
7. Affirmative Fair Housing:
   - Affirmative Fair Housing Marketing Regulations, held as centrally important by Minnesota Housing, require that each applicant carry out an affirmative marketing program to attract prospective buyers or tenants of all majority and minority groups in the housing market area regardless of race, creed, color, religion, sex, national, origin, marital status, status with regard to public assistance, disability, sexual orientation, or familial status. All applicants must submit an Affirmative Fair Housing Marketing Plan at the time of 8609 documenting an acceptable plan to carry out an affirmative marketing program.

ROUND 1 – MINIMUM THRESHOLD REQUIREMENTS

For applications submitted in Round 1, all applicants statewide must meet one of the following threshold types. Please indicate the Threshold item you meet:

A. In the Metropolitan Area:

1. ☐ New construction or substantial rehabilitation in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), at least 75 percent of the total tax credit units are single room occupancy units with rents affordable to households whose income does not exceed 30 percent of the area median income.

2. ☐ New Construction or substantial rehabilitation family housing projects that are not restricted to persons 55 years old or older in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), at least 75 percent of the total tax credit units contain two or more bedrooms and at least one-third of the 75 percent contain three or more bedrooms; or

3. ☐ Substantial rehabilitation projects in neighborhoods targeted by the city for revitalization.

B. Outside the Metropolitan Area:

1. ☐ Projects which meet a locally identified housing need and which are in short supply in the local housing market as evidenced by credible data such as local council resolution submitted with the application. (For Threshold Letter – Sample Format, see HTC Procedural Manual, Reference Materials Index.)

C. Projects that are not restricted to persons of a particular age group and in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), a percentage of the units are set aside and rented to persons:

1. ☐ with a serious and persistent mental illness as defined in Minnesota Statutes § 245.462, Subdivision 20, paragraph (c);

2. ☐ with a developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended;

3. ☐ who have been assessed as drug dependent persons as defined in Minnesota Statutes § 254A.02, Subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes § 254A.02, Subdivision 2;

4. ☐ with a brain injury as defined in Minnesota Statutes § 256B.093, Subdivision 4, paragraph (a); or

5. ☐ with permanent physical disabilities that substantially limit major life activities, if at least 50 percent of the units in the project are accessible as provided under Minnesota Rules Chapter 1341.

D. Preserve Existing Subsidized Housing:

1. ☐ Projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing, if the use of tax credits is necessary to (1) prevent conversion to market rate use or (2) to remedy physical deterioration of the project which would result in loss of existing federal subsidies; or

E. Rural Development:

1. ☐ Projects financed by Rural Development, which meet statewide distribution goals.

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

1. Household Targeting ~~5 to~~ 10 Points _____ _____

Choose one of the following:

☐ **Large Family Housing** - The proposal is for a project that provides family housing that is not restricted to persons 55 years old or older. At least 75 percent of the total tax credit units must contain two or more bedrooms. The tenant selection plan must give preference to families with minor children. – ***10 Points***

☐ **Single Room Occupancy Housing**[1] - At least 50 percent of the total tax credit units must be one bedroom or less with rents affordable to households whose incomes do not exceed 30 percent of AMI. – ***10 Points***

☐ **Special Populations**[1] - At least 10 percent and up to 25 percent of the total units are set aside and targeted to special populations* – ***~~5~~ 10 points***

***Special Populations** – Projects that are not restricted to persons of a particular age group and in which, for the term of the extended use period (Declaration of Land Use Restrictive Covenants), a percentage of the units are set aside and rented to persons with the following disabilities:

(a) a serious and persistent mental illness as defined in Minn. Stat. § 245.462, subdivision 20, paragraph (c);
(b) a developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended;
(c) assessed as drug dependent as defined in Minn. Stat. § 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minn. Stat. § 254A.02, Subdivision 2.
(d) a brain injury as defined in Minn. Stat. § 256B.093, Subdivision 4, paragraph (a); or
(e) permanent physical disabilities that substantially limit major life activities, if at least 50 percent of the units in the project are accessible as provided under Minnesota Rules Chapter 1341.

To receive points under Special Populations, the proposal must meet all of the following conditions:

a) The applicant must submit a letter from the county human services department OR a designated service provider indicating the services available for the specific population and the referral resources that will be used for the units,

~~a) The applicant must contact the human services department for the county where the project will be located to discuss the proposal. The applicant must submit a letter from the human services department indicating that its staff has reviewed the proposed project, and stating whether there is a need for such housing and if the project would be eligible for funds to assist with the social service needs of the residents.~~

b) ~~In addition, if the project will be delivering supportive services to residents in these units, the applicant must complete and submit t~~The Supportive Housing ~~application materials, including the~~ narratives, and any other forms and submittals identified in the Multifamily Rental Housing Common Application Request for Proposal Guide, and the Multifamily Rental Housing Common Application Checklist;

c) The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy, or service funding contracts for as long as the funding is available.

[1] **Specific performance requirement relief provisions are available for projects receiving points under the Single Room Occupancy Housing or Special Populations categories of the Household Targeting Selection Priority for "HTSP Units".** Chapter 7.A. of the Tax Credit Procedural Manual should be referenced for additional details. Specific performance requirements will be incorporated into a Tax Credit Declaration of Land Use Restrictive Covenants and recorded with the property.

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

~~2. Strategically Targeted Resources – 10 to 12 Points~~

☐ ~~The proposal is for the rehabilitation of an existing structure – ***10 points***~~

~~Note that for all HTC rehabilitation proposals:~~
~~the amount of rehabilitation must exceed:~~
~~$5,000 per low-income unit for the project; and the greater of~~
~~$6,500 qualified basis per low-income unit per building [as annually increased by cost of living adjustment per Section 42(e)(3)(D)]; or~~
~~20 percent of the adjusted basis.~~

~~Calculation is based on rehabilitation hard costs and cannot include intermediary costs or soft costs identified in the application; plans and/or scope of work provided at the time of application.~~

☐ ~~The rehabilitation proposal is part of a community revitalization or stabilization plan – ***2 additional points***~~

~~Comprehensive plans and land use plans are not considered community revitalization plans. Must be evidenced by a letter from the local jurisdiction; verifying that the proposed project is part of an approved community revitalization area as established by resolution or other legal action.~~

~~OR~~

☐ ~~The proposal is for new construction and will utilize existing sewer and water lines without substantial extensions – ***10 points***~~

2. ~~3~~. Economic Integration **2 to 9 Points** _____ _____

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

OR

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

☐ ***First Tier -*** The proposed housing is located in a census tract eligible for **9 point**

☐ ***Second Tier -*** The proposed housing is located in a census tract eligible for **7 points**

Economic integration areas maps and census tract listing are found on Minnesota Housing's website: http://www.mnhousing.gov/idc/groups/public/documents/webcontent/mhfa_012464.pdf . Additionally, find economic integration area map overlays in the agency's community profiles interactive mapping tool (http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1373870285684&pagename=External%2FPage%2FEXTStandardLayout).

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

3.~~4.~~ Workforce Housing Communities **3 to 5 Points** _____ _____

Points are awarded for projects located in or near a city or township needing workforce housing (~~(~~communities having a large number of jobs or job growth, individual employer growth, or having a large share of their workforce commuting long distances).

☐ The proposed housing is in a Top Job Center or Net Five Year Job Growth Community – ***5 points;*** OR

☐ The proposed housing is in an Individual Employer Growth community where an individual employer has added at least 100 net jobs (for permanent employees of the company) during the previous five years, as evidenced by documentation signed by an authorized representative of the company, subject to validation by Minnesota Housing – ***5 points***; OR

☐ The proposed housing is in a Long Commute Community – ***3 points***

In the metropolitan area, project locations must be within 5 miles of a workforce housing city or township. In Greater Minnesota, project locations must be within 10 miles of a workforce housing city or township. ~~(Workforce Housing Communities~~Top Job Centers, Net Five Year Job Growth communities, and Long Commute communities ~~-~~lists and maps~~)~~ are available on Minnesota Housing's website at:
http://www.mnhousing.gov/idc/groups/public/documents/document/mhfa_012445.pdf Additionally, find proximity to workforce housing in the agency's community profiles interactive mapping tool:
(http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1373870285684&pagename=External%2FPage%2FEXTStandardLayout)~~.~~

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

~~4.~~ 4. ~~5.~~ Federal/Local/Philanthropic Contributions 2 to 10 Points _____ _____

Points are awarded for projects that are receiving contributions from the federal government; a local unit of government; an area employer; and/or a private philanthropic, religious or charitable organization.

Identity of Interest exclusion: Contributions from any part of the ownership entity will be considered general partner cash and excluded from the calculation unless the contributions are awarded by ~~local units of government or~~ 1) nonprofit charitable organizations pursuant to a funding competition; 2) local units of government; or 3) tribal governments.

Total federal/local/philanthropic contributions $_____ divided by Total Development Cost $_____ equals (rounded to the nearest tenth)

☐ 20.1% and above – ***10 points***	☐ 5.1 – 10% – ***4 points***
☐ 15.1 – 20% – ***8 points***	☐ 2.1 – 5% – ***2 points***
☐ 10.1 – 15% – ***6 points***	☐ 0 – 2% – ***0 points***

Federal/Local/Philanthropic Contributions include:

- Monetary grants/donations
- Tax increment financing (calculate Net Present Value (NPV) by using NPV discounted by Applicable Federal Rate (AFR))
- Tax abatement (calculate NPV by using NPV discounted by AFR for 30 years)
- Land donation or city write down of the development site
- In-kind work and materials donated at no cost
- Local government donation/waiver of project specific costs, assessments or fees (e.g. SAC/WAC)
- Reservation land not subject to local property taxes (calculate NPV by using NPV discounted by AFR for 30 years)
- Reservation land with long-term low cost leases
- Deferred loans with a minimum term that is co-terminus with the HTC Declaration with an interest rate at or below the AFR
- Grants from nonprofit charitable organizations converted to deferred loans with a minimum term that is co-terminus with the HTC Declaration with an interest rate at or below the AFR. Award letter from the nonprofit charitable organization contributor must be provided at the time of application verifying the project specific (restricted) contribution
- Below Market Interest Rate (BMIR) Loans –calculate NPV based on the difference between the AFR and the BMIR rate (e.g. RD 515, NHASDA first mortgage).
- Historic Tax Credits

To qualify for points for tax increment financing or tax abatement, there must be satisfactory documentation that the contribution is committed to the development at the time of application.

At the time of application, written documentation from the contributor justifying the amount and the terms of the contribution must be provided and be consistent with current market comparable costs. The documentation must be in the form of a project specific letter of intent, city or council resolution, letter of approval, statement of agreement or eligibility, or memorandum of understanding. In the case of Historic Tax Credits, at the time of application written documentation of eligibility through evidence of Historic Register listing or approval of **Part 1**—Evaluation of Significance.

Within 6 months of the date of selection (Minnesota Housing Board selection date) the applicant must provide Minnesota Housing with documentation of a firm commitment, authorization or approval of the federal/local/philanthropic contribution(s). The documentation must state the amount, terms and conditions and be executed or approved at a minimum by the contributor. Documentation containing words synonymous with “consider” or “may”, (as in “may award”) regarding the contribution, will not be considered acceptable. Lack of acceptable documentation will result in the reevaluation and adjustment of the tax credits or RFP award, up to and including the total recapture of tax credits or RFP funds.

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

5. ~~6.~~ Financial Readiness to Proceed **2 to 14 Points** _____ _____

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

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

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

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

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

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

- ☐ 70% or more of funding secured, awarded or committed – ***14 points***
- ☐ 60% to 69.9% of funding secured, awarded or committed – ***12 points***
- ☐ 50% to 59.9% of funding secured, awarded or committed – ***10 points***
- ☐ 40% to 49.9% of funding secured, awarded or committed – ***8 points***
- ☐ 30% to 39.9% of funding secured, awarded or committed – ***6 points***
- ☐ 20% to 29.9% of funding secured, awarded or committed – ***4 points***
- ☐ 10% to 19.9% of funding secured, awarded or committed – ***2 points***
- ☐ 9.9% and below of funding secured, awarded or committed – ***0 points***

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

6. ~~7.~~ Intermediary Costs (Soft Costs) 1 to 6 Points _____ _____

Points will be given to projects with the lowest intermediary costs on a sliding scale based on percentage of total development costs. For HTC selected projects, this percentage will be enforced at issuance of the IRS Form 8609.

Intermediary cost amount: $_____ divided by Total Development Costs $_____ Equals Intermediary Percentage _____% (rounded to the nearest tenth).

- ☐ 0 .0 – 15% – ***6 points***
- ☐ 15.1 – 20% – ***3 points***
- ☐ 20.1 – 25% – ***2 points***
- ☐ 25.1 – 30% – ***1 point***
- ☐ 30.1 & over – ***0 points***

7. ~~8.~~ Unacceptable Practices -10 to -25 Points _____ _____

Minnesota Housing will impose penalty points for unacceptable practices as identified in Chapter 3 G. of the Housing Tax Credit Procedural Manual.

8. ~~9.~~ Eventual Tenant Ownership 1 Point _____ _____

The proposal must include a financially viable plan to transfer **100 percent** of the HTC unit ownership after the end of the 15-year compliance period from the initial ownership entity (or Minnesota Housing approved "Transfer of Ownership") of the project to tenant ownership.

The unit purchase price at time of sale must be affordable to buyers with incomes meeting HTC eligibility requirements. To be eligible, the buyer must have an HTC qualifying income at the time of initial occupancy (HTC rental tenant) or time of purchase. The plan must incorporate an ownership exit strategy and the provision of services including homeownership education and training. The Declaration of Land Use Restrictive Covenants will contain provisions ensuring compliance with these ~~home ownership program~~ eventual tenant ownership commitments by the Owner. (Refer also to Chapter 4 W of the HTC Procedural Manual for additional information.)

Until the time the HTC units are purchased by qualified tenants or in the event the HTC units are not acquired by qualified tenants, the owner will extend the duration of low-income use for the full extended use period (30 years).

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

~~10~~9. ~~Temporary Priority – Foreclosed Properties~~ Community Recovery – Planned Community Development ~~5 or 10 Points~~ 3 Points _____ _____

Points are awarded for proposals that contribute to Planned Community Development efforts, as defined in section 7.A. of the Housing Tax Credit Procedural Manual, to address locally identified needs and priorities, in which local stakeholders are actively engaged. Comprehensive plans, land use plans and general neighborhood planning documents are not by themselves considered evidence of Planned Community Development. In addition to submission of evidence of Planned Community Development, evidence from local community development partners that the housing proposal contributes to the objectives of the plan must be provided.

~~The proposal addresses a temporary housing priority and is eligible for the award of points by the Commissioner or the Board of the Minnesota Housing Finance Agency pursuant to authority cited in the Rules of the Minnesota Housing Finance Agency.~~

~~(Note: Points cannot be taken in this section for a Temporary Priority if a priority section has been specifically created for it elsewhere in this self-scoring worksheet.)~~

~~Priority is given to applications proposing to acquire and rehabilitate a "Foreclosed Property" (A home or residential property has been foreclosed upon if any of the following conditions apply: a) the property's current delinquency status is at least 60 days delinquent under the Mortgage Bankers of America delinquency calculation and the owner has been notified of this delinquency, or b) the property owner is 90 days or more delinquent on tax payments, or c) under state, local, or tribal law, foreclosure proceedings have been initiated or completed, or d) foreclosure proceedings have been completed and title has been transferred to an intermediary aggregator or servicer that is not an NSP grantee, subrecipient, contractor, developer, or end user.) or are located in a Foreclosure Priority Area identified by Minnesota Housing. In cases where the project involves a "Foreclosed Property", the proposed project cannot be a conversion (adaptive reuse/conversion to housing from another use).~~

~~The project must consist of a minimum of 12 units and all units must be located on one parcel or contiguous site.~~

~~Points may be claimed for only one of the following (maximum of ten (10) points):~~

☐ ~~For applications proposing to acquire and rehabilitate a Foreclosed Property or redevelop vacant land involved in a foreclosure action which is located in one of the designated Foreclosure Priority Areas. – **10 points**~~

☐ ~~For applications proposing to acquire and rehabilitate a Foreclosed Property or redevelop vacant land involved in a foreclosure action which is not located in one of the designated Foreclosure Priority Areas. – **5 points**~~

☐ ~~For applications proposing a project to acquire and rehabilitate a property that is located in one of the designated Foreclosure Priority Areas. – **5 points**~~

~~For applications proposing to acquire and rehabilitate a project which has been foreclosed, applicant must provide at the time of application;~~
~~Evidence of applicant's ownership rights to the property~~
~~Narrative which clearly identifies (1) the number of tenant leases which are valid and in force and (2) the terms and conditions of those leases which would have a direct impact on Minnesota Housing's analysis and underwriting of the project proposed in the application.~~

~~Note: Failure to acquire good title to the property will result in the reevaluation and adjustment of the tax credits or RFP award, up to and including the total recapture of tax credits or RFP funds.~~

~~Foreclosures Priority Areas maps and zip code listing are found on Minnesota Housing's website: http://www.mnhousing.gov/idc/groups/public/documents/webcontent/mhfa_012465.pdf . Additionally, find foreclosure priority area map overlays in the agency's community profiles interactive mapping tool (http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1373870285684&pagename=External%2FPage%2FEXTStandardLayout).~~

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

10. ~~11.~~ Preservation **9 to ~~35~~ 30 Points** _____ _____

IMPORTANT NOTE: DUAL APPLICATION & PRE-APPLICATION REQUIRED

Applicant claiming points under this section **must submit a dual application,** as defined in the Multifamily Consolidated RFP Guide**, if the development contains 40 units or greater**.

In order to be eligible for points under this section, applicant **must participate in mandatory technical assistance session and provide required submissions prior to ~~May 15, 2015~~ May 2, 2016 for HTC Round 1 and prior to ~~December 15, 2015~~ December 16, 2016 for HTC Round 2**, as detailed in the Housing Tax Credit Procedural Manual Section 7.A.4. Applicant must provide Agency's "Preliminary Determination of Preservation Eligibility" letter which reflects threshold and points taken below.

Choose one of the following three Thresholds:

☐ **Risk of Loss Due to Market Conversion**

1. Expiration of contract/use-restrictions
   a. Existing property at risk of conversion to market rate housing within five years of application date (attach copies of relevant expiring contracts including eligibility dates, loan documents that describe the ability to pre-pay the financing including required approvals and/or penalties or other evidence of eligibility for use-restricted units to convert to market rate); **OR**
   b. Existing tax credit developments must be eligible to exercise their option to file for a Qualified Contract, and have not previously exercised their option; **AND**

2. Market for conversion evidenced by low physical vacancy rate (4% or lower) for market rate comparable units (comparable units to be validated by Minnesota Housing at Minnesota Housing's discretion); **AND**

3. The property's ability to command market rents as evidenced by direct comparison to local market comparable units and amenities. Conversion scenario must result in sufficient additional revenue to fund improvements and amenities necessary to match market comparable units as evidenced by Three Year Conversion Model and market study (Market comparable and improvement cost estimates to be validated by Minnesota Housing at Minnesota Housing's discretion); **AND**

4. Location in a jobs growth or household growth area as defined in the Agency's community profiles interactive mapping tool; **AND**

5. Fifteen (15) or more years have passed since initial loan closing or most recent tax credit placed in service date.

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

☐ **Risk of Loss Due to Critical Physical Needs**

1. Fifteen (15) or more years have passed since initial loan closing or most recent tax credit placed in service date; **AND**

2. Critical physical needs identified by third party assessment to support the following conclusions:
   a. As-is condition of a property's physical component(s) does not meet:
      i. HUD's Uniform Physical Condition Standards (UPCS), **OR**
      ii. For building exterior components and mechanical systems for which UPCS does not provide a measure, critical need(s) supported by an independent third party professional certification; **AND**
   b. Repair/replacement of major physical plant components have been identified which will result in 15+ years sustained operations; **AND**

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

c. Identified scope of critical physical needs exceeds the available reserves by at least $5,000 per unit, as evidenced by Three Year Critical Needs Model; **AND**

3. Location in one of three geographic priority areas: jobs growth area, household growth area OR an area designated as having a large affordable housing gap, as evidenced in Minnesota Housing's [community profiles interactive mapping tool](), or as evidenced by tribal housing authority waiting list.

☐ **Risk of Loss Due to Ownership Capacity**

1. Fifteen (15) or more years have passed since initial loan closing or most recent tax credit placed in service date; **AND**

2. Current ownership puts units at risk of remaining decent, safe, or affordable. Applicable events might include bankruptcy, insolvency, self-determination by nonprofit board; **AND**

3. Location in one of three geographic priority areas: jobs growth area, household growth area OR an area designated as having a large affordable housing gap, as evidenced in Minnesota Housing's [community profiles interactive mapping tool](), or as evidenced by tribal housing authority waiting list.

Minnesota Housing, at its sole discretion, must agree that a change in ownership is necessary for units to remain decent, safe, or affordable.

SCORING:
For projects meeting one of the three Thresholds above, choose points under Existing Federal Assistance or Critical Affordable Units at Risk of Loss below.

1. Existing Federal Assistance
Definition: Any housing receiving project based rental assistance, operating subsidies, or mortgage interest reduction payments under a U.S. Department of Housing and Urban Development ("HUD"), U.S. Department of Agriculture Rural Development ("RD"), NAHASDA or other program that is not scheduled to sunset or expire.

In order to obtain points for existing federal assistance, the owner shall continue renewals of existing project based housing subsidy payment contract(s) for as long as the assistance is available. Except for "good cause" the owner must not evict existing subsidized residents and must continue to renew leases for those residents.

1.a. ☐ Existing Federally Assisted Units.- **~~25~~ 20 points**

AND

1.b. Score for the appropriate number of federally assisted units currently under contract for preservation:

i. Metro or Greater Minnesota MSA*

☐ 12-30 units **– 1 point**
☐ 31-60 units **– 3 points**
☐ 61-100 units **– 7 points**
☐ 101+ units **– 10 points**

* Greater Minnesota MSA (Metropolitan Statistical Area) as defined by HUD: Duluth, St. Cloud, Fargo/Moorhead, Rochester, Mankato, Lacrosse, Grand Forks, Minneapolis/St. Paul MSA outside of the 7 county metro (including Chisago, Isanti, Sherburne, and Wright Counties) Greater Minnesota MSAs are found on Minnesota Housing's website: Census Tracts.

ii. Greater Minnesota/Rural

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

OR

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

2. Critical Affordable Units at Risk of Loss

2.a ☐ Any housing with a current recorded deed restriction limiting rent or income restrictions at or below the greater of 80% of statewide median income or area median income. Includes existing tax credit units, existing federal assistance not described in paragraph 1. above (i.e. 202, 236, etc.), or other programs limiting income and rent restrictions as stated above.

AND

Must also claim and be awarded points for at least three of the following scoring criteria: Economic Integration, Location Efficiency, Workforce Housing Communities~~, Temporary Priority – Foreclosed Properties~~, **OR** QCT/Community Revitalization; **AND** must also claim and be awarded points under Serves Lowest Income Tenants/Rent Reduction for either Option 1 **OR** Option 2, **AND** Option 3. - **9 points**

2.b ☐ **Funder Collaboration – 5 additional points for projects eligible under 2.a.**

Projects having funder commitments $_______ divided by Total Development Cost $_________equal to 10.0% or greater (rounded to the nearest tenth)

Funder Commitments include:

- Debt forgiveness
- Assumption of debt
- Commitment of new funds
- Extension of loan term
- Forgiveness of interest payable
- Reduction in interest rate (measured as amount of interest saved over term of loan)

Commitments must contain no contingencies other than receipt of a tax credit award. At the time of application, written documentation from the funder justifying the amount and the terms of the contribution must be provided. Within six months of the date of selection (Minnesota Housing Board selection date) the applicant must provide Minnesota Housing with documentation of a firm commitment, authorization, or approval of the contribution. The documentation must state the amount, terms, and conditions, and be executed or approved at a minimum by the funder. Documentation containing words synonymous with "consider" or "may", (as in "may award") regarding the contribution, will not be considered acceptable. Lack of acceptable documentation will result in the reevaluation and adjustment of the tax credits or RFP award, up to and including the total recapture of tax credits or RFP funds.

Points cannot be taken under 2.b. Funder Collaboration and the Federal/Local/Philanthropic Contributions scoring criterion for the same sources.

~~**12. Permanent Housing for Individuals Experiencing Long-Term Homelessness**~~ ~~**5 to 110 Points**~~

11. Permanent Supportive Housing for Households Experiencing Homelessness **5 to 115 Points** ______ ______

A. Minnesota Housing Competitive Round or Tax Exempt Points ("non-Bonus" points) – *5 to ~~or~~ 10 Points*

"Non-Bonus" points will be awarded to permanent housing proposals in which a minimum of 5% (rounded up to the next full unit) of the total units, but no fewer than 4 units, are either*:

1. ~~s~~Set aside and rented to households experiencing long-term homelessness targeted to single adults, ~~as defined in Minnesota Rules, Chapter 4900.3705~~ OR
2. Set aside and rented to households experiencing long-term homelessness, at significant risk of long-term homelessness, or as prioritized for permanent supportive housing by the Coordinated Entry System, targeted to families with children or youth~~:~~

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

☐ 5% to 9.99%, but no fewer than 4 units – ***5 points***

☐ 10% to 49.99%, but no fewer than 7 units – ***7 points***

☐ 50% to 100%, but no fewer than 20 units – ***10 points***

For the purposes of this scoring category:

*A youth is defined as a person under age 25 not living with a parent or guardian, and includes youth with his/her own children
*Long-term homelessness is as defined in Minnesota Rules, Chapter 4900.3705
*At significant risk of long-term homelessness is defined as (a) households that are homeless or recently homeless with members who have been previously homeless for extended periods of time and are faced with a situation or set of circumstances likely to cause the household to become homeless in the near future, and (b) previously homeless persons who will be discharged from correctional, medical, mental health or treatment centers who lack sufficient resources to pay for housing and do not have a permanent place to live
*As prioritized for permanent supportive housing by the Coordinated Entry System defined by the Statewide Coordinated Entry standards and protocol as adopted by the local Continuum of Care.

B. Minnesota Housing Competitive Round or Non-Tax Exempt Points (“bonus” points) – *100 Points*

For proposals receiving points under A above, 100 points (“bonus points”) will be available until a total of ~~$1,975,000~~ $2,100,000 (estimated 25 percent of Minnesota Housing’s administered credit authority) in tax credits are awarded **for qualifying permanent housing proposals targeting families with children or ~~unaccompanied~~ youth** experiencing long-term homelessness, at significant risk of long-term homelessness, or as prioritized for permanent supportive housing by the Coordinated Entry selected in the ~~2016~~ 2017 Housing Tax Credit competitions. ~~For the purposes of this scoring category, an unaccompanied youth is defined as on his or her own without a parent or guardian and under age 25, including youth living with his/her own children.~~ Once this maximum amount is reached, the 100 points (“bonus” points) will no longer be awarded for the remaining ~~2016~~ 2017 Tax Credit Program competitive funding rounds. If qualified per the requirements of this section, applicants may claim the “bonus points”. Minnesota Housing will make point reductions relating to the “bonus points” funding limits following its review of all applications in the funding round which claim these points. Qualified proposals may earn a maximum of 10 points (“non-bonus” points) and may continue to compete in the appropriate set-aside. If bonus points are claimed, without regard to whether points are awarded, the Tax Credit Declaration of Land Use Restrictive Covenants will contain these population targeting requirements:

☐ 5% or more (rounded up to the next full unit), but no fewer than 4 units, will target families with children or youth experiencing long-term homelessness, at significant risk of long-term homelessness, or as prioritized for permanent supportive housing by the Coordinated Entry System – ***100 points***

C. Consistency with Local Continuum of Care Priorities – *1 to 5 Points*

For proposals receiving points under A above, additional points will be available for consistency with local needs identified by the local Continuum of Care. Proposals that will target units for a minimum of 5% of units (rounded up to the next full unit), but no fewer than 4 units, consistent with published Continuum of Care Priorities (published Priorities are available on Minnesota Housing’s website at: [insert weblink]):

1. Continuum of Care Household Type Priorities:
   ____ Number of units, representing at least 5% of units, targeted to Continuum of Care Household Type Priority One – ***3 points*, OR**
   ____ Number of units, representing at least 5% of units, targeted to Continuum of Care Household Type Priority Two – ***1 point***

2. Continuum of Care Subpopulation Type Priorities:
   ____ Number of units, representing at least 5% of units, targeted to Continuum of Care Subpopulation Type Priority One – ***2 points*, OR**
   ____ Number of units, representing at least 5% of units, targeted to Continuum of Care Subpopulation Type Priority Two – ***1 point***

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

To receive points ~~under this category~~ for Permanent Supportive Housing for Households Experiencing Homelessness, the proposal must meet all of the following conditions:

a) the applicant must complete and submit the Supportive Housing application materials, including the narratives, forms and submittals identified in the Multifamily Rental Housing Common Application Request for Proposal Guide, and the Multifamily Rental Housing Common Application Checklist; and

b) the applicant agrees to pursue and continue renewal of rental assistance, operating subsidy, or service funding contracts for as long as the funding is available.

A proposal which is awarded scoring points from this category and is selected to receive tax credits will be required to comply with the ~~Long-Term Homelessness~~ reporting requirements for Permanent Supportive Housing for Households Experiencing Homelessness, as defined by Minnesota Housing. The Tax Credit Declaration of Land Use Restrictive Covenants, including a specific Rider to the Declaration, will contain performance requirements related to these ~~long-term homelessness~~ permanent supportive housing units for households experiencing homelessness and will be recorded with the property.

12. ~~13.~~ High Speed Internet Access **1 Point** _____ _____

The development will provide High Speed Internet access via installation of all appropriate infrastructure and connections for cable, DSL or wireless internet service to every unit in the development. This will be a design requirement if points are taken.

Selection Priorities	Developer Claimed	Minnesota Housing Awarded

13. ~~14.~~ Location Efficiency **1 to 9 Points** _____ _____

Points will be awarded for transit oriented developments or developments that promote location efficiency based on a combination of access to transportation and walkability.

Twin Cities Metropolitan Area:
In the Twin Cities Metropolitan area, points will be awarded for a combination of three areas: access to transit, walkability, and transit oriented development.

1) Access to Transit:
To receive points for access to transit in the Metropolitan area, a development must be:

- ☐ Located within one half mile of a completed or planned LRT, BRT, or commuter rail station – ***5 points***; OR
- ☐ Located within one quarter mile of a fixed route stop on Metro Transit's Hi-Frequency Network – ***4 points***; OR
- ☐ Located within one quarter mile of a high service public transportation fixed route stop ***– 2 points***; OR
- ☐ Located within one half mile of an express bus route stop ***– 2 points***; OR
- ☐ Located within one half mile of a park and ride ***– 2 points***

2) Walkability:
To receive points for walkability, a development must receive an award of points for Access to Transit above, and be:

- ☐ Located in an area with a walk score of 70 or more according to www.walkscore.com** – ***2 points***; OR
- ☐ Located in an area with a walk score between 50 and 69 according to www.walkscore.com** – ***1 point***;

3) Transit Oriented Development:
To receive up to 2 additional points for transit oriented development, a development must be located within one quarter mile of a completed or planned LRT, BRT, or commuter rail station. **One point for a development which meets one of the following, and two points for a development which meets two or more of the following**:

- ☐ **Parking:** Parking for residential units or visitors is not more than the smallest allowable parking minimum under local zoning requirements. If no residential parking or visitor parking is required under local zoning, no more than 0.2 visitor parking spaces per residential unit are provided.
- ☐ **Building Orientation and Connections:** Currently existing walkable or bikeable connections to station area via sidewalk or trail or funding secured to create such connections, and at least one accessible building entrance oriented toward such connections, and parking is not situated between building and station area.
- ☐ **Density:** Site density at the maximum allowable density under the local comprehensive plan.
- ☐ **Alternative Means:** Car sharing (Where one or more passenger automobiles are provided for common use by residents, bike storage, shared parking arrangements with adjacent property owners, etc. which results in a reduction in the local minimum parking requirement, and parking for residential units in not more than the local minimum parking requirement, or if no residential parking or visitor parking is required under local zoning, no more than 0.2 visitor parking spaces per residential unit are provided.

Greater Minnesota:
In Greater Minnesota, location efficiency points will be awarded in a combination of access to transit and walkability in areas with fixed route transit service, and a combination of dial-a-ride, walkability, and access to jobs in areas without fixed route transit service.

A. For areas with fixed route transit service:

1) Access to Transit:
To receive points for access to transit, a development in Greater Minnesota must be:

- ☐ Located within one quarter mile of a completed or planned public transportation fixed route stop ***– 7 points***; OR
- ☐ Located between one quarter mile and one half mile of a completed or planned public transportation fixed route stop ***– 4 points***; OR
- ☐ Located less than one half mile of an express bus route stop or park and ride lot ***– 4 points***;

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

2) Walkability:
To receive points for walkability, a development must receive an award of points for Access to Transit above, and be:
☐ Located in an area with a walk score of 70 or more according to www.walkscore.com** ***– 2 points***; OR
☐ Located in an area with a walk score between 50 and 69 according to www.walkscore.com** ***– 1 point***

B. For areas without fixed route transit service:

To receive **four points** for location efficiency, a development must be:

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts, **AND** meets **BOTH** of the following:

☐ The proposed housing has access to demand response/dial-a-ride* services during standard workday hours**;** AND
☐ The proposed housing is in an area with a **walk score of 70 or more** according to www.walkscore.com**

To receive **three points** for location efficiency, a development must be:

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts, **AND** meets **BOTH** of the following:

☐ The proposed housing has access to demand response/dial-a-ride* services during standard workday hours**;** AND
☐ The proposed housing is in an area with a **walk score between 50 and 69** according to www.walkscore.com**

To receive **two points** for location efficiency, a development must be:

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts, **AND** meets **ONE** of the following:

☐ The proposed housing has access to demand response/dial-a-ride* services during standard workday hours**; O**R
☐ The proposed housing is in an area with a **walk score of 70 or more** according to www.walkscore.com**

To receive **one point** for location efficiency, a development must be:

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts, **AND** meets **ONE** of the following:

☐ The proposed housing has access to demand response/dial-a-ride* services during standard workday hours**; OR**
☐ The proposed housing is in an area with a **walk score between 50 and 69** according to www.walkscore.com**

*Applicants must provide documentation of access and availability of service and describe how the service is a viable transit alternative that could be used for transportation to work, school, shopping, services and appointments. Minnesota Department of Transportation defines dial-a-ride as: *"A demand-responsive service in which the vehicle is requested by telephone and vehicle routing is determined as requests are received. Origin-to-destination service with some intermediate stops is offered. Dial-A-Ride is a version of the taxicab using larger vehicles for short-to-medium distance trips in lower-density subregions".*

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

Access to transportation maps and census tract listings are found on Minnesota Housing's website: http://www.mnhousing.gov/idc/groups/public/documents/webcontent/mhfa_012466.pdf. Additionally, find these details in the agency's community profiles interactive mapping tool.

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

14. ~~15.~~ Universal Design **3 ~~to 5~~ Points** _____ _____

Universal Design Unit Definition: A unit that includes all Minimum Essential Universal Design Features below, along with 8 Optional Features for units in a new construction or adaptive re-use project, and 4 Optional Features for units in a rehabilitation project. Type A accessible units (as referenced in Minnesota Housing's Rental Housing Design and Construction Standards) are also considered to meet the definition of a Universal Design unit for the purposes of this scoring category.

- ☐ An elevator building with 100% of HTC units meeting the definition of a Universal Design Unit – ***3 points***; OR
- ☐ A non-elevator building with at least 10% of HTC units meeting the definition of a Universal Design Unit – ***3 points***~~; OR~~
- ~~☐ A project that is eligible for both 3 points under Universal Design for having units meeting the definition of a Universal Design Unit in the percentages required above **AND** either 3 points under the Serves Lowest Income Tenants/Rent Reduction scoring category for Option 4, **OR** at least 6 points under the Rental Assistance scoring category, **OR** at least 25 points under the Preservation scoring category. – ***5 points***~~

Minimum Essential Universal Design Features

- At least one bedroom or space that can be converted to a bedroom (without changing door locations for new construction or adaptive re-use) on an accessible level and connected to an accessible route.
- 42" minimum hallways for new construction or adaptive re-use
- At least one three quarter bathroom on an accessible level with five foot open radius for new construction or adaptive re-use, and clear floor space of 30" x 48" for rehabilitation
- Lever handles on all doors and fixtures
- Provide wall blocking in all tub and shower areas for new construction or adaptive re-use, and for rehabilitation if showers are being replaced
- Door thresholds flush with the floor with maximum threshold height of ½" beveled or ¼"square edged
- Kitchen and laundry appliances have parallel approach clear floor space with all controls within maximum height of 48". Range controls must have lockout feature. Stackable laundry units with a maximum reach range of 54" will meet this requirement
- Kitchen sink area 30" wide minimum with cabinet panel concealing piping or a removable base cabinet
- All common spaces and amenities provided in the housing development located on an accessible route
- For new construction or adaptive re-use, deck or patio spaces have a step-less transition from dwelling unit meeting door threshold requirements, with decking gaps no greater than ¼"
- Universal Design features are incorporated in an aesthetic, marketable, non-institutional manner

Optional Features

- High contrast finish selections that include floor to wall transitions, top treads of stairs, counters and adjacent flooring and walls
- Single lever, hands free or touch faucets
- At least 50% of kitchen storage space within reach range. This can include pull-out shelves, full extension glide drawers or pantry design
- A variety of work surface heights in kitchen and one five foot open radius
- Roll under vanity or sink in twenty five percent of Universal Design qualifying units, rounded up to the nearest whole number
- Cabinet hardware with "D" type pull handles or operation for people with limited dexterity
- Zero threshold shower or transfer space at tub is provided for minimum of half the qualifying Universal Design units, rounded up to the nearest whole number
- Slip resistant flooring in kitchens and baths
- Toilets provided with seats 17" – 19" from the floor
- Windows are provided with maximum sill height of 36", parallel clear floor space and locks/operating mechanism within 48" and easily operable with one hand. Sidelight or view window at main entry door from a seated position
- Thermostats designed for visually impaired or ability to monitor and operate with electronic device such as a tablet computer
- Closet storage is adjustable in a majority of the closets provided

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

- Audio/Visual Doorbell
- Covered entry with adequate lighting and interior or exterior bench space for parcels or groceries
- Lettering and numbering with all characters and symbols contrasting with their background
- Braille characters included to the left on all interior signage
- Parking spaces provided for at least fifty percent of Universal Design qualifying units, rounded up to the nearest whole number, with a five foot wide adjacent auxiliary space connected to accessible route
- Residential elevator or chair lift space structured for future use in multiple level homes
- Enterprise Green Communities Model Specifications are used for applicable sections for the Universal Design qualifying units
- On-site physical activity is provided for in a fitness area, biking or walking path or community garden
- Other modifications which make units livable for disabled populations, as demonstrated by credible evidence provided in the application, at the sole discretion of Minnesota Housing

15. ~~16.~~ Smoke Free Buildings **1 Point** _____ _____

One (1) point will be awarded for projects that will institute and maintain a written policy* prohibiting smoking in all the units and all common areas within the building/s of the project. The project must include a non-smoking clause in the lease for every household.

Projects awarded a point in this scoring criteria will be required to maintain the smoke-free policy for the term of the declaration.

*The written policy must be submitted with the application and should include procedures regarding transitioning to smoke-free for existing residents and establishment of smoking areas outside of units and common areas if applicable. Consequences for violating the smoke-free policy are determined by owner but must be included in the written policy.

Preference Priorities	Developer Claimed		Minnesota Housing Awarded

1. Serves Lowest Income Tenants/Rent Reduction 5 to 16 Points _____ _____

Scores are based on gross rent level including utilities before rental assistance. Eligible units must have rents affordable to households whose incomes do not exceed 30 percent or 50 percent of median income without rental assistance.

In addition to the elected income limit of 50 percent or 60 percent AMI for the full term of the declaration (refer to the Minimum Set-Aside), the applicant agrees to maintain deeper rent structuring for which selection points are requested.

Applicants may choose either option 1 or 2, and in addition, option 3 and/or option 4 for the development. This selection will restrict rents only (tenant incomes will not be restricted to the 50 percent or 30 percent income level by claiming points in this section).

☐ Option 1 – A project in which 100 percent of the HTC unit rents representing _______ units are in the county 50 percent HUD area median rent limit – ***10 points***

☐ Option 2 – A project in which at least 50 percent of the HTC unit rents representing _______ units are at the county 50 percent HUD area median rent limit – ***5 points***

AND

☐ Option 3 – In addition to Option 1 or 2, a project that restricts the rents of all the units identified in Option 1 or 2 to the 50 percent HUD area median rent limit for a minimum of ten years after the last placed in service date for any building in the property – ***3 additional points***

AND/OR

☐ Option 4 – In addition to Option 1 or 2, a project that further restricts 30 percent of the above restricted units to the county 30 percent HUD area median rent limit representing _______ units – ***3 additional points***

NOTE: If points are claimed/awarded for this category, then no points may be claimed/awarded from the selection priority category of Rental Assistance for the same units.

IMPORTANT

If points are claimed/awarded for Options 1 or 2, all 50 percent rent restricted units must meet the 50 percent area median rent for a minimum of five years after the last placed in service date for any building in the property. After the five year period has expired, rent may be increased to the 60 percent rent limit over a three year period with increases not to exceed the amount listed in the table below, provided that more restrictive threshold, selection priority or funding requirements do not apply.

If points are claimed/awarded for Option 4, all 30 percent rent restricted units must meet the 30 percent area median rent for a minimum of five years after the last placed in service date for any building in the property. After the five year period has expired, rent may be increased to the 40 percent rent limit over a three-year period with increases not to exceed the amount listed in the table below, provided that more restrictive threshold, selection priority or funding requirements do not apply.

YEAR	30% of 50% Rent Levels	30% of 30% Rent Levels
1 – 5	30% of 50%	30% of 30%
6	30% of 53%	30% of 33%
7	30% of 57%	30% of 37%
8	30% of 60%	30% of 40%

If points are claimed/awarded for this category's Option 3, all 50 percent rent restricted units must meet the 50 percent area median rent for a minimum of ten years after the last placed in service date for any building in the property. After the ten year period has expired, rent may be increased to the 60 percent rent limit over a three year period with increases not to exceed the

Preference Priorities	Developer Claimed		Minnesota Housing Awarded

amount listed in the table below, provided that more restrictive threshold, selection priority, or funding requirements do not apply.

YEAR	30% of 50% Rent Levels
1 – 10	30% of 50%
11	30% of 53%
12	30% of 57%
13	30% of 60%

Minnesota Housing will incorporate these restrictions into the Declaration of Land Use Restrictive Covenants. The applicant must demonstrate to sole satisfaction of Minnesota Housing that the property can achieve these reduced rents and remain financially feasible [IRC § 42(m)(2)]. Points are contingent upon financial plans demonstrating feasibility, positive cash flow on a 15-year pro forma and gaining Minnesota Housing management approval (for management, operational expenses, and cash flow assumptions).

Preference Priorities	Developer Claimed		Minnesota Housing Awarded

2. Rental Assistance ~~4~~ 2 to 21 Points _____ _____

Priority is given to an owner that submits with the application a **fully executed binding commitment** (i.e. binding Resolution/binding Letter of Approval from the governing body) for project based rental assistance awarded in accordance with 24 CFR Ch. IX, Section 983.51 or are effectively project based by written contract. For the purposes of this scoring category, project based rental assistance is defined as a project-specific funding stream that supports the operations of the property, reduces the tenant rent burden, and provides for the tenant paid portion of rent to be no greater than 30% of household income. Site-based Group Residential Housing, and awards of project based McKinney Vento Continuum of Care funding, will be considered project based rental assistance.

The assisted units must be located in buildings on the project site. A development that has existing rental assistance meeting the definition of federal assistance under the Preservation scoring category is not eligible for an award of points under Rental Assistance.

Rent for assisted units must be at or below Fair Market Rents (or appropriate payment standard for the project area). Receiving these points and agreeing to a minimum number of assisted units does not release owners from their obligations under the Minnesota Human Rights Act and Section 42 prohibiting refusal to lease to the holder of a voucher of eligibility under Section 8 of the United States Housing Act of 1937 because of the status of the prospective tenant as such a holder.

A current request for Minnesota Housing Rental Assistance will not receive Rental Assistance points. A past award of existing Rental Assistance will be counted toward meeting the required percentages. Indicate the applicable combinations of the below components. Points for A, B, C and D cannot be claimed in any combination.

☐ (A) For developments agreeing to set aside and having the required binding commitment for 100 percent of the total units for project based rental assistance – ***17 points***

☐ (B) For developments agreeing to set aside and having the required binding commitment for at least 51 percent of the total units for project based rental assistance – ***13 points***

☐ (C) For developments agreeing to set aside and having the required binding commitment for at least 20 percent but under 51 percent of the total units for project based rental assistance – ***10 points***

☐ (D) For developments agreeing to set aside and having the required binding commitment for at least ~~10~~ 5 percent but under 20 percent of the total units, representing at least 4 units, for ~~the~~ project based rental assistance – ***6 points***

☐ (E) For selection components A, B, C, or D above, if, in addition, the above binding commitments are coupled with a binding commitment to provide the project based rental assistance for a minimum 10 year new or remaining contract term – ***4 points***

☐ (F) For selection components A, B~~-~~, C, or D above, if, in addition, the above binding commitments are coupled with a binding commitment to provide the project based rental assistance for a 4 to 9 year new or remaining contract term – **2 *points***

NOTE: If points are claimed/ awarded under any of the above, then no points may be claimed/ awarded from the preference priority categories of Serves Lowest-Income Tenants/Rent Reduction for the same units.

NOTE: Points cannot be claimed/ awarded under the Rental Assistance preference priority if points are claimed/ awarded for the same units for Existing Federal Assistance under the Preservation selection priority.

☐ (G) For developments that will ~~cooperatively develop a housing plan/agreement to~~ provide **other** Rental Assistance (e.g. Section 8, portable tenant based, ~~formal recommendation for~~ an award of McKinney Vento ~~Shelter Plus Care~~ Continuum of Care rent assistance (which is tenant based, sponsor based, or for leasing), tenant based Group Residential housing or other similar programs approved by Minnesota Housing) ~~to meet the existing need~~ as evidenced at application by documentation of commitment of assistance. ~~a letter of intent signed by both the applicant and the local housing authority or other similar entities~~– ***~~4~~ 2 points***

To receive these points, the applicant must comply with all program requirements for the assistance for which priority points were given, including maintaining rents within the appropriate payment standard for the project area in which the project is located for the full compliance and extended use period of the housing tax credits.

Preference Priorities	Developer Claimed		Minnesota Housing Awarded

~~As a condition of Carryover or 8609, the applicant must submit a copy of the fully executed contract for the project-based rental assistance to be included in the development.~~

For project based rental assistance in conjunction with a binding commitment for an "extended term contract" at time of application the applicant must submit a binding commitment for the "extended term contract" for project based assistance for a minimum of 4 or 10 years which is signed by the Local Housing Authority or other similar entity. As a condition of Carryover or 8609, the applicant must submit a fully executed copy of the "extended term contract" for the project based assistance to be included in the development.

~~For Other Rental Assistance (e.g.., Section 8, portable tenant based, formal recommendation for McKinney Vento Shelter Plus Care rent assistance or other similar rent assistance programs approved by Minnesota Housing), at time of application the applicant must submit a letter of intent to cooperatively develop a housing plan/agreement which is signed by the applicant and Local Housing Authority or other similar entity along, with the completed Agreement to Utilize Public Housing and Section 8 Waiting Lists. As a condition of Carryover or 8609, the applicant must submit a fully executed copy of the cooperatively developed housing plan/agreement.~~

3. QCT/Community Revitalization & Tribal Equivalent Areas 1 Point _____ _____

A point is awarded to projects that are located in a Qualified Census Tract (See Qualified Census Tract – Reference Materials Index) and are part of a concerted plan that provides for community revitalization consistent with the definition of Planned Community Development contained in section 7.A. of the HTC Procedural Manual. In addition to submission of evidence of Planned Community Development, evidence from local community development partners that the housing proposal contributes to the objectives of the plan must be provided.

Tribal Equivalent Areas published on Minnesota Housing's website are also eligible for one point: [insert weblink] . Additionally, find these areas in the agency's community profiles interactive mapping tool.

~~This must be evidenced by a letter from the local jurisdiction verifying that the proposed project is part of an approved community revitalization area as established by resolution or other legal action.~~

4. Cost Containment 4 Points _____ _____

Four points will be available to the 50% of developments with the lowest costs within each development type/location group (subject to the methodology described in Revised Cost Containment Methodology). Applicants may claim these points and Minnesota Housing will make point reductions following its review of costs for all applications in the funding round.

Applications seeking 4% tax credits for use in conjunction with tax exempt bonds are not eligible to claim points through this Cost Containment priority. Only applications seeking tax credits through Minnesota Housing's 9% Competitive application process for tax credits are eligible to claim points through this priority.

NOTE: Proposals that believe they have contained their costs should select these points.

Only proposals that claim cost containment points on the self-scoring worksheet and are awarded points through the process described above will receive cost containment points.

CAUTION: If a project receives points under this criterion, failure to keep project costs under the applicable cost threshold will be considered an unacceptable practice and result in negative 4 points being awarded in all of the applicant's tax credit submissions in the next funding round in which submissions are made.

If developers are concerned about their costs and keeping them within the "applicable cost threshold," they should not claim the cost-containment points.

Preference Priorities	Developer Claimed		Minnesota Housing Awarded

TOTAL POINTS _____ _______

Developer Claimed **Minnesota Housing Awarded**

<u>Under penalty of perjury, Owner hereby certifies the information provided herein is true and accurate.</u>

Name of Owner:

By: ____
(Signature)

Of: ____
(Name of Legal Entity)

Its: ____
(Title) (Managing General Partner)

____
(Print or type name of signatory)

Note: During the competition process, Minnesota Housing's review of the submitted self-scoring worksheet is only to validate that the points claimed are eligible, to reduce points claimed if not eligible, and to determine points awarded. Minnesota Housing will not award additional points which are not initially claimed by the Applicant/Owner. Many performance obligations are created by the claiming of certain scoring points. As such, Minnesota Housing cannot and will not assume the position of creating any such performance obligations on behalf of the Applicant/Owner. In addition, applications funded under the Joint Powers Agreement must also comply with the suballocators selection criteria defined in their Qualified Allocation Plan.

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NOTE: This methodology includes data from the Census Bureau's Longitudinal Employer-Household Dynamics program that represents the year 2011. If new data are available by the public hearing in March, we will replace the data accordingly. (This will affect the Long Commute Communities).

Workforce Housing Communities Methodology

Communities with a need for workforce housing are identified through total jobs in 2013, 5 year job growth, and long distance commuting. Data on jobs and growth are from the Minnesota Department of Employment and Economic Development's Quarterly Census of Employment and Wages[1]. Data on commuting are from the US Census Bureau's Longitudinal Employer-Household Dynamics program[2]. Workforce housing areas are defined separately for the Twin Cities Metro (7 County) and Greater Minnesota and are comprised of two point thresholds: 5 and 3 points. The following sections describe the eligible communities and buffers around these communities for the two regions. Applicants will find interactive maps to identify whether a property falls within these areas at Minnesota Housing's website: www.mnhousing.gov > Policy & Research > Community Profiles.

- **5 Points**
  - **Top Job Centers**. Eligible if a community is one of the top 10 job centers in Greater Minnesota or the top 5 job centers in the Twin Cities Metro as of 2013 as defined by total jobs. **(OR)**
  - **Net Five Year Job Growth.** Communities are eligible in Greater Minnesota with at least 2,000 jobs in the current year that have had a net job growth of a minimum of 100 jobs, or communities in the Twin Cities Metro with a net job growth of 500 or more jobs in the past 5 years. Minnesota Housing will publish the most current available data from the Dept. of Employment and Economic Development, 2008-2013; but will add additional communities using data most currently available by application release in April 2016 for the 2017 QAP. **(OR)**
  - **Individual Employer Growth.** Eligible if an individual employer has added at least 100 net jobs (for permanent employees of the company) during the last five years, and can provide sufficient documentation signed by an authorized representative of the company to prove the growth.

(OR)

- **3 Points**
  - **Long Commute Communities.** Eligible if a community is not a top job center, job growth community, or an individual employer growth community, yet is identified as a long commute community. These are communities where 15% or more of the communities' workforce travels 30+ miles to work.

In each case above, communities are buffered by 10 miles in Greater Minnesota and 5 miles in the Twin Cities Metro to account for a modest commuteshed.

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[1]The 5 year job growth communities presented in this methodology are for 2008-2013. Minnesota Housing will also add eligible 2009-2014 growth communities by application release of the 2017 QAP. Data source: http://mn.gov/deed/data/data-tools/qcew.jsp

[2] Origin Destination Data from LEHD are current to 2011. Data source: http://lehd.did.census.gov/data/

Maps and tables below and on following pages display eligible areas under existing data methods for the Twin Cities Metro (pages 2 and 3) and Greater Minnesota (pages 4 and 5). Additional communities that would become eligible in the next year, will be added to the communities;, no communities will be subtracted.

Twin Cities Metro Job Centers and Ranked Job Growth Communities 2008-2013 (5 Points)

Twin Cities Metro Top 5 Job Centers (2013)
Minneapolis, Hennepin
Saint Paul, Ramsey
Bloomington, Hennepin
Eagan, Dakota
Eden Prairie, Hennepin

Twin Cities Metro Communities With Net Growth of 500 Jobs or More (2008-2013)
Minneapolis, Hennepin
Hopkins, Hennepin
Eagan, Dakota
Maple Grove, Hennepin
Chanhassen, largely Carver
Woodbury, Washington
Rogers, Hennepin
Saint Louis Park, Hennepin
Maplewood, Ramsey
Oakdale, Washington
Lakeville, Dakota
Blaine, largely Anoka
Medina, Hennepin
Golden Valley, Hennepin
Burnsville, Dakota
Little Canada, Ramsey
Rosemount, Dakota

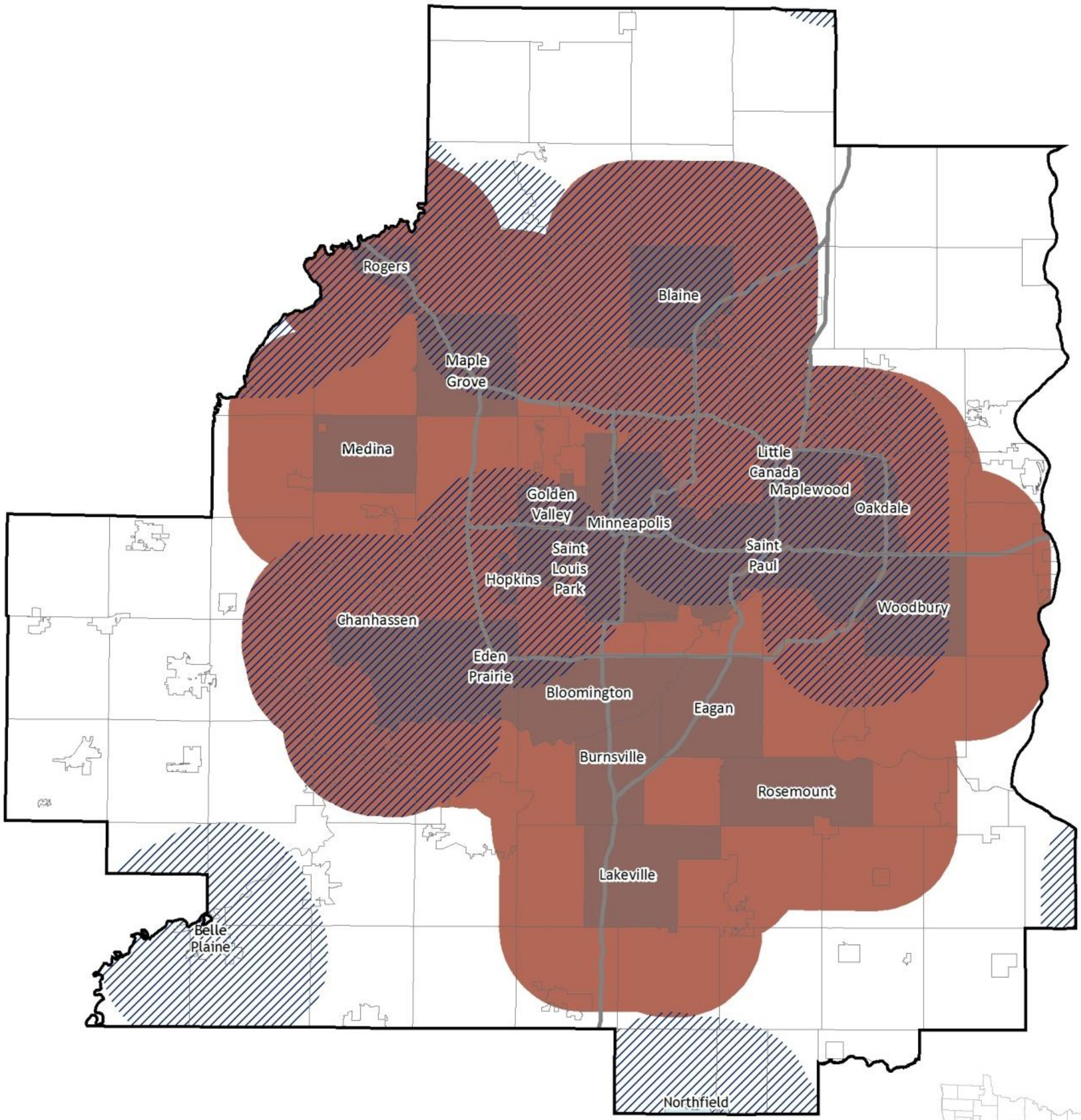
Source: Minnesota Housing analysis of Minnesota Dept. of Employment and Economic Development Quarterly Census of Employment and Wages. (2008-2013).

Twin Cities Metro Long Commute Communities (3 Points)

Twin Cities Metro Long Commute Communities
Belle Plaine
Blaine
Champlin
Chanhassen
Falcon Heights
Hopkins
Maplewood
Northfield

Source: Minnesota Housing analysis of US Census Longitudinal Employer Household Dynamics Data, 2011.

Metro Workforce Housing Communities for 2017 QAP (with 2008-2013 data)



-Job centers are defined by total jobs in 2013.
-Job growth is a measure of change in total jobs between 2008 and 2013.
-To be eligible as a job growth community, a community must have 2,000 or more jobs in 2013.
-Long Commute Communities have 15% or more of the workforce traveling 30+ miles to work.

0 4 8 Miles

Top 5 Job Center or Growth >=500 Jobs (5 Points)

Long Commute Community (3 points)

Minnesota Housing Finance Agency

Source: Minnesota Housing analysis of MN Department of Employment and Economic Developments Quarterly Census of Employment and Wages. Date: 11/18/2014

Greater Minnesota Job Centers and Job Growth Communities 2008-2013 (5 Points)

Greater Minnesota Top 10 Job Centers (2013)
Rochester, Olmsted
Duluth, Saint Louis
Saint Cloud, largely Stearns
Mankato, largely Blue Earth
Winona, Winona
Owatonna, Steele
Willmar, Kandiyohi
Moorhead, Clay
Austin, Mower
Red Wing, Goodhue

Greater MN Communities With Net Growth of 100 jobs or more, 2008-2013	
Rochester, Olmsted	Mountain Iron, Saint Louis
Elk River, Sherburne	Hibbing, Saint Louis
Sartell, largely Stearns	Northfield, largely Rice
Mankato, largely Blue Earth	Melrose, Stearns
Wyoming, Chisago	Staples, largely Todd
Monticello, Wright	Delano, Wright
Thief River Falls, Pennington	Roseau, Roseau
Cambridge, Isanti	Moorhead, Clay
Detroit Lakes, Becker	Cloquet, Carlton
Perham, Otter Tail	Saint Michael, Wright
Red Wing, Goodhue	Faribault, Rice
Bemidji, Beltrami	Hinckley, Pine
Hermantown, Saint Louis	Luverne, Rock
Albertville, Wright	Baxter, Crow Wing
North Branch, Chisago	Waite Park, Stearns
Glencoe, McLeod	

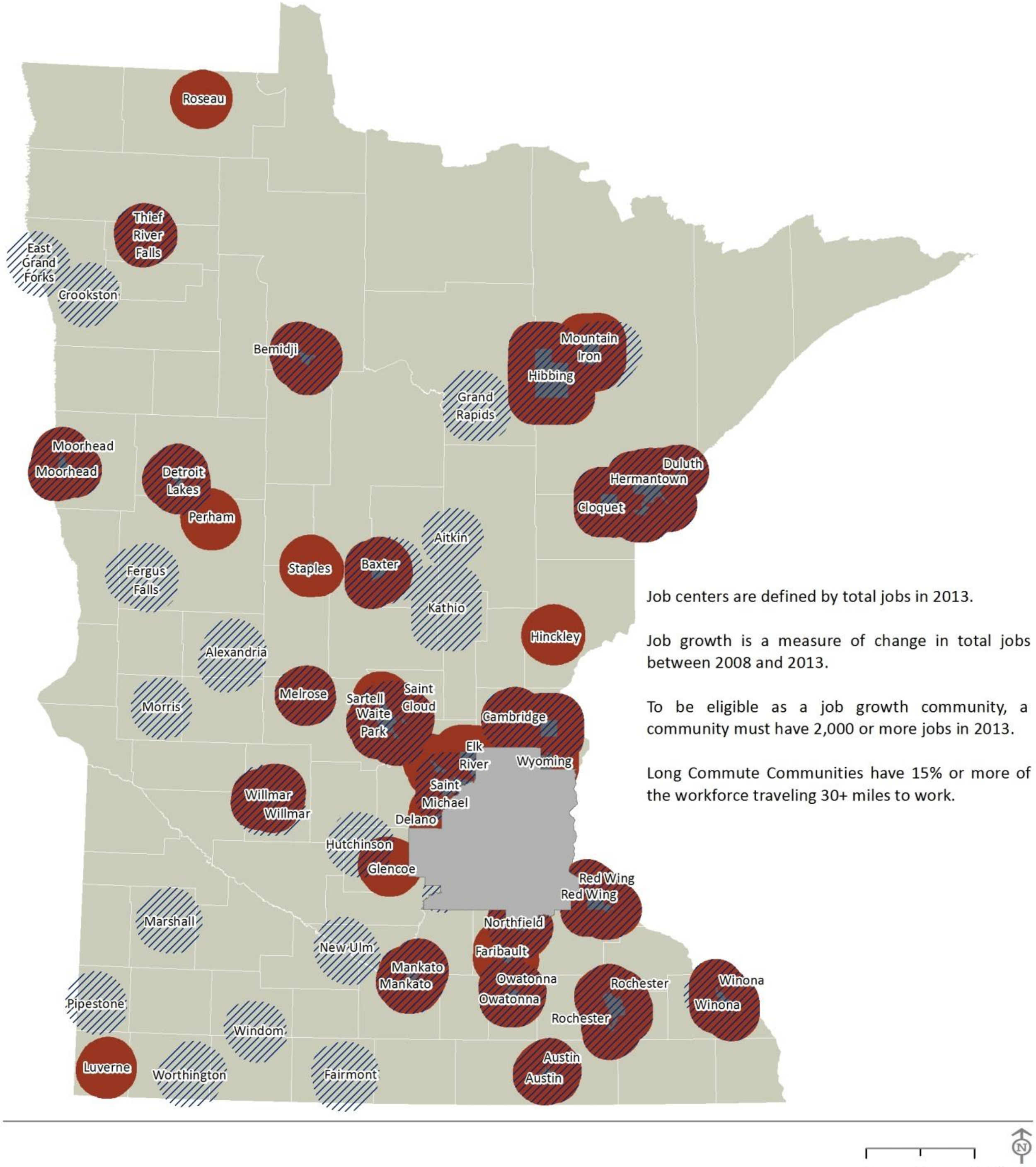
Source: Minnesota Housing analysis of Minnesota Dept. of Employment and Economic Development Quarterly Census of Employment and Wages.

Greater Minnesota Long Commute Communities (3 Points)

Greater Minnesota Metro Long Commute Communities			
Aitkin	Duluth	Mankato	Red Wing
Alexandria	East Grand Forks	Marshall	Rochester
Austin	Fairmont	Melrose	Saint Cloud
Baxter	Fergus Falls	Moorhead	Saint Michael
Bemidji	Goodview	Morris	Sauk Rapids
Brainerd	Grand Rapids	New Ulm	Thief River Falls
Cambridge	Hermantown	North Branch	Virginia
Cloquet	Hibbing	Northfield	Waite Park
Crookston	Hutchinson	Owatonna	Willmar
Detroit Lakes	Kathio	Pipestone	Windom
			Winona
			Worthington

Source: Minnesota Housing analysis of US Census Longitudinal Employer Household Dynamics Data, 2011.

Greater Minnesota Workforce Housing Communities for 2017 QAP



Job centers are defined by total jobs in 2013.

Job growth is a measure of change in total jobs between 2008 and 2013.

To be eligible as a job growth community, a community must have 2,000 or more jobs in 2013.

Long Commute Communities have 15% or more of the workforce traveling 30+ miles to work.

Top 10 Job Center or Growth >=100 Jobs (5 Points)

Long Commute Community (3 points)

Source: Minnesota Housing analysis of MN Department of Employment and Economic Developments Quarterly Census of Employment and Wages. Date: 12/11/2014

Minnesota Housing Finance Agency

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Preservation Geographic Priority Areas

In the preservation priority, there are three geographic-based areas defined in the self-scoring worksheet, regional definition, jobs and household growth communities, and communities with an affordable housing gap. This methodology defines each. Applicants will find interactive maps to identify whether a property falls within these areas on Minnesota Housing's website – www.mnhousing.gov > Policy & Research > Community Profiles.

1. Regional Definitions

For the purposes of obtaining points for number of units preserved, the state is broke into two geographic regions, Metro/MSA counties, and Greater Minnesota rural counties. Table 1 below displays a list of counties in the Metro and Greater Minnesota MSAs.

Table 1 – Metro and MSA Counties

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

* These counties are new to the Twin Cities MSA as of 2013.

2. Job and Household Growth Communities Methodology

Areas can be defined as a growth community in two ways, through job or household growth. Job growth areas are determined by a city or township's job growth between 2007 and 2012, based on data from the Minnesota Department of Employment and Economic Development's Quarterly Census of Employment and Wages[1]. Household growth areas are determined by a census tract or city's growth in total households between 2000 and 2012, based on data from the US Census's Decennial Census and American Community Survey.

2.1 Job Growth

The methodology for determining areas with job growth is consistent with the methodology used in the "workforce housing" priority. However, the job growth area for preservation and the workforce area differ, with the workforce housing priority including areas with a large number of jobs, not just job growth.

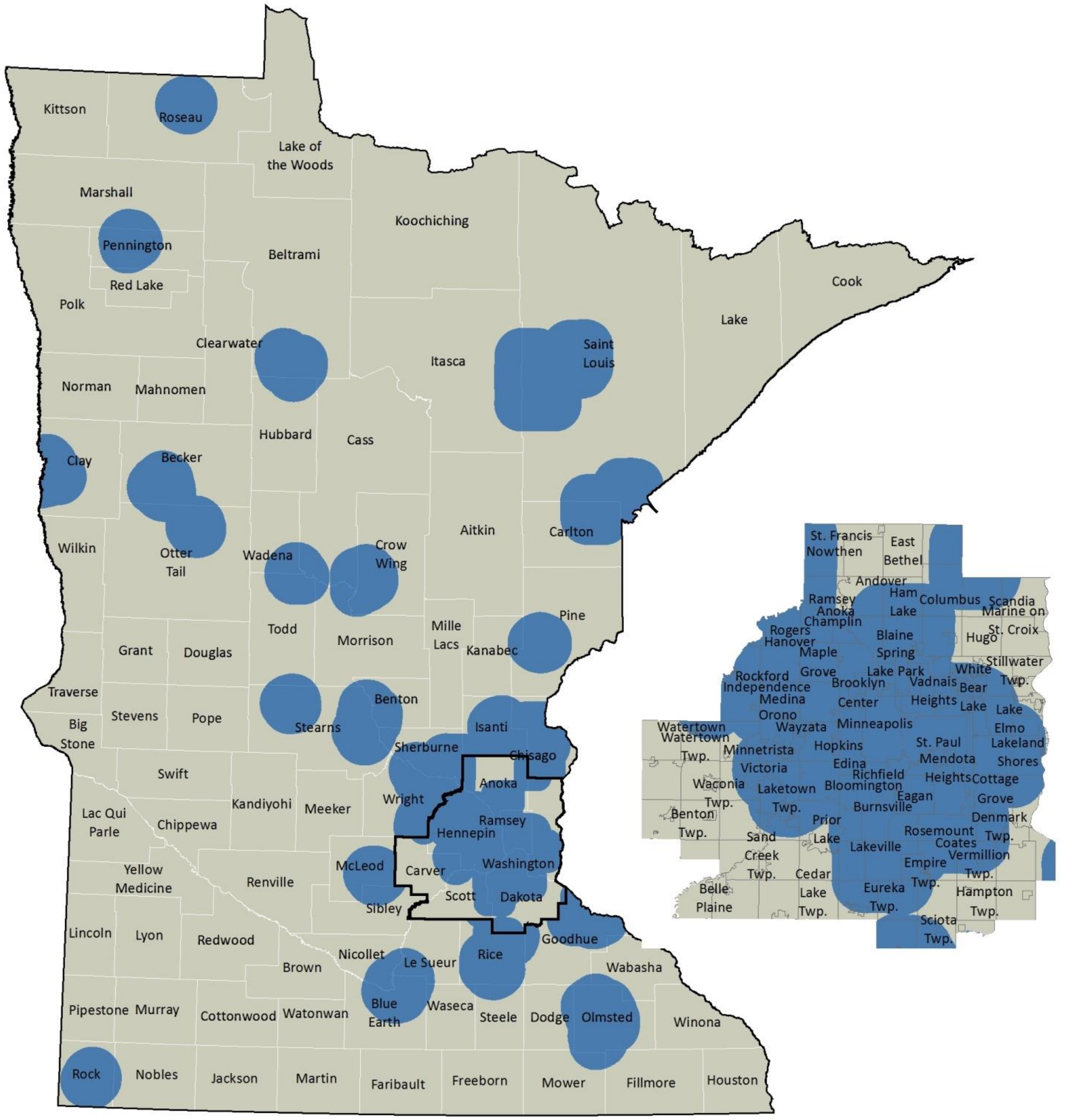
To be identified as a community with job growth, communities in Greater Minnesota with at least 2,000 jobs in the current year that have had a net job growth of a minimum of 100 jobs, or communities in the Twin Cities Metro with a net job growth of 500 or more jobs in the past 5 years. Minnesota Housing will publish the most current available data from the Dept. of Employment and Economic Development, 2008-2013; but will add additional communities using data most currently available by the application release date for the 2017 QAP. Areas within five miles of communities in the Twin Cities seven county metro area and within 10 miles of communities in Greater Minnesota are included for a modest commuteshed. Table 2 on the next page and the map on page 4 list and show the communities that meet this definition. An interactive version of this map is available on the Minnesota Housing website: www.mnhousing.gov > Policy & Research > Community Profiles.

[1] http://mn.gov/deed/data/data-tools/qcew.jsp

Table 2 – Job Growth Communities 2008-2013

Twin Cities Top 10 Job Growth	**Greater Minnesota Job Growth**	
Twin Cities Metro Communities with Net Growth of 500 Jobs or More (2008-2013)	**Greater Minnesota Communities with Net Job Growth, 2008-2013**	
Minneapolis, Hennepin	Rochester, Olmsted	Mountain Iron, Saint Louis
Hopkins, Hennepin	Elk River, Sherburne	Hibbing, Saint Louis
Eagan, Dakota	Sartell, largely Stearns	Northfield, largely Rice
Maple Grove, Hennepin	Mankato, largely Blue Earth	Melrose, Stearns
Chanhassen, largely Carver	Wyoming, Chisago	Staples, largely Todd
Woodbury, Washington	Monticello, Wright	Delano, Wright
Rogers, Hennepin	Thief River Falls, Pennington	Roseau, Roseau
Saint Louis Park, Hennepin	Cambridge, Isanti	Moorhead, Clay
Maplewood, Ramsey	Detroit Lakes, Becker	Cloquet, Carlton
Oakdale, Washington	Perham, Otter Tail	Saint Michael, Wright
Lakeville, Dakota	Red Wing, Goodhue	Faribault, Rice
Blaine, largely Anoka	Bemidji, Beltrami	Hinckley, Pine
Medina, Hennepin	Hermantown, Saint Louis	Luverne, Rock
Golden Valley, Hennepin	Albertville, Wright	Baxter, Crow Wing
Burnsville, Dakota	North Branch, Chisago	Waite Park, Stearns
Little Canada, Ramsey	Glencoe, McLeod	
Rosemount, Dakota		

Map 1 - Job Growth Priority Areas



Job Growth Areas

Includes areas within five miles of the top 10 job growth communities in the Twin Cities Metro, and within ten miles of all job growth communities (for communities with at least 2,000 jobs) in Greater Minnesota.

0 20 40 Miles

Minnesota Housing Finance Agency

Source: MN Dept. of Employment and Economic Development Quarterly Census of Employment and Wages (2008 and 2013), Date printed: 2/10/2015

2.2 Household Growth

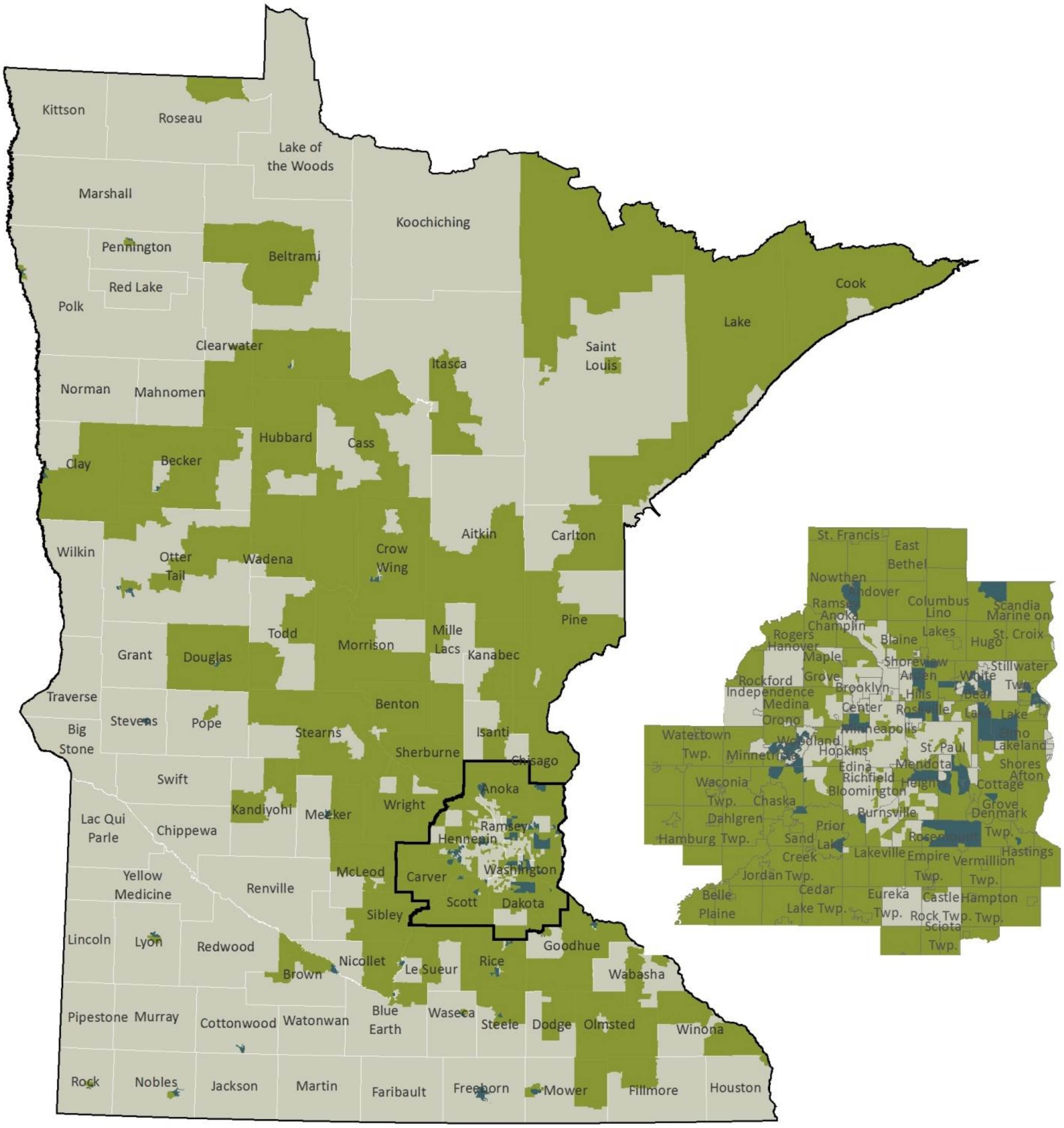
To be identified as a community with household growth, an area may be eligible in two ways. First, census tracts with total household growth of 100 and greater between 2000 and 2013 are eligible. An increase of 100 households represents the 60th percentile of household change statewide. (60% of census tracts in the state had a change in households less than 100.)

Census tracts are variable in size of geography and typically contain 1,500 households. As such, tracts can range in size from small neighborhoods within an urban area to hundreds of square miles in rural areas, containing multiple small townships. Because of this variability a census tract doesn't always capture a "housing market". Smaller cities and townships can also capture a market. Larger cities (more than 15,000 households) often have multiple neighborhoods and housing markets. Data for cities and townships with fewer than 1,500 households is not always reliable from the American Community Survey. Furthermore, the boundaries of census tracts and cities do not coincide. Thus, a tract that partially goes into a growing city may not show growth itself if the population in the tract that is outside the city is declining

Thus, small to medium sized cities (between 1,500 and 15,000 households) are also evaluated for growth. These cities contain between 1-10 census tracts and could be considered a single housing market. Cities of this size that have at least 100 households are added to the census tracts with growth to form a more complete eligibility area.

The map on the next page shows the areas eligible under the household growth criterion. An interactive version of this map is available on the Minnesota Housing website: www.mnhousing.gov > Policy & Research > Community Profiles.

Map 2 - Household Growth Priority Areas



Tracts, HH Change >=100

Small and Medium Sized Cities HH Change >=100

Small and medium sized cities include those containing between 1,500 and 15,000 households, and are visible on the map only where a tract does not achieve the growth threshold of 100 households.

0 20 40 Miles

Minnesota Housing Finance Agency

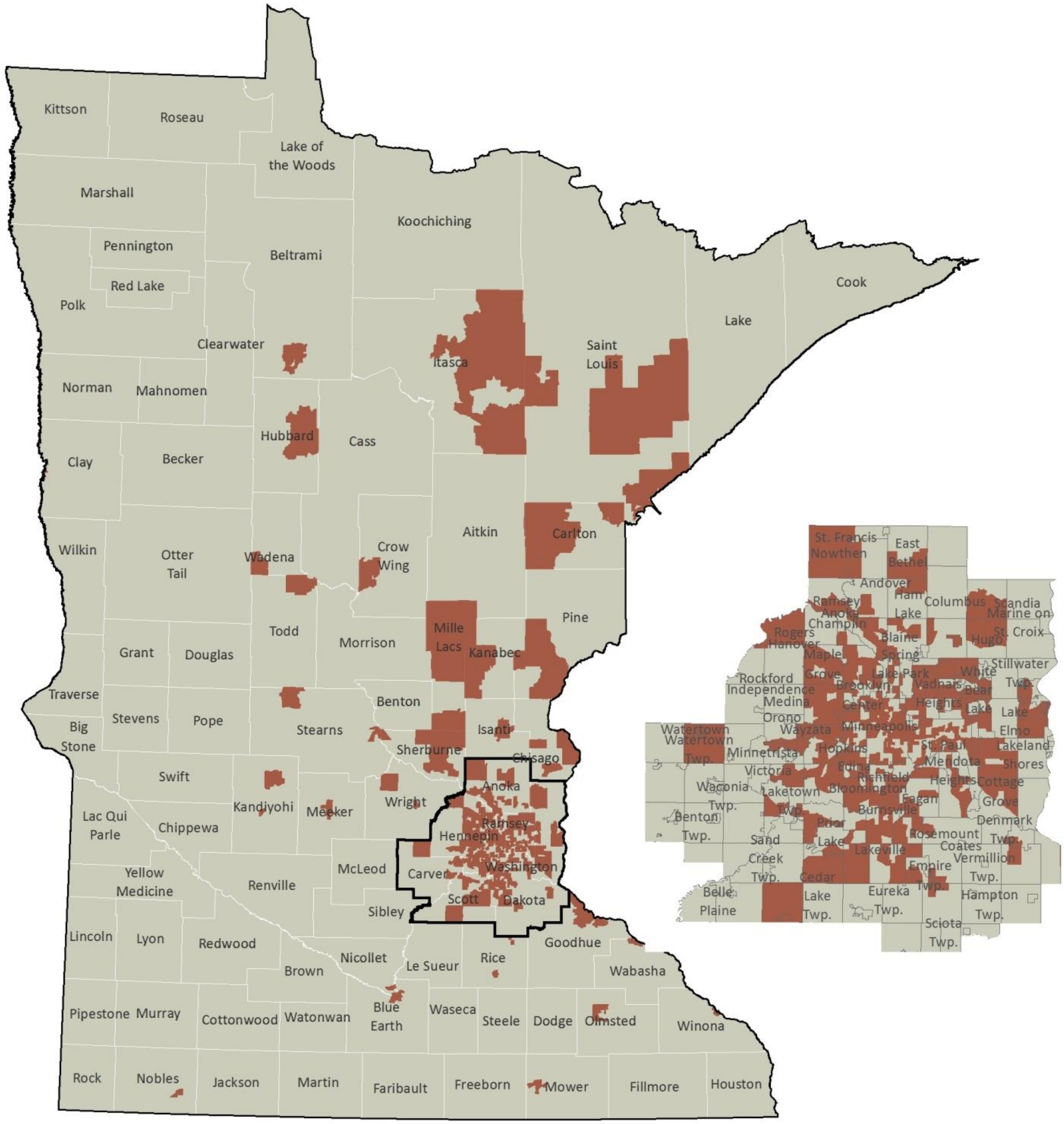
Source: Minnesota Housing analysis of 2000 Census and American Community Survey 2009-2013 data, Date printed: 1/21/2015

3. Communities with an Affordable Housing Gap Methodology

3.1. Supply and Demand Gap of Affordable Rental Housing

To be identified as a community with a gap in affordable housing, census tracts need to have a gap of affordable housing units as calculated by the difference between the number of renters in a tract that have incomes at or below 50% of Area Median Income (AMI) and the number of rental units that are affordable to households at or below 50% AMI. Using HUD's Comprehensive Housing Affordability Strategy (CHAS) data from 2007-2011, a gap of 5 units represents the 60th percentile of census tracts (60% of tracts have a smaller gap). Map 3 on the following page shows the Statewide and Metro areas with large gaps. Areas in maroon depict tracts that achieve this threshold.

Map 3 - Affordable Unit Gap



Affordable Unit Gap 5 Units or More (50% AMI)

Difference between the number of renter households with annual incomes <=50% of area median income and the number of rental units affordable to households with annual incomes <=50% AMI.

Minnesota Housing Finance Agency

Source: Minnesota Housing analysis of HUD's 2007-2011 Comprehensive Affordability Housing Strategy (CHAS) data, Date printed: 1/21/2015

NOTE: This methodology includes data from the Census Bureau's Longitudinal Employer-Household Dynamics program that represents the year 2011. If new data are available by the public hearing in March, we will replace the data accordingly. (This will affect proximity to low and moderate wage jobs in Greater Minnesota for Dial-A-Ride eligibility).

Location Efficiency Methodology
Location efficiency is defined by Minnesota Housing through a combination of access to transit and walkability criteria in the Twin Cities Metro and Greater Minnesota.

Twin Cities Metropolitan Area
In the Twin Cities Metro, applicants can receive up to 9 points for location efficiency based on three criteria. First, applicants must achieve one of three levels of access to transit. Second, up to two additional points are available for walkability as measured by walk score (www.walkscore.com). Finally, up to two additional points are available for transit oriented design.

• **Access to Transit (one of the following):** *Applicants can map project locations or determine access to transit points at the Minnesota Housing Community Profiles tool: www.mnhousing.gov > Research & Publications > Community Profiles*		
Proximity to LRT/BRT/Commuter Rail Station	Locations within ½ mile of a planned[i] or existing LRT, BRT, or Commuter Rail Station. As of publication, lines include: Hiawatha, Central Corridor, Bottineau, and Southwest LRT, Northstar Commuter Rail, and stations of the Cedar Ave, Snelling, and I-35W BRT lines.	Points 5
Proximity to Hi-Frequency Transit Network	Locations located within ¼ mile of a fixed route stop on Metro Transit's Hi-Frequency Network.	4
Access to Public Transportation	Locations within one quarter mile of a high service[ii] public transportation fixed route stop or within one half mile of an express route bus stop or park and ride lot.	2
• **Walkability (one of the following):**		
Walk score of 70+	Walk score is based on results from the following tool: www.walkscore.com. Applicant must submit a dated print out of locations' walk score from the walk score tool.[1]	2
Walk score of 50-69		1
• **Transit Oriented Development** *see following page*		

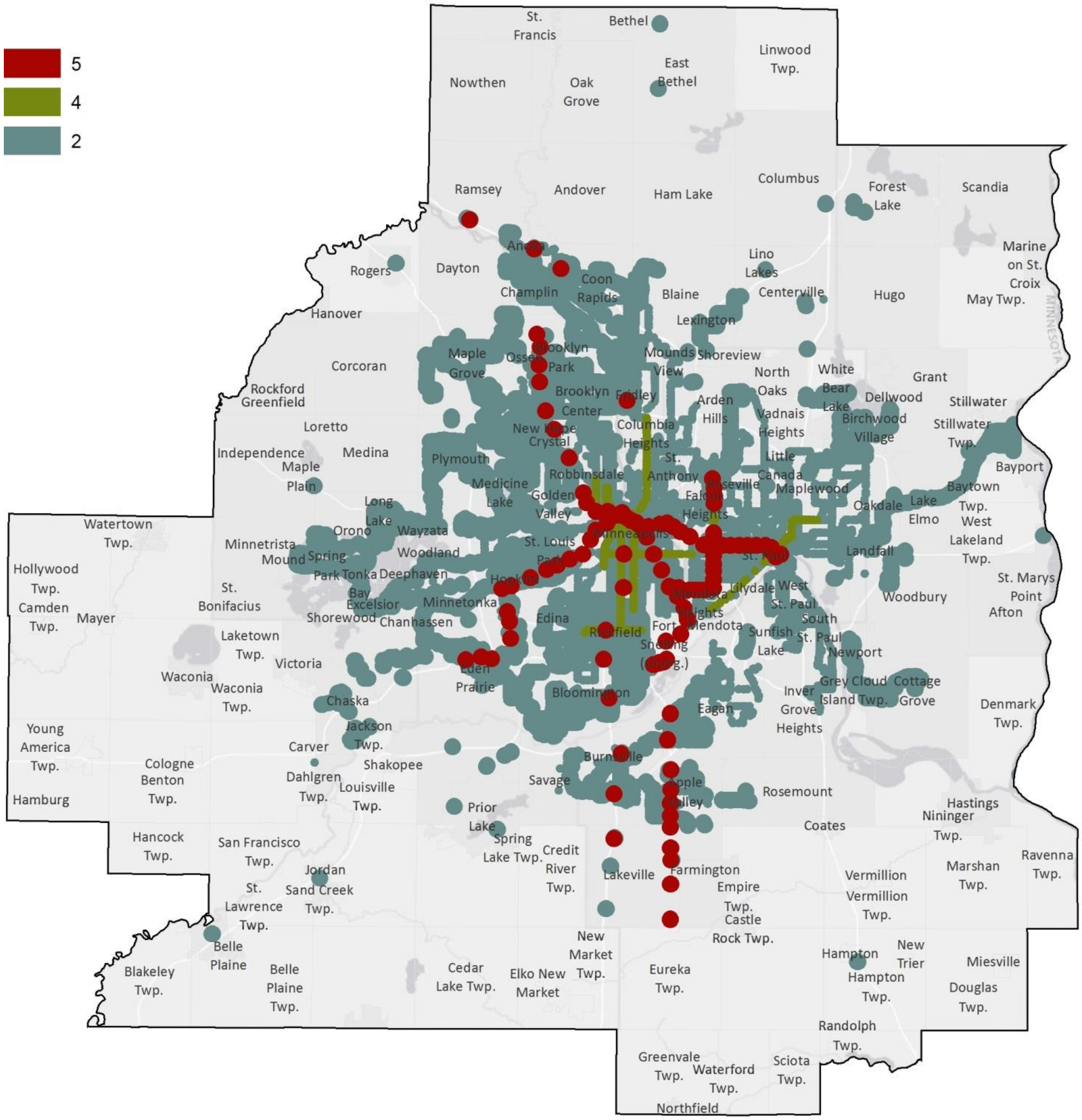
[1] If applicants would like to request revisions of a location's walk score, they may contact walkscore directly with details of the request to XXXX@walkscore.com (email forthcoming). Walkscore staff will review the request and make necessary adjustments to scoring within 5 business days. If address cannot be found in the Walk Score tool, use closest intersection within ¼ mile of the proposed location.

• **Transit Oriented Development (1 point if 1 item below is achieved, 2 points if 2 or more items are achieved):** *To be eligible for any of these points, the location must be within ¼ mile of a planned or existing LRT, BRT, or Commuter Rail Station.*[2]	
Parking	Parking for residential units or visitors is not more than the smallest allowable parking minimum under local zoning requirements. If no residential parking or visitor parking is required under local zoning, no more than 0.2 visitor parking spaces per residential unit are provided (i.e. 10 stalls in a 50 unit and 20 stalls in a 100 unit building).
Building Orientation and Connections	Currently existing walkable or bikeable connections to station area via sidewalk or trail or funding secured to create such connections, and at least one accessible building entrance oriented toward such connections, and parking is not situated between building and station area.
Density	Site density at the maximum allowable density under the local comprehensive plan.
Alternative Means	Car sharing (Where one or more passenger automobiles are provided for common use by residents), bike storage, shared parking arrangements with adjacent property owners, etc. which results in a reduction in the local minimum parking requirement, and parking for residential units is not more than the local minimum parking requirement, or if no residential parking is required under local zoning, 10 or fewer parking stalls are provided.

The following map shows areas with access to transit. An interactive version of this map is accessible at: www.mnhousing.gov > Policy & Research > Community Profiles.

[2] Within 6 months of the date of selection (Minnesota Housing Board selection date) the applicant must provide Minnesota Housing with documentation of local authorization or approval, where such approval is necessary, for points taken under transit oriented development. The documentation must state the terms and conditions and be executed or approved at a minimum by the contributor. Lack of acceptable documentation will result in the reevaluation and adjustment of the tax credits or RFP award, up to and including the total recapture of tax credits or RFP funds.

Figure 1: Transit Access Point Levels in the Twin Cities Metro



Map Source: Minnesota Housing analysis of Metro Transit data on Hi-Frequency Network, Planned and Existing Transit Lines, bus service, and park and rides (obtained January 2015)

Greater Minnesota
For areas in Greater Minnesota with access to fixed route transit, applicants can receive up to 9 points with a combination of access to transit and walkability in areas with fixed route transit. For areas without fixed route transit, applicants can receive points with a combination of proximity to jobs, access to dial-a-ride or demand-response transit, and walkability. These options are described below.

A. For areas with fixed route transit service:

• **Access to Transit (one of the following):**		Points
Within ¼ mile of existing or planned[iii] fixed route transit stop		7
Between ¼ mile and ½ mile of existing or planned fixed route transit stop		4
Less than 1 ½ mile from park and ride		4
• **Walkability (one of the following):**		
Walk score of 70+	Walk score is based on results from the following tool: www.walkscore.com. Applicant must submit a dated print out	2
Walk score of 50-69		1

B. For areas without fixed route transit service:

• **Access to Transit (one of the following):**	Points
Close to jobs <u>and</u> dial-a-ride <u>and</u> walk score of 70+	4
Close to jobs <u>and</u> dial-a-ride <u>and</u> walk score of 50-69	3
Close to jobs <u>and</u> (dial-a-ride <u>or</u> walk score of 70+)	2
Close to jobs <u>and</u> (dial-a-ride <u>or</u> walk score of 50-69)	1

- Jobs: property is located within a census tract that is close to low and moderate wage jobs[iv]
- *Dial-a-Ride:* The proposed housing has access to regular demand-response/dial-a-ride transportation service Monday through Friday during standard workday hours (6:30 AM to 7:00 PM). Applicants must provide documentation of access and availability of service and describe how the service is a viable transit alternative that could be used for transportation to work, school, shopping, services and appointments. Applicants can find service providers by county or city at the MN Department of Transportation Transit website: http://www.dot.state.mn.us/transit/riders/index.html.
- Walk score is based on results from the following tool: www.walkscore.com. Applicant must submit a dated print out of locations' walk score from the walk score tool.

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[3] If applicants would like to request revisions of a location's walk score, they may contact Walkscore directly with details of the request to XXXX@walkscore.com (email forthcoming). Walkscore staff will review the request and make necessary adjustments to scoring within 5 business days. If address cannot be found in the Walk Score tool, use closest intersection within ¼ mile of the proposed location.

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

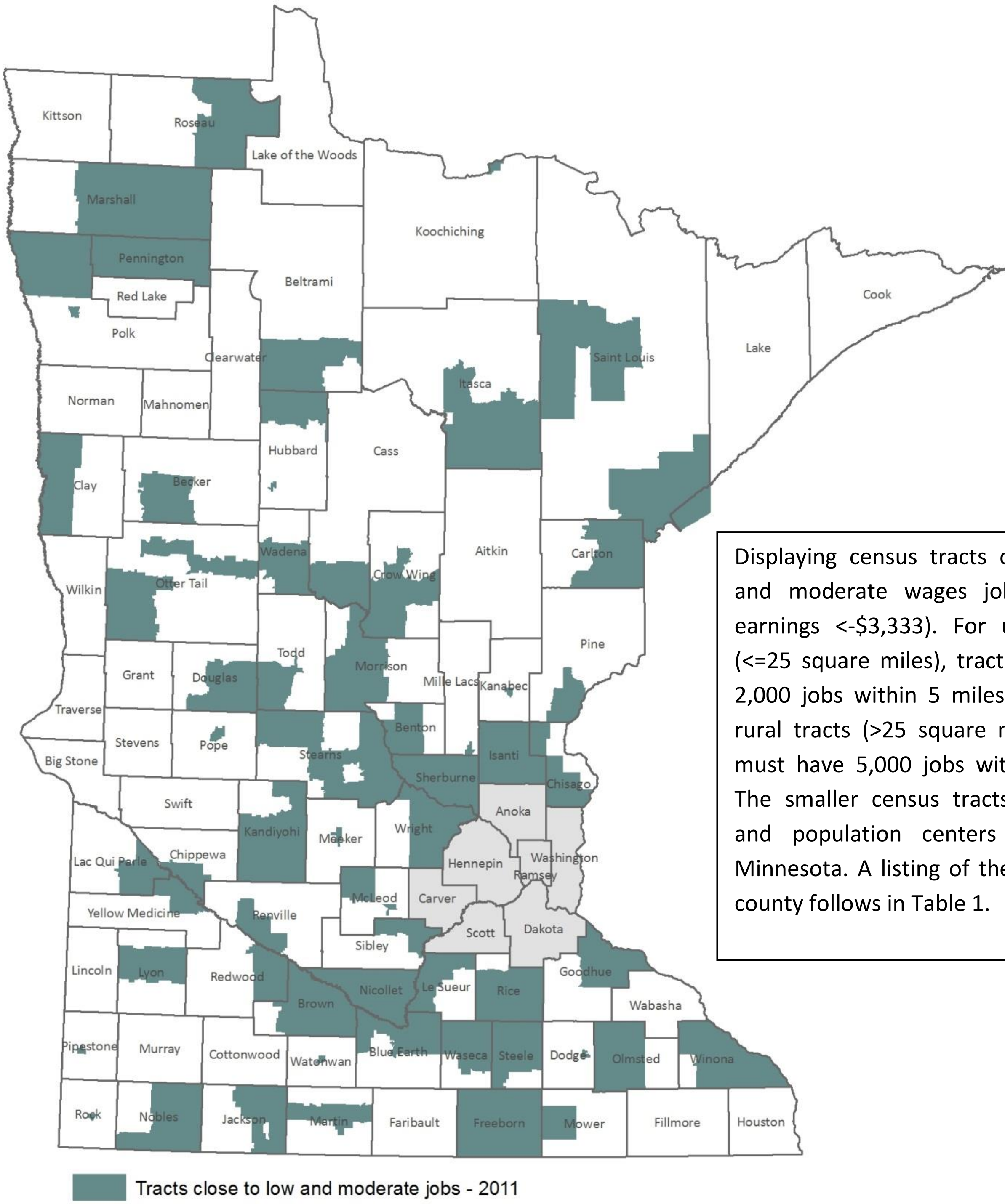
- The maps on page 72 display fixed route stops and ¼ and ½ mile buffers in Duluth, Rochester, Moorhead, , and St. Cloud.
- The map on page 73 displays the census tracts that are close to low and moderate wage jobs for 2011.
- Table 1 beginning on page 74 lists these census tracts. Interactive maps showing access to low and moderate wage jobs are provided on Minnesota Housing's website: www.mnhousing.gov > Policy & Research > Community Profiles

To receive points under access to fixed route transit, applicants in Greater Minnesota must submit a map identifying the location of the project. For communities that Minnesota Housing does not have data for, applicants must submit a map with exact distances to the eligible public transportation station/stop and include a copy of the route, span, and frequency of services. Applicants can find service providers by county or city at the MN Department of Transportation Transit website, http://www.dot.state.mn.us/transit/riders/index.html.

Figure 2: Transit Access Point Levels in Greater Minnesota

Source: Duluth Transit Authority, Rochester Public Works, Saint Cloud Metropolitan Transit Commission, and MATBUS (Moorhead).

Figure 3: Jobs in Greater Minnesota



Displaying census tracts close to low and moderate wages jobs (monthly earnings <-$3,333). For urban tracts (<=25 square miles), tracts must have 2,000 jobs within 5 miles. For large, rural tracts (>25 square miles), tracts must have 5,000 jobs within 5 miles. The smaller census tracts reflect job and population centers in Greater Minnesota. A listing of these tracts by county follows in Table 1.

Map Source: Minnesota Housing analysis US Census Local Employment Dynamics program data, 2011.

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

Becker
4503
4504
4505
4506
4507
4508

Beltrami
4501
4502
4503
4506
4507.01
4507.02

Benton
202.02
202.05
202.06
203
211.01
211.02
212

Blue Earth
1701
1702
1703
1704
1705
1706
1707
1708
1709
1711.01
1712.02
1713
1716

Brown
9601.01
9601.02
9602
9603
9604
9605
9607

Carlton
701
702
703
704
705
9400

Cass
9608.01
9608.02

Chippewa
9503
9506

Chisago
1101
1103.01
1103.02
1104.01
1104.02
1105.01
1105.02
1106

Clay
201
202.02
203
204
205
206
301.02
301.03
301.04
301.06
301.07

Crow Wing
9505.02
9508
9509
9510
9511
9512
9513.01
9513.02
9514

Dodge
9505

Douglas
4505
4506
4507.01
4507.02
4508
4509
4510

Freeborn
1801
1802
1803
1804
1805
1806
1807
1808
1809
1810

Goodhue
801.01
801.02
802
803
804

Hubbard
701
706

Isanti
1301
1302
1303.01
1303.02
1304
1305.01
1305.02
1306

Itasca
4803
4806
4807
4808.01
4808.02
4809
4810

Jackson
4801

Kanabec
4803

Kandiyohi
7709
7801
7804
7805
7806
7807
7808
7810
7811
7812

Koochiching
7901
7902

Lac Qui Parle
1803

Le Sueur
9501
9502
9506

Lyon
3602
3603
3604
3605

Marshall
801
802

Martin
7902
7905
7906

McLeod
9502
9503
9504
9507

Meeker
5603
5604

Mille Lacs
1707

Morrison
7802
7803
7806
7807
7808

Mower
1
2
3
4.1
6
8
9
10

Nicollet
4801
4802
4803

4804	22	705.01	36	**Sibley**
4805.01	23	705.03	37	1701.98
4805.02	**Otter Tail**	705.04	38	**Stearns**
4806	9604	706.01	101	3.01
Nobles	9606	706.02	102	3.02
1051	9608	707	103	4.01
1053	9609	708	104	4.02
1054	9610	709.01	105	5
1055	9611	709.02	106	6.01
1056	9617	**Rock**	111	6.02
Olmsted	**Pennington**	5702	121	7.01
1	901	**Roseau**	122	8.01
2	902	9701	123	9.01
3	903	9704	124	10.01
4	904	**Saint Louis**	125	101.01
5	905	1	126	101.02
6	**Pine**	2	128	102
9.01	9506	3	130	105
9.02	9507	4	131	106
9.03	**Pipestone**	5	132	111
10	4602	6	133	112
11	4603	7	134	113.01
12.01	**Polk**	9	135	113.04
12.02	201	10	151	114
12.03	202	11	152	115
13.01	203	12	156	116
13.02	204	13	157	**Steele**
14.01	206	14	158	9601
14.02	207	16	9901	9602
15.01	**Pope**	17	**Sherburne**	9603
15.02	9704	18	301.01	9604
15.03	**Redwood**	19	301.02	9605
16.01	7501	20	302	9606
16.02	7502	22	303	9607
16.03	7503	23	304.02	**Todd**
17.01	**Renville**	24	304.03	7906
17.02	7904	26	304.04	7907
17.03	**Rice**	29	305.02	**Wadena**
18	702	30	305.03	4802
19	703	33	305.04	**Waseca**
21	704	34	315	7901

7903	6702	6709	1007.01	1011
7904	6703	**Wright**	1007.02	**Yellow Medicine**
7905	6704	1001	1007.03	9701
Watonwan	6705	1002.02	1008.01	
9502	6706	1002.03	1008.02	
Winona	6707	1002.04	1009	
6701	6708	1003	1010	

Endnotes:

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

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

[iii] Greater Minnesota planned transit stops must be for fixed route service. For a Greater Minnesota planned fixed route-transit stop to be eligible for points under the QAP, applicants must provide detailed location and service information including time and frequency of service and estimated service start date, and provide evidence of service availability from the transit authority providing service. The major, federally funded transit authorities in Greater Minnesota are listed below. Other, smaller transit organizations are also eligible, including Tribal transit organizations, provided these organizations must have established fixed-route bus service.

- Duluth Transit Authority
- East Grand Forks Transit
- La Crescent Apple Express
- Moorhead Metropolitan Area Transit
- Rochester Public Transit
- St. Cloud Metro Bus

[iv] For urban tracts (<=25 square miles), tracts must have 2,000 jobs within 5 miles. For large, rural tracts (>25 square miles), tracts must have 5,000 jobs within 5 miles. Smaller census tracts reflect job and population centers. Low and moderate wage jobs are those with a monthly earning less than or equal to $3,333, using LED data from the US Census (2011). Jobs that are located within 5 miles of a census tract boundary are included in the calculation.

Qualified Census Tracts, Tribal Equivalent Areas Methodology

Reservations that meet the criteria for designation as a QCT are treated as a QCT equivalent area if either the entire reservation or if a tract within the reservation is eligible under current HUD QCT criteria[1] . Applicants will find interactive maps to identify whether a property falls within these areas on Minnesota Housing's website – www.mnhousing.gov > Policy & Research > Community Profiles.

Eligible Areas
The reservations in the table below and identified on the map on the following page are eligible as Tribal QCT equivalent areas. To be eligible, these areas must meet either income or poverty thresholds:

- Areas are eligible for the income thresholds where 50% or more of households have incomes below the average household size adjusted income limit for at least two of three evaluation years (2010-2012).
- Areas are eligible based on the poverty threshold if the poverty rate is 25% or higher for at least two of three evaluation years (2010-2012).

Indian Reservations or Trust Land in Minnesota Based on Characteristics of Eligibility for Qualified Census Tracts

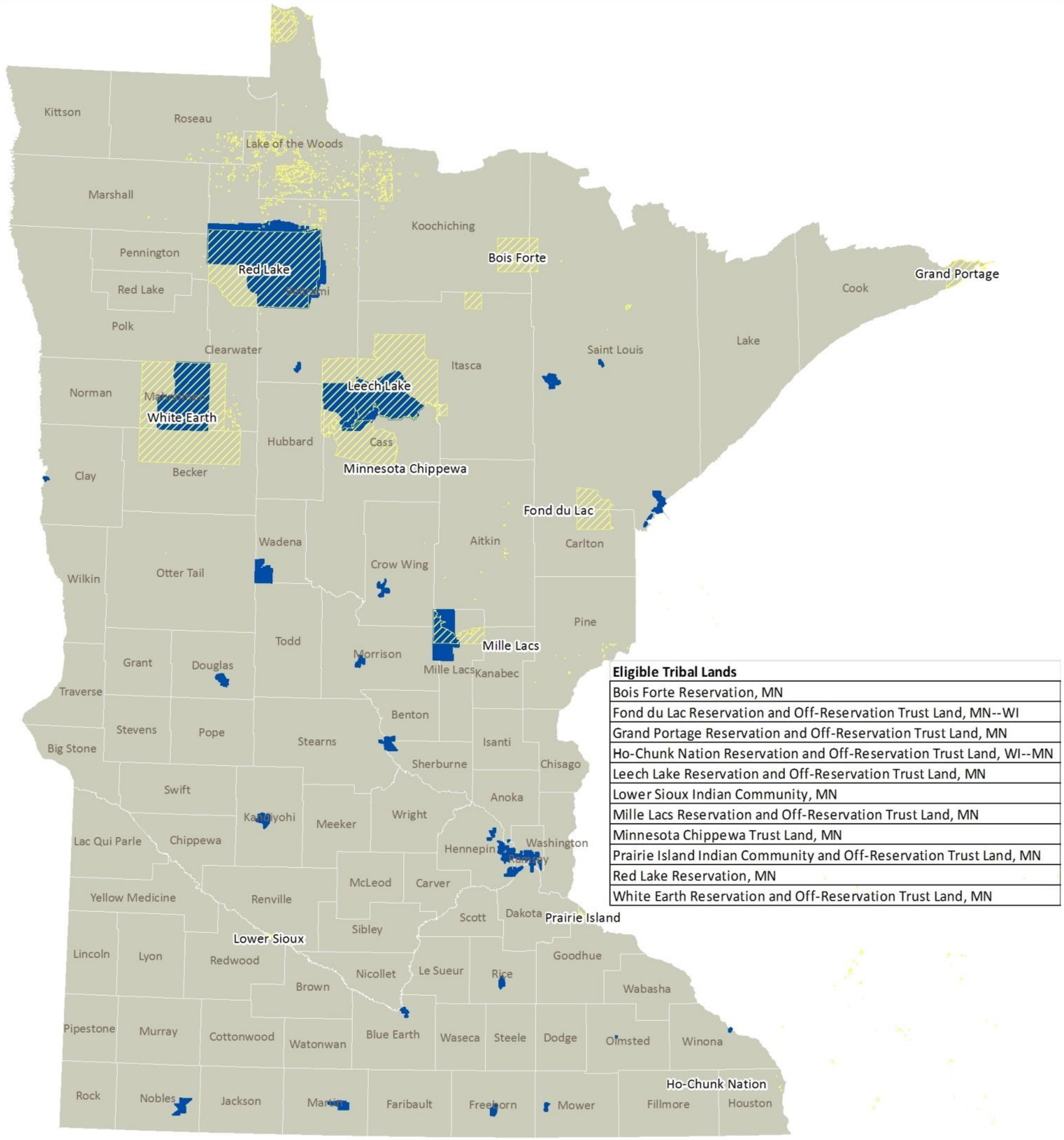
Indian Reservation	Years Eligible Based on Income	Years Eligible based on Poverty
Bois Forte Reservation, MN	2	0
Grand Portage Reservation and Off-Reservation Trust Land, MN	3	0
Ho-Chunk Nation Reservation and Off-Reservation Trust Land, WI--MN	3	2
Leech Lake Reservation and Off-Reservation Trust Land, MN	3	1
Lower Sioux Indian Community, MN	0	3
Mille Lacs Reservation and Off-Reservation Trust Land, MN	3	0
Minnesota Chippewa Trust Land, MN	3	0
Prairie Island Indian Community and Off-Reservation Trust Land, MN	0	2
Red Lake Reservation, MN	3	3
White Earth Reservation and Off-Reservation Trust Land, MN	3	1

Sources: Decennial Census, HUD Income Limits (Statewide for Very Low Income, 50%), American Community Survey 2006-2010, 2007-2011, and 2008-2012 samples.

Minnesota Housing will update the list of Tribal Census tracts or reservations, in accordance with HUD updates to federally designated qualified census tracts.

[1] HUD QCT Designation Algorithm found here: http://qct.huduser.org/tables/QCT_Algorithm_2015.htm

Qualified Census Tracts and Tribal Lands Eligible Under QCT Methods



Eligible Tribal Lands
Bois Forte Reservation, MN
Fond du Lac Reservation and Off-Reservation Trust Land, MN--WI
Grand Portage Reservation and Off-Reservation Trust Land, MN
Ho-Chunk Nation Reservation and Off-Reservation Trust Land, WI--MN
Leech Lake Reservation and Off-Reservation Trust Land, MN
Lower Sioux Indian Community, MN
Mille Lacs Reservation and Off-Reservation Trust Land, MN
Minnesota Chippewa Trust Land, MN
Prairie Island Indian Community and Off-Reservation Trust Land, MN
Red Lake Reservation, MN
White Earth Reservation and Off-Reservation Trust Land, MN

Reservations Eligible Under 2015 QCT Methodology

HUD Designated QCT 2015

Source: Minnesota Housing Analysis of American Community Survey Data for three periods, 2008-2012, 2007-2011 and 2006-2010. Tribal lands are 2013 boundaries from the US Census of American Indian, Alaska Native, and Native Hawaiin geographies.

Minnesota Housing Finance Agency

Community Economic Integration Methodology

> NOTE: This methodology includes data from the Census Bureau's Longitudinal Employer-Household Dynamics program that represents the year 2011. If new data are available by the public hearing in March, we will replace the data accordingly. (This will affect the jobs within five miles measure).

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

For applicants to be awarded 7 or 9 points for community economic integration, the proposed housing needs to be located in a community (census tract) with the median family income meeting or exceeding the region's[1] 40th percentile for 7 points, and 80th percentile for 9 points, based on data published in the American Community Survey (ACS) for 2013. For each region, the 40 percent of census tracts with the lowest incomes are excluded from receiving points. The census tract must also meet or exceed a regional threshold for low and moderate wage jobs[2] within five miles based on data published by the Local Employment Dynamics program of the US Census for 2011. In the Twin Cities metro, the 10 percent of census tracts with the fewest low and moderate wage jobs within five miles are excluded, and in Greater Minnesota, the 20 percent of census tracts with the fewest low and moderate wage jobs are excluded[3]. To promote economic integration, the criteria identify higher income communities that are close to low and moderate wage job centers.

This document includes maps of the census tracts that meet the following two tiers of community economic integration as well as a list of census tracts by county for each tier. Maps 1 and 2 display the census tracts that meet these criteria, and the corresponding tables show the total number of jobs to achieve the threshold and both the 40th and 80th percentile for median family income by region. Interactive tools will be made available to assist applicants and staff in determining their location in these areas, through the community profiles at www.mnhousing.gov > Policy & Research > Community Profiles.

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

[2] Low and moderate wage jobs are those with a monthly earning less than or equal to $3,333, using LED data from the US Census (2011).

[3] In the case where an urban-sized Census tract (less than 25 square miles) is completely surrounded by a census tract that meets this eligibility, it is also identified as having access to jobs. This occurred in 11 census tracts within the cities of Blue Earth, Byron, Crookston, Kasson, Long Lake, Mahtomedi, Stewartville, and Two Harbors.

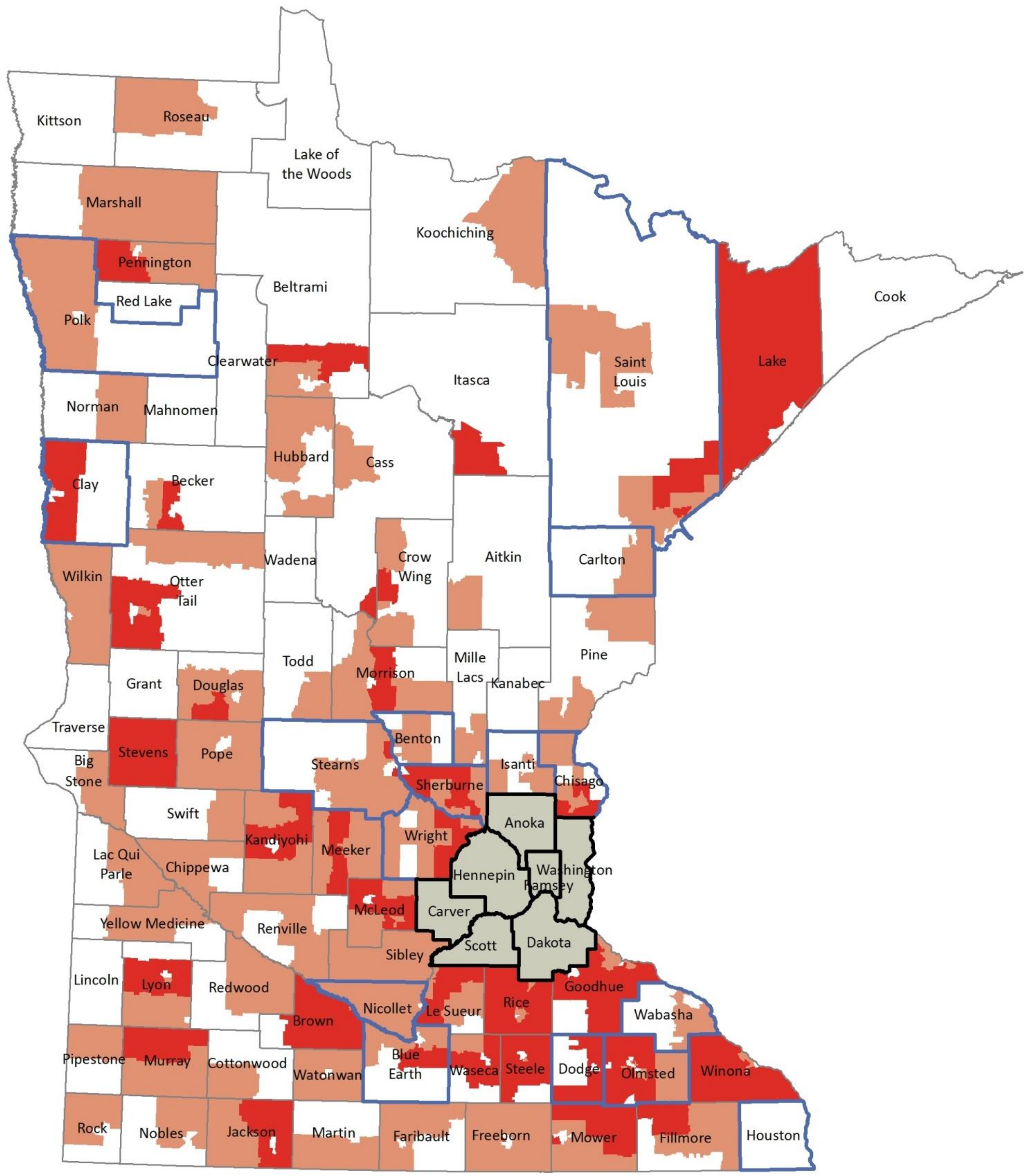
First Tier Community Economic Integration – 9 Points
Meet or exceed the 80th percentile of median family income and meet or exceed the 20th percentile of low and moderate wage jobs within 5 miles in Greater Minnesota and the 10th percentile of low and moderate wage jobs within 5 miles in the Twin Cities Metro.

Second Tier Community Economic Integration – 7 Points
Meet or exceed the 40th percentile of median family income (but less than the 80th percentile) and meet or exceed the 20th percentile of low and moderate wage jobs within 5 miles in Greater Minnesota and the 10th percentile of low and moderate wage jobs within 5 miles in the Twin Cities Metro.

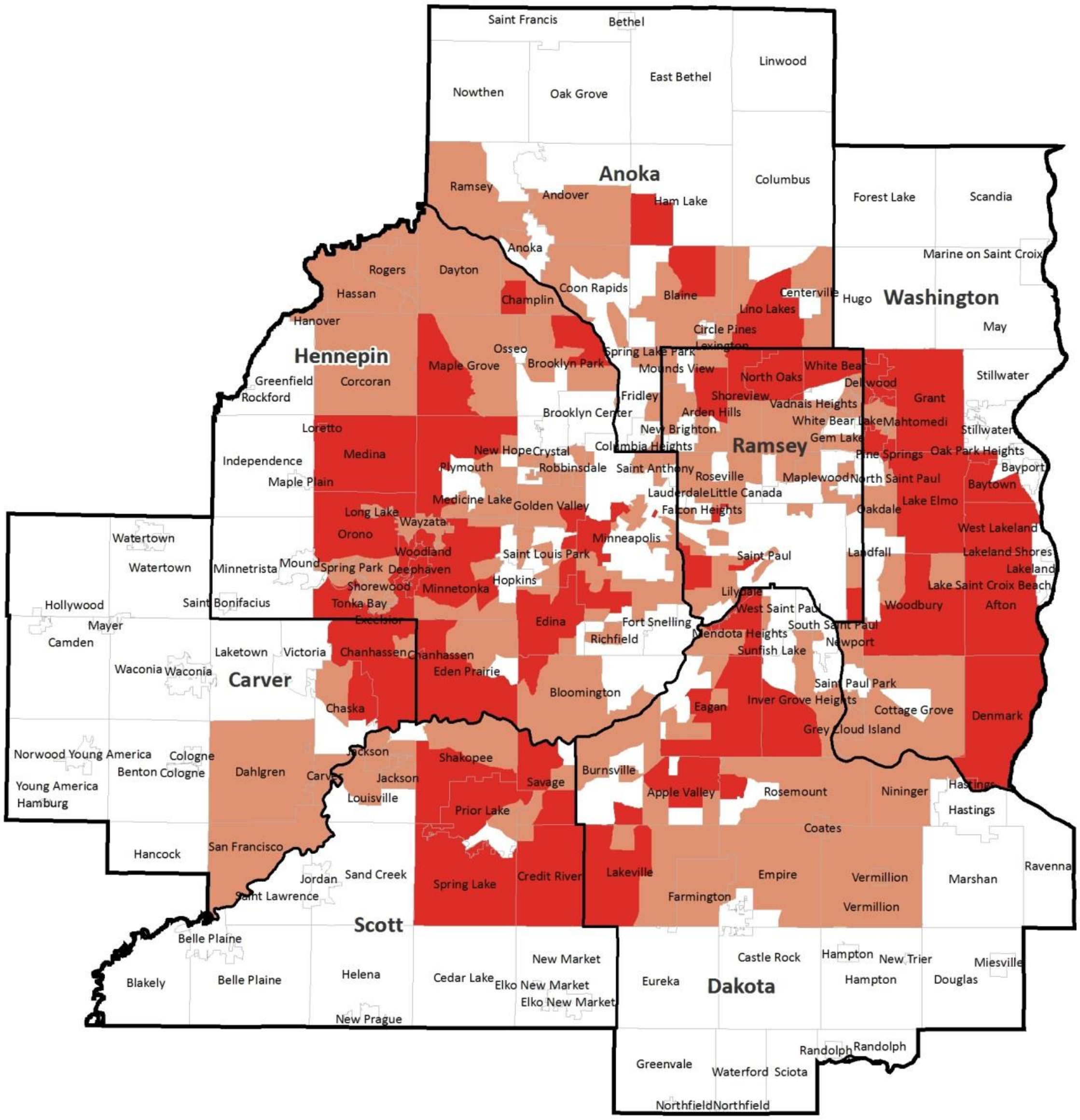
Table 1 – Jobs and Median Family Income Thresholds by Region.

Community Economic Integration *(Twin Cities Metro on next page)*	Non Metro MSAs (Outlined in Blue)	Greater Minnesota
Jobs within 5 miles / 20th percentile	3,839	1,853
Med Family Income / 40th percentile	$65,077	$58,750
Med Family Income / 80th percentile	$81,279	$68,789

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



MAP 2 – TWIN CITIES 7 COUNTY METRO DETAIL - CENSUS TRACTS MEETING REGION'S 40TH AND 80TH PERCENTILE THRESHOLDS FOR MEDIAN INCOME & 10TH PERCENTILE FOR LOW AND MODERATE WAGE JOBS WITHIN 5 MILES



	Twin Cities 7 County Metro
Jobs within 5 miles / 10th percentile	17,976
Med Family Income / 40th percentile	$73,214
Med Family Income / 80th percentile	$107,647

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

Aitkin	
7905.02	
Anoka	
502.37	*
506.05	
506.09	
506.1	
507.07	
507.1	
507.11	
507.12	
508.09	
508.13	
508.16	
508.21	
509.02	
510.01	
510.02	
512.03	
502.24	
502.27	
502.28	
502.21	
502.22	
502.29	
504.01	
508.2	
502.19	
502.3	
502.2	
502.08	
502.26	
502.23	
502.15	*
508.19	*
508.18	*
502.36	*
515.02	
Becker	
4504	*
4507	*
4508	
Beltrami	
4501	
4502	
4503	*
Benton	
202.05	
203	
211.01	
202.02	
Big Stone	
9501	
Blue Earth	
1701	
1702	
1708	
1713	*
1716	*
1709	
Brown	
9601.01	
9602	*
9603	
9604	*
9605	*
9607	*
Carlton	
703	
704	
Carver	
906.01	
906.02	*
907.01	*
907.02	*
911	
908	
909	*
905.03	*
905.02	*
905.01	*
Cass	
9400.01	
9608.01	*
Chippewa	
9503	
9505	
9506	
Chisago	
1101	
1102	
1104.01	*
1104.02	
1105.01	
1105.02	
1106	*
Clay	
205	
301.04	*
301.06	
301.07	*
Cottonwood	
2703	
Crow Wing	
9504	
9505.01	*
9509	*
9513.01	
9514	
9517	
Dakota	
601.03	
604.01	
605.06	
605.07	
605.08	*
606.03	*
606.04	*
606.05	
606.06	*
607.09	
607.13	
607.14	
607.16	*
607.17	*
607.21	
607.26	
607.27	
607.28	*
607.29	*
607.3	*
607.31	*
607.32	*
607.33	
607.34	*
607.35	
607.42	*
607.44	*
607.48	
608.06	*
608.11	
608.12	
608.13	*
608.14	
608.16	*
608.17	
608.19	
608.22	*
608.23	*
608.24	*
608.25	*
610.03	
610.01	
605.09	
608.18	
609.02	

609.07	
609.06	
608.26	
608.21	
610.04	*
608.15	*
608.2	*
607.1	
607.47	
Dodge	
9501	*
9504	*
Douglas	
4502	
4505	
4507.01	
4507.02	
4508	
4509	*
4510	
Faribault	
4601	
4603	
4602	
Fillmore	
9601	
9602	*
9604	
9606	
Freeborn	
1801	
1802	
1803	
1804	*
1807	
1810	
Goodhue	
801.02	*
802	
803	*
804	*
805	*
808	*
809	*
Hennepin	
3	
6.03	
81	*
106	*
107	*
110	
117.03	
117.04	
118	
119.98	
120.01	
201.01	
209.02	
210.02	
215.04	
216.01	
216.02	
217	
218	*
219	
222	
223.01	
228.01	*
228.02	
229.01	*
229.02	*
230	
231	*
235.01	
235.02	*
236	*
237	*
238.01	*
238.02	*
239.01	*
239.02	*
239.03	*
240.03	
240.06	*
242	
244	
245	
253.01	
256.01	
256.03	
256.05	
257.01	
257.02	
258.01	
258.02	
258.05	
259.03	
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275.01	
275.04	*

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275.03	*
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268.16	
210.01	

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258.03	
Hubbard	
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702	
707	
Isanti	
1303.02	
1304	
1305.02	
1306	
Itasca	
4807	*
4808.01	*
Jackson	
4801	*
4802	
4803	
Kandiyohi	
7801	*
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7803	
7804	*
7806	*
7807	*
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7812	
Koochiching	
7903	
Lac Qui Parle	
1801	
1803	
Lake	
3701	*
Le Sueur	
9501	*
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9503	
9505	
9506	*

Lyon	
3602	*
3603	*
3604	
3606	
Marshall	
801	
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Martin	
7903	
7904	
7905	
McLeod	
9501	
9502	*
9504	*
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9506	*
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Meeker	
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5605	*
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5603	
Mille Lacs	
1704	
1706	
Morrison	
7802	
7803	*
7805	
7808	
Mower	
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Murray	
9001	*
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9002	
Nicollet	
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4805.01	
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Nobles	
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Norman	
9601	
Olmsted	
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Otter Tail	
9601.02	
9601.03	
9604	
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9608	*
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9611	
9617	*
Pennington	
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903	*
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Pine	
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9506	
9508	
Pipestone	
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Polk	
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Pope	
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9702	
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Ramsey	
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430	*
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Redwood	
7502	
7504	
7501	
7503	
Renville	
7902	
7903	
7906	
Rice	
701	*
702	*
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Rock	
5701	
Roseau	
9702	
9703	
Saint Louis	
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802.05	*
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803.02	*
810	*
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809.06	
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809.03	*
809.05	*
Sherburne	
301.01	
301.02	
302	*
303	*
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304.03	*
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305.02	

305.03	*
305.04	*
Sibley	
1701.98	
1702	
1703	
1704	
Stearns	
4.02	*
9.01	
10.01	
101.01	*
101.02	*
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111	
112	
113.01	
113.02	
113.04	
114	
8.01	
Steele	
9601	*
9602	*
9603	*
9605	*

9606	
9607	*
Stevens	
4801	*
4802	*
4803	*
Swift	
9601	
Todd	
7905	
7908	
Wabasha	
4902	
Waseca	
7901	
7903	*
7904	*
Washington	
703.01	*
703.03	*
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704.03	*
704.05	*
704.06	*
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710.16	*
707.01	*
710.11	*
711.02	*
710.03	
Watonwan	
9501	
9503	
Wilkin	
9501	
Winona	
6701	*
6702	
6703	*
6704	

6706	
6708	*
6709	*
6710	*
6705	
Wright	
1001	
1002.02	*
1002.03	*
1002.04	*
1003	
1005	
1007.01	
1007.02	
1007.03	
1008.01	*
1008.02	*
1009	*
1010	*
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Yellow Medicine	
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Cost Containment MethodologyBackground

Cost containment points are awarded to the 50% of proposals with the lowest total development costs (TDC) per unit in each of the following four groups:

1. New Construction – Metro
2. New Construction – Greater MN
3. Rehabilitation – Metro
4. Rehabilitation – Greater MN

To address the issue of varying costs among developments for singles, families, and large families, the calculation of TDC per unit includes adjustment factors to bring these costs into equivalents terms. The adjustments reflect historical differences. For example, new construction costs for family/mixed developments are typically 17% higher than the costs for developments for singles. Thus, to make the costs for singles equivalent to those for families/mixed, TDCs per unit for singles are increased by 17% when making cost comparisons.

This cost containment criterion only applies to the selections for competitive 9% credits. It does not apply to 4% credits with tax-exempt bonds.

The purpose of the criterion is to give developers an incentive to "sharpen their pencils" and eliminate unnecessary costs and/or find innovative ways to minimize costs. Minnesota Housing does not want developers to compromise quality, durability, energy-efficiency, location desirability, and ability to house lower-income and vulnerable tenants. To ensure that these priorities are not compromised, all selected developments must meet Minnesota Housing's architectural and green standards. In addition, the Agency has intentionally set the points awarded under the cost containment criterion (4 points) to be less than the points awarded under other criterion, including economic integration, location efficiency, workforce housing, permanent supportive housing for households experiencing homelessness, and others.

Process for Awarding Points

To carry out the competition, the following process will be followed for all proposals/applications seeking competitive 9% credits:

- Group all the 9% tax credit proposals into the 4 development type/location categories:
  - New Construction – Metro
  - New Construction – Greater Minnesota
  - Rehabilitation – Metro
  - Rehabilitation – Greater Minnesota

- Adjust the costs for developments for singles and large families to make them equivalent to the costs for family/mixed developments. See the second column of Table 1 for the adjustments. For example, the TDC per unit for large-family new-construction projects is multiplied by 0.96 to make it equivalent to the costs for a family/mixed development. Specifically, if the TDC per unit is $240,000 for a large-family development, it is multiplied by 0.96 to compute the equivalent cost of $230,400.

- After adjusting the costs for single and large-family developments, order all the proposals by TDC per unit within each of the four groups from lowest to highest.

- Within each group, award 4 points to the 50% of proposals with the lowest TDCs per unit.

  - If the number of proposals in a group is even, the number of proposals eligible to get points =

    (Number of proposals in group)/2

  - If the number of proposals in a group is odd, the number of proposals eligible to get points =

    (Number of proposals in group)/2
    <u>Rounded down</u> to nearest whole number

  However,

    - If the next proposal in the rank order (of those not already receiving points) meets that group's threshold (see the third column of Table 1), that proposal is also eligible to get points, or
    - If that proposal's TDC per unit is higher than the threshold, it does not get points.

Only proposals that claim cost containment points on the self-scoring worksheet and are in the lowest half of the costs for their group will actually receive the cost containment points.

The cost thresholds in the third column reflect the historical mid-point costs for family/mixed developments in each group.

Table 1: 2017 QAP - Adjustment Factors and Thresholds to Determine if Middle Proposal Gets Points if Odd Number in Group

	Cost Adjustment to Families/ Mixed	Threshold Test if Odd Number of Proposals
New Construction Metro for Singles	1.17	$242,000
New Construction Metro for Families/Mixed	1.00	
New Construction Metro for Large Families	0.96	
New Construction Greater MN for Singles	1.17	$192,000
New Construction Greater MN for Families/Mixed	1.00	
New Construction Greater MN for Large Families	0.96	
Rehabilitation Metro for Singles	1.30	$193,000
Rehabilitation Metro for Families/Mixed	1.00	
Rehabilitation Metro for Large Families	0.85	
Rehabilitation Greater MN for Singles	1.30	$153,000
Rehabilitation Greater MN for Families/Mixed	1.00	
Rehabilitation Greater MN for Large Families	0.85	

- “Metro” applies to the seven-county Twin Cities metro area, while “Greater MN” applies to the other 80 counties.
- "Singles" applies to developments where the share of efficiencies and 1 bedroom units is 75% or greater.
- "Large Families" applies to developments where the share of units with 3 or more bedrooms is 50% or greater.
- "Families/Mixed" applies to all other developments.
- “New Construction” includes regular new construction, adaptive reuse/conversion to residential housing, and projects that mix new construction and rehabilitation if the new construction gross square footage is greater than the rehabilitation square footage.

Implementation Details

To recognize the unique costs and situation of projects on Tribal lands, these projects will receive a 15% adjustment to their costs. Their costs will be reduced by 15% when they compete for the cost-containment points.

A different process occurs for the second round of tax credit selections. For each of the four competition groups, the cost per unit of the proposal at the 50th percentile in round 1 (using the identification process and adjustments outlined earlier) will determine the cut point or threshold for receiving points in round 2.

In the self-scoring worksheet, all proposals that believe they have contained their costs should select these points; however, during the final scoring by the Agency, staff will take away the points from those proposals not in the lower half of costs for each of the four categories. (To identify the 50% of proposals with the lowest costs in each category, the Agency will include the costs of all proposals/applications seeking 9% tax credits, not just those electing to participate in the competition for cost containment points by claiming the points in the self-scoring worksheet. However, only those electing to participate in the competition by claiming the points in the self-scoring worksheet will be eligible to receive the points if they are in the lower half of project costs.)

If a project receives points under this criterion, failure to keep project costs under the applicable cost threshold will be considered an unacceptable practice and result in negative 4 points being awarded in the applicant's next round of tax credit submissions.

The "applicable cost threshold" will be determined by the cost-containment selection process. Within each of the 4 development/location types, the cost per unit of the proposal at the 50th percentile (using the identification process identified earlier) will represent the "applicable cost threshold" that projects receiving cost-containment points will need to meet (with appropriate adjustments for single, family/mixed, and large family developments). For example, if the 50th percentile proposal for new construction in Greater Minnesota is a family/mixed development with a per unit cost of $190,000, all new construction developments in Greater Minnesota receiving the cost-containment points will need to have a final cost per unit at or below this threshold when the project is completed. In making the assessment, the final costs for new-construction single developments will be multiplied by 1.17 and compared with the $190,000 threshold. Likewise, the final costs for large family developments will be multiplied by 0.96.

Under this process, there will be some cushion for cost overruns for projects that have proposed costs less than the applicable cost thresholds. However, the project at the 50th percentile, which is the basis of the applicable cost threshold, will have no cushion. Its actual costs will have to be at or below its proposed costs to avoid the negative 4 points. Because applicants will not know if their project is the one at the 50th percentile until after applications have been submitted and funding decisions have been made, all applicants need to carefully assess their proposed costs and the potential for cost increases.

This cost containment competition does not apply to proposals/applications seeking 4% tax credits with tax exempt bonds. However, as discussed below, Minnesota Housing will assess the cost reasonableness of all tax credit proposals, including 4% credits, using the Agency's predictive cost model.

If developers are concerned about their costs and keeping them within the "applicable cost threshold", they should not claim the cost-containment points in the self-scoring worksheet.

Predictive Cost Model And Cost Reasonableness

Besides awarding cost-containment points under this criterion, Minnesota Housing will also evaluate "cost-reasonableness" of all proposed tax credits developments (even those that do not receive points under this criterion) using the Agency's predictive cost model. The model is a regression analysis that predicts total development costs using data from developments that the Agency has financed in the past (adjusted for inflation) and industry construction costs from RSMeans. The model measures the individual effect that a set of explanatory variables (which includes building type, building characteristics, unit characteristics, type of work carried out, project size, project location, population served, financing, etc.) have on costs. During the process of evaluating projects for funding, Minnesota Housing compares the proposed total development costs for each project with its predicted costs from the model. The Agency combines the model's results with the professional assessment of the Agency's architects and underwriters to assess cost reasonableness overall. The purpose of the cost-reasonableness testing (on top of the cost-containment scoring) is to ensure that all developments financed by Minnesota Housing have reasonable costs, even 4% credits and the 50% that do not receive points under the cost-containment criterion.

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Continuum of Care (CoC) Priorities for the 2017 QAP

Household Type Options:

- Singles
- Families
- Youth (age 24 and younger; includes singles or parenting youth)

Subpopulation Options:

- CH - Chronic Homeless
- CSA - Chronic Substance Abuse
- DV - Victims of Domestic Violence (includes victims of violence, sexual assault, stalking, etc.)
- HIV/AIDs
- SMI - Severely Mentally Ill
- Veterans

Note: Some CoCs defined additional sub-populations (households with criminal history, families with income at or below 30% AMI, and transitioning youth)

	Household Type			Subpopulation	
County	**Priority 1**	**Priority 2**	**Priority 3**	**Priority 1**	**Priority 2**
Central					
Benton	Families	Singles	Youth	SMI	DV
Cass	Families	Youth	Singles	SMI	CSA
Chisago	Singles	Youth	Families	SMI	Households w/criminal history
Crow Wing	Families	Youth	Singles	SMI	CSA
Isanti	Singles	Youth	Families	SMI	Households w/criminal history
Kanabec	Singles	Youth	Families	SMI	Households w/criminal history
Mille Lacs	Singles	Youth	Families	SMI	Households w/criminal history
Morrison	Families	Youth	Singles	SMI	CSA
Pine	Singles	Youth	Families	SMI	Households w/criminal history
Sherburne	Families	Singles	Youth	SMI	DV
Stearns	Families	Singles	Youth	SMI	DV
Todd	Families	Youth	Singles	SMI	CSA
Wadena	Families	Youth	Singles	SMI	CSA
Wright	Families	Singles	Youth	SMI	DV
Hennepin					
Hennepin	Families	Youth	Singles	Families with income <30% AMI	Transitioning youth
Northeast					
Aitkin	Families	Singles	Youth	SMI	CSA
Carlton	Families	Singles	Youth	SMI	CSA
Cook	Families	Singles	Youth	SMI	CSA
Itasca	Families	Singles	Youth	SMI	CSA
Koochiching	Families	Singles	Youth	SMI	CSA
Lake	Families	Singles	Youth	SMI	CSA

	Household Type			Subpopulation	
County	**Priority 1**	**Priority 2**	**Priority 3**	**Priority 1**	**Priority 2**
Northwest					
Beltrami	Families	Singles	Youth	DV	CSA
Clearwater	Families	Singles	Youth	DV	CSA
Hubbard	Single	Families	Youth	CSA	SMI
Kittson	Families	Singles	Youth	DV	CSA
Lake of the Woods	Families	Singles	Youth	DV	CSA
Mahnomen	Families	Singles	Youth	DV	CSA
Marshall	Families	Singles	Youth	DV	CSA
Norman	Families	Singles	Youth	DV	CSA
Pennington	Families	Singles	Youth	DV	CSA
Polk	Families	Singles	Youth	DV	CSA
Red Lake	Families	Singles	Youth	DV	CSA
Roseau	Families	Singles	Youth	DV	CSA
Ramsey County					
Ramsey	Families	Youth	Singles	CH	SMI
Southeast					
Blue Earth	Families	Singles	Youth	SMI	Veterans
Brown	Families	Singles	Youth	SMI	Veterans
Dodge	Families	Singles	Youth	SMI	CSA
Faribault	Families	Singles	Youth	SMI	Veterans
Fillmore	Families	Singles	Youth	CSA	DV
Freeborn	Families	Singles	Youth	SMI	CSA
Goodhue	Families	Singles	Youth	CSA	DV
Houston	Families	Singles	Youth	CSA	DV
Le Sueur	Families	Singles	Youth	SMI	Veterans
Martin	Families	Singles	Youth	SMI	Veterans
Mower	Families	Singles	Youth	CSA	DV
Nicollet	Families	Singles	Youth	SMI	Veterans
Olmsted	Families	Singles	Youth	CSA	DV
Rice	Families	Singles	Youth	SMI	CSA
Sibley	Families	Singles	Youth	SMI	Veterans
Steele	Families	Singles	Youth	SMI	CSA
Wabasha	Families	Singles	Youth	CSA	DV
Waseca	Families	Singles	Youth	SMI	CSA
Watonwan	Families	Singles	Youth	SMI	Veterans
Winona	Families	Singles	Youth	CSA	DV

	Household Type			Subpopulation	
County	**Priority 1**	**Priority 2**	**Priority 3**	**Priority 1**	**Priority 2**
Suburban Metro Area					
Anoka	Families	Singles	Youth	CH	CSA
Carver	Singles	Families	Youth	SMI	CH
Dakota	Families	Singles	Youth	SMI	CSA
Scott	Singles	Families	Youth	SMI	CH
Washington	Youth parents	Singles	Families	SMI	CSA
Saint Louis County					
St Louis	Singles	Youth	Families	CH	SMI
Southwest					
Big Stone	Singles	Families	Youth	SMI	CSA
Chippewa	Singles	Families	Youth	SMI	CSA
Cottonwood	Families	Singles	Youth	SMI	CSA
Jackson	Families	Singles	Youth	SMI	CSA
Kandiyohi	Singles	Families	Youth	SMI	CSA
Lac qui Parle	Singles	Families	Youth	SMI	CSA
Lincoln	Families	Singles	Youth	SMI	CSA
Lyon	Families	Singles	Youth	SMI	CSA
McLeod	Singles	Families	Youth	SMI	CSA
Meeker	Singles	Families	Youth	SMI	CSA
Murray	Singles	Families	Youth	CSA	SMI
Nobles	Singles	Families	Youth	CSA	SMI
Pipestone	Singles	Families	Youth	CSA	SMI
Redwood	Families	Singles	Youth	SMI	CSA
Renville	Singles	Families	Youth	SMI	CSA
Rock	Singles	Families	Youth	CSA	SMI
Stone	Singles	Families	Youth	SMI	CSA
Yellow Medicine	Singles	Families	Youth	SMI	CSA
West Central					
Becker	Families	Singles	Youth	SMI	CSA
Clay	Families	Singles	Youth	SMI	CSA
Douglas	Families	Singles	Youth	SMI	CSA
Grant	Families	Singles	Youth	SMI	CSA
Otter Tail	Families	Singles	Youth	SMI	CSA
Pope	Families	Singles	Youth	SMI	CSA
Stevens	Families	Singles	Youth	SMI	CSA
Traverse	Families	Singles	Youth	SMI	CSA
Wilkin	Families	Singles	Youth	SMI	CSA

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AGENDA ITEM 7.C.
MINNESOTA HOUSING BOARD MEETING
February 19, 2015

ITEM: Medina Woods Townhomes, Medina (D7653)

CONTACT: Caryn Polito, 651-297-3123
Caryn.Polito@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________________

ACTION:

☑ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of $769,000, subject to the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:
In the 2014 amended Affordable Housing Plan (AHP), the Board allocated $51 million in new activity for the LMIR program which includes $21 million from the Housing Investment Fund (Pool 2) and $30 million for LMIR and LMIR Bridge Loan activity through tax-exempt bonding. Funding for this loan falls within the approved budget and the loan will be made at an interest rate and terms consistent with the AHP. Additionally, this loan should generate $74,034 in fee income (origination fee and construction oversight fee) as well as interest earnings which will help offset Agency operating costs.

MEETING AGENCY PRIORITIES:

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

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

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

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

The Minnesota Housing Finance Agency (Agency) Board, at its November 7, 2013, meeting, approved this development for processing under the Low and Moderate Income Rental (LMIR) program. The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION:	**SELECTION**		**COMMITMENT**		**VARIANCE**	
Total Development Cost	$6,913,390		$7,851,002		$937,612	
Gross Construction Cost	$4,669,638		$5,148,544		$478,906	
Agency Sources:						
LMIR	$ 960,000		$ 769,000		$-191,000	
Total Agency Sources	$ 960,000		$ 769,000		$-191,000	
Other Non-Agency Sources:						
Housing Tax Credit Equity	$5,173,786		$6,071,149		$897,363	
Hennepin County HOME	$ 450,000		$ 450,000		$0	
City of Medina CDBG	$ 189,736		$ 189,736		$0	
Deferred Developer Fee	$ 139,868		$ 371,117		$231,249	
Gross Rents:						
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
2 BR @ 30% AMI	5	$530	4	$535	-1	$5
3 BR @ 30% AMI	4	$612	4	$616	0	$4
3 BR @ 50% AMI	11	$1020	9	$1028	-2	$8
3 BR @ 60% AMI	5	$1224	3	$1233	-2	$9
4 BR @ 60% AMI	7	$1367	6	$1378	-1	$11
Total Number of Units	**32**		**26**		**-6**	
LTH Units	**4**		**4**		**0**	

Factors Contributing to Variances:

1. Increased construction costs
   Increased construction costs resulted in a funding gap. The development team was able to value engineer the project to remove a portion of that additional cost. Further discussion of the factors contributing to the increased costs is provided under Other Significant events since Board Selection on the following page.

   The funding gap was filled with a combination of additional tax credits in the amount of $31,578, and the developer negotiated an increase in tax credit pricing from $.88/credit to $.98/credit. The investor, Wells Fargo, is accepting an operations guaranty in lieu of any capitalized reserves, which also decreases project costs. Deferred developer fee has increased since selection from $139,868 to $371,117.

2. Issues with city approval
   The project had strong support from the City of Medina initially. A council resolution from June 2013 indicated that the City would waive up to $300,000 in Sewer and Water Access Charges (SAC/WAC), and the project was awarded $189,736 in Community Development Block Grant (CDBG) funds through the City. After the development encountered serious issues with NIMBYism

within the community, the developer withdrew its rezoning application, and the City Council was no longer willing to waive the SAC/WAC fees, increasing project costs.

The developer originally planned to seek rezoning as a Planned Unit Development (PUD) and build 32 units. No longer having support of the City Council for rezoning, the developer's legal counsel advised that the project could proceed if it adhered to the existing site zoning and did not request variances to setbacks. This required the team to modify architectural plans, increasing setbacks and reducing building footprints, eliminating six units from the final site plan. Under the existing site zoning, the 26-unit project is at the maximum allowable density of 7.0 units per acre.

Staff has reviewed these changes to ensure that the project was still eligible to retain its original tax credit award. Because the project kept the same number of long term homeless (LTH) units (four) and the same rent restrictions and unit types, it was still eligible for the tax credits despite reducing the overall unit count.

In December 2014, the City of Medina approved the modified site plan for the project.

Other significant events since Board Selection:
As a result of increased costs, the developer advised Agency staff that it would be unable to meet the cost containment threshold for which the project had received points when it was scored. Staff re-evaluated the project and determined that the development would still have been awarded tax credits even without the cost containment points.

Additionally, the total development cost (TDC) per unit is no longer within the acceptable range of the Agency's Predictive Cost Model. TDC of $301,962 is 148% of the model estimate of $204,236 per unit (projects within 125% of the predictive cost are considered in the normal range).

Factors contributing to increased TDC since selection include:

1. Increased construction costs due to market conditions
2. The City of Medina no longer waiving SAC/WAC fees (Per unit cost without SAC/WAC fees would have been $290,877)
3. Diminished economies of scale/higher costs per unit with decreased unit count
4. Increased architectural fees due to redesign

Project Costs Per Unit

DESCRIPTION:	**SELECTION (32 units)**	**COMMITMENT (26 units)**	**VARIANCE**
Architectural fees	$5,706	$9,556	$3,850
SAC/WAC fees	$2,435	$11,085	$8,650
Other soft costs	$46,351	$64,069	$17,718
Construction costs, excluding site work	$116,113	$161,329	$45,216
Site work: roads, curbs, earthwork, play equipment, landscaping	$29,813	$36,692	$6,879
Acquisition	$15,625	$19,231	$3,606
Total	**$216,043**	**$301,962**	**$85,919**

DEVELOPMENT SUMMARY

DEVELOPMENT:		D7653			
Name:	Medina Woods Townhomes			App#:	M16599
Address:	510 Clydesdale Trail				
City:	Medina	County:	Hennepin	Region:	MHIG

MORTGAGOR:

Ownership Entity: Medina Leased Housing Associates I, LP
General Partner/Principals: Medina Leased Housing Associates I, LLC
Guarantors: Dominium Holdings I, LLC; Dominium Holding II, LLC; Paul Sween; Armand Brachman; Mark Moorhouse

DEVELOPMENT TEAM:

General Contractor:	Lumber One, Avon, Inc., Avon
Architect:	BKV Group (Boarman Kroos Vogel Group Inc), Minneapolis
Attorney:	Winthrop & Weinstine, PA, Minneapolis
Management Company:	Dominium Management Services LLC, Plymouth
Service Provider:	Interfaith Outreach and Community Partners, (IOCP) Plymouth

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 769,000 LMIR First Mortgage

Funding Source:	Hsg Investment Fund(Pool 2)
Interest Rate:	5.25%
MIP Rate:	0.25%
Term (Years):	30
Amortization (Years):	30

RENT GRID:

UNIT TYPE	**NUMBER**	**UNIT SIZE (SQ. FT.)**	**GROSS RENT**	**AGENCY LIMIT**	**INCOME AFFORDABILITY***
2BR	4	1,223	$535	$ 560	$ 21,400
3BR	4	1,407	$616	$ 646	$ 24,640
3BR	9	1,407	$1028	$ 1078	$ 41,120
3BR	3	1,407	$1233	$ 1293	$ 49,320
4BR	6	1,656	$1378	$ 1443	$ 55,120
TOTAL	26				

Purpose:

The Medina Woods Townhomes project is the acquisition of land and new construction of a 26 unit development in Medina. The property will consist of nine townhome buildings with a mix of two-, three- and four-bedroom units. The development furthers Minnesota Housing's economic integration priority and includes a partnership with IOCP to provide rent assistance and services for the four units reserved for households who have experienced long-term homelessness (LTH).

Target Population:
The proposal targets primarily families with children. The residents are expected to include immigrants and single heads of households with children. The development will also reserve four units for family households who have experienced long-term homelessness. Eight of the 26 units will have rents affordable to households with incomes at 30% of the area median income (AMI), nine units will have rents affordable to households with incomes at 50% of AMI and the remaining nine units will have rents affordable to households with incomes at 60% of AMI.

Project Feasibility:
The project is feasible as proposed. Wells Fargo will be the limited partner contributing $6,071,149 in tax credit equity based on $0.98/credit, which has increased since selection from $0.88/credit. Hennepin County has committed $450,000 in HOME funds and the City of Medina has committed $189,736 in CDBG funds. The proposed rents are at least 5% less than the applicable tax credit rent limit, which provides a reasonable cushion for maintaining occupancy and increasing rents if needed. The first mortgage amount is supported by Minnesota Housing underwriting standards. Dominium has committed $371,117 in deferred developer fee.

The project has excellent linkages to supporting services and public facilities as it is located within walking distance to retail, a hospital, Wayzata High School and transit stops. The primary market area is a Minnesota Housing workforce priority area and a top growth community for jobs and household growth. It is projected that the development will maintain a stabilized physical vacancy rate of 4% or less and that the property will be fully occupied within two months of completion.

The TDC per unit of $301,962 is above the Agency’s predictive cost threshold by 23%. The predictive model cost is $204,236 per unit. This project’s TDC is 148% of the predictive cost, (projects within 125% of the predictive cost are considered in the normal range).

Development Team Capacity:
Dominium was established in 1972 and has successfully developed 72 multifamily properties with a total of 7,852 units. Sixty-two of the 72 developments have been financed with tax credits.
The Agency’s management evaluation is satisfactory. The average occupancy rate of Dominium's Agency-financed developments has been 99%. Asset management staff has no issues with the company and reports that the properties are well maintained and have high rates of resident satisfaction.

Physical and Technical Review:
The site overlooks a golf course and many of the newly-constructed developments nearby are high income, market rate single family homes and a few multifamily buildings. The site plan includes a community room for after-school programming and events, an office, and a playground. Unit plans include dedicated dining space and attached two car garages.

Market Feasibility:
The site is located in the west-metro suburb of Medina, which is a top growth community for households. There is more than sufficient affordable rental demand in the market area to support the newly constructed rental units. Minnesota Housing financed comparable developments have very low vacancy rates. The market study notes a 1% average vacancy rate for comparable affordable properties in the primary market area. According to Minnesota Housing's community profile for the development, 70% of lower income renters are cost burdened. Most of the comparable affordable developments maintain waiting lists. Hennepin County staff confirms the large need for LTH units in this area and supports the development team and the project.

Supportive Housing
Interfaith Outreach and Community Partners (IOCP) will provide the supportive services to the four LTH households. Through its rental assistance commitment of up to $200,000 over a ten year period, rents will be affordable to the LTH households. IOCP and Dominium have experience partnering together to provide community services, and Medina will be their first collaborative venture to provide housing opportunities for the LTH population.

DEVELOPMENT COST SUMMARY (estimated):

	Total		**Per Unit**
Total Development Cost	$7,851,002		$301,962
Acquisition or Refinance Cost	$500,000		$19,231
Gross Construction Cost	$5,148,544		$198,021
Soft Costs (excluding Reserves)	$2,202,458		$84,710
Non-Mortgageable Costs (excluding Reserves)	$0		$0
Reserves	$0		$0
Total LMIR Mortgage	$769,000		$29,577
First Mortgage Loan-to-Cost Ratio		10%	
Agency Deferred Loan Sources			
None	$0		$0
Total Agency Sources	$769,000		$29,577
Total Loan-to-Cost Ratio		10%	
Other Non-Agency Sources			
Syndication Proceeds (Wells Fargo)	$6,071,149		$233,506
HOME Funds - Hennepin County	$450,000		$17,308
City of Medina CDBG Funds	$189,736		$7,298
Deferred Developer Fee	$371,117		$14,274
Total Non-Agency Sources	$7,082,002		$272,385

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

RESOLUTION NO. MHFA 15-

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

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide permanent financing for a multiple unit housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development:	Medina Woods Townhomes
Sponsors:	Dominium
Guarantors:	Dominium Holdings I, LLC; Dominium Holding II, LLC; Paul Sween; Armand Brachman; Mark Moorhouse
Location of Development:	Medina
Number of Units:	26
General Contractor:	Lumber One, Avon, Inc.
Architect:	BKV Group, Inc.
Amount of Development Cost:	$7,851,002
Amount of LMIR Mortgage:	$769,000

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

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

NOW THEREFORE, BE IT RESOLVED:

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

1. The amount of the LMIR amortizing loan shall not exceed $769,000; and

2. The end loan commitment shall be entered into on or before the August 31, 2015, and shall have an 18 month term (which shall also be the expiration date of the LMIR commitment); and

3. The interest rate on the permanent LMIR loan shall be 5.25 percent per annum plus 0.25 percent per annum HUD Risk Share Mortgage Insurance Premium, with monthly payments based on a 30 year amortization schedule and

4. The term of the permanent LMIR loan shall be 30 years; and

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

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

7. Dominium Holdings I, LLC; Dominium Holding II, LLC; Paul Sween; Armand Brachman; and Mark Moorhouse shall each guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.15 debt service coverage ratio (assuming stabilized expenses) for three successive months; and

8. Dominium Holdings I, LLC; Dominium Holding II, LLC; Paul Sween; Armand Brachman; and Mark Moorhouse shall each guarantee the mortgagor's payment under LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

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

Adopted this 19th day of February 2015.

____
CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 7.D.
MINNESOTA HOUSING BOARD MEETING
February 19, 2015

ITEM: Targeted Mortgage Opportunity Program Procedural Manual

CONTACT: Heidi Welch 651-297-3132 heidi.welch@state.mn.us

Devon Pohlman 651-296-8255 devon.Pohlman@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☑ Information

TYPE(S):

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

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
The Targeted Mortgage Opportunity Program is a pilot program that provides first mortgage financing to borrowers who demonstrate an ability to pay but are unable to access an industry-standard mortgage as a result of tightened loan product guidelines and investor credit overlays. Staff provides an update on the status of the pilot loan program and borrower characteristics for loan commitments made to date, reports on a $6 million increase in loan commitment funding for two originators, and requests approval of the program's Procedural Manual.

FISCAL IMPACT:
The Targeted Mortgage Opportunity Program has $20 million budgeted, $10 million in the 2014 Affordable Housing Plan (AHP) and $10 million in the 2015 AHP. Eighteen million is available for first-mortgage loans with $2 million set aside as a loan loss reserve.

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
- Targeted Mortgage Opportunity Program Procedural Manual

BACKGROUND:
In July 2014, three community-based mortgage lenders were selected in a competitive RFP process to originate, underwrite, process and close Targeted Mortgage loans: 1) Build Wealth Minnesota; 2) SHOP Home Mortgage; and 3)Twin Cities Habitat for Humanity. The lenders follow FHA or conventional loan guidelines using a Minnesota Housing underwriting overlay that permits compensating factor or product underwriting adjustments.

Eligible Targeted Mortgage loan borrowers must participate in Homeownership Capacity coaching through an organization funded by Minnesota Housing or otherwise approved by Minnesota Housing. Homeownership Capacity coaching provides more intensive financial and homeownership coaching and generally targets homeowners who are six months to two years away from homeownership readiness. In addition, all Targeted Mortgage borrowers must take Homestretch or online Framework homebuyer education prior to closing.

In the first four months of the program, Targeted Mortgage originators made 28 loan commitments totaling $4.2 million. Households of color and Hispanic ethnicity represent 79% of loan commitments. The median purchase price of homes is $161,000 and households served under the program are typically larger and older than those served in the standard home mortgage programs.

Two of the three Targeted Mortgage originators, Build Wealth Minnesota and SHOP Home Mortgage, were recently allocated $3 million each from the 2015 AHP budget to continue to meet loan commitment demand. Four million dollars in the Targeted Mortgage 2015 AHP budget remains.

APPROVAL REQUEST:
This Procedural Manual requires originators to adhere to loan policies, processes and required documents. The policies reflect Minnesota Housing's standard whole loan program requirements including:

- Partner Responsibilities
- Representations and Warranties
- Lender Compensation
- Record Retention
- Borrower Eligibility
- Property Eligibility
- Loan Eligibility
- Loan Processing and Servicing

The Targeted Mortgage Procedural Manual incorporates program-specific documents and required forms including:

- Underwriting Overlay
- Compensating Factors Worksheet
- Rate Lock Guide
- Servicer Loan Submission Checklist
- Tennessen Warning

Originator compliance with the policies, processes and documents outlined in the Procedure Manual were previously adhered offset forth only in a contract addendum. As is consistent with our other programs, a Procedural Manual has been developed. Upon Board approval, this Procedural Manual will be posted on our website and emailed to Targeted Mortgage originators.

Targeted Mortgage Opportunity Program Procedural Manual

February 19, 2015

The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, or sexual or affectional orientation in the provision of services.

An equal opportunity employer.

This information will be made available in alternative format upon request.

Table of Contents

Introduction

Mission Statement

The Minnesota Housing Finance Agency (“Minnesota Housing”) finances affordable housing for low- and moderate-income households while fostering strong communities.

Background

Minnesota Housing was created in 1971 by the Minnesota Legislature.

Minnesota Housing offers programs to finance the purchase of new and existing homes by low and moderate income Borrowers. Minnesota Housing funds closed loans originated by private lenders subject to the Participation Agreement and this Procedural Manual.

Procedural Manual

This Procedural Manual sets forth for lenders the terms and conditions under which Minnesota Housing will fund mortgages under Minnesota Housing’s Targeted Mortgage Opportunity Program.

Targeted Mortgage Opportunity Program (“Targeted Mortgage”)

The Targeted Mortgage Opportunity Program is a pilot program that provides first mortgage financing to Borrowers who demonstrate an ability to pay but are unable to access an industry-standard mortgage as a result of tightened loan product guidelines and investor overlays. Eligible Targeted Mortgage loan Borrowers must participate in Homeownership Capacity coaching or an equivalent financial coaching program approved by Minnesota Housing.

Chapter 1 – Partner Responsibilities and Warranties

1.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Participation Agreement between Minnesota Housing and the Lender. It is incorporated into such Participation Agreement by reference and is a part thereof as fully as if set forth in such Participation Agreement at length. Further, this procedural manual deletes and replaces in its entirety the Addendum to the Targeted Mortgage Opportunity Program Participation Agreement.

Minnesota Housing reserves the right to:

- Change the Targeted Mortgage program interest rate or rates at any time at its sole discretion;
- Change its commitment policy at any time;
- Alter or waive any of the requirements herein;
- Impose other or additional requirements;
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated; and
- Grant waivers, alterations or make revisions at its sole discretion.

1.02 Evidence of Misconduct Referred to Attorney General

Minnesota Housing will refer any evidence of fraud, misrepresentation, or other misconduct in connection with the Targeted Mortgage program to the Minnesota Attorney General's office for appropriate legal action.

If, after a loan is made, a lender discovers any material misstatements or misuse of the proceeds of the loan by the Borrower(s) or others, the Lender will promptly report the discovery to Minnesota Housing and the Servicer ("Servicer") used by Minnesota Housing.

Minnesota Housing, or the Servicer, or both, may exercise all remedies available to them, both legal and equitable, to recover funds from the lender and/or the Borrower(s). This includes repayment of Targeted Mortgage loan funds, together with all applicable administrative costs and other fees or commissions received by the lender in connection with the Targeted Mortgage loan and reimbursement of all attorney fees, legal expenses, court costs, or other expenses incurred by Minnesota Housing in connection with the Targeted Mortgage loan or recovery thereof.

1.03 Disclosure and Use of Social Security Number/Minnesota Tax Identification Number

The Minnesota Revenue Recapture Act (Minnesota Statutes, Sections 270A.01 to 270A.12, as amended) allows the disclosure of the Social Security Number or Minnesota Tax Identification Number of the Borrower(s) to the Minnesota Department of Revenue. This could result in the application of state tax refunds to the payment of any delinquent indebtedness of the Borrower(s) to Minnesota Housing.

1.04 Unauthorized Compensation

The lender must not receive or demand from real estate agent, builder, property seller or Borrower(s):

- Kickbacks;
- Commissions; or
- Other compensation.

1.05 Minnesota Housing Due Diligence Audit Guidelines and Requirements

Audited loans are reviewed for:

- Minnesota Housing program/policy compliance;
- Fraud or misrepresentation on the part of any party involved in the transaction; and
- Trends and/or other indicators that have an impact on the success of the Borrower(s) and Targeted Mortgage.

1.06 Lender Termination

The lender's participation in Targeted Mortgage will end upon the termination of Targeted Mortgage by Minnesota Housing, or upon the termination of the Participation Agreement.

Minnesota Housing may terminate the lender's participation at any time and may preclude the lender's future eligibility for reasons including, but not limited to, non-conformance with:

- The Participation Agreement;
- The Underwriting Overlay;
- The Federal Fair Housing Law and/or the Equal Credit Opportunity Act;
- Any federal or state laws or acts that protect the Borrowers' rights with regard to obtaining financing for homeownership; and
- Other applicable state and federal laws, rules, and regulations.

The lender agrees to notify Minnesota Housing in writing if it wishes to terminate its participation in Targeted Mortgage.

1.07 Representations and Warranties

The lender agrees to comply with all applicable federal, state, and local laws, ordinances, regulations and orders, and any applicable rules, regulations and orders, including, but not limited to the following:

- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- Section 527 of the National Housing Act;
- Equal Credit Opportunity Act;
- Fair Credit Reporting Act;
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62;
- Federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968);
- Minnesota Human Rights Act – Minnesota Statutes Chapter 363A;
- Minnesota Rules 5000.3400 through 5000.3600;
- Data Privacy - Minnesota Statutes Chapter 13 and Section 462A.065;
- Minnesota S.A.F.E. Mortgage Licensing Act of 2010 – Minnesota Statutes Chapters 58 and 58A;
- Americans with Disabilities Act;
- Fair and Accurate Credit Transactions Act;
- National Flood Insurance Act;
- Home Mortgage Disclosure Act;
- Anti-Predatory Lending Act;
- USA Patriot Act;
- Bank Secrecy Act;
- Anti-Money Laundering and Office of Foreign Assets Control Policy;
- Internal Revenue Code of 1986, Section 6050H;
- Real Estate Settlement Procedures Act of 1974;
- The Dodd Frank Wall Street Reform Act;
- Real Estate Settlement Procedures Act (RESPA);

- Truth-in-Lending Act (TILA);
- Mortgage Disclosure Improvement Act (MDIA);
- Ability-to-Repay/Qualified Mortgage regulations;
- Loan Officer Compensation regulation;
- Home Ownership and Equity Protection Act (HOEPA);
- HUD Discriminatory Effects Regulation/Disparate Impact Regulation; and
- CFPB Unfair, Deceptive, or Abusive Acts or Practices Rules.

1.08 Lender Compensation

The lender is compensated for each Targeted Mortgage loan purchased by Minnesota Housing as follows:

- Origination fee collected from the Borrower(s) in accordance with RESPA; and
- Service release premium paid by Minnesota Housing in an amount established by Minnesota Housing and posted on the Minnesota Housing website.

1.09 Loans to Employees and Affiliated Parties

The lender may make Targeted Mortgage loans to their directors, officers, employees, and/or their families, as well as to builders, realtors, and/or their families, and any other principal with whom the lender does business. Minnesota Housing employees and/or their families are also eligible. The Borrower(s) must meet all eligibility criteria for Targeted Mortgage.

1.10 Records Retention

The Lender is required to keep a complete copy of documents for each Targeted Mortgage loan originated on file for 7 years beyond the maturity date. A Targeted Mortgage loan file may be requested to be forwarded to Minnesota Housing for review. Minnesota Housing reserves the right to audit Targeted Mortgage loan files.

Chapter 2 – Borrower Eligibility

2.01 Borrower

One individual or multiple individuals are eligible to be a Borrower only if such individual or individuals meet the requirements of this Procedural Manual.

2.02 Borrower Age

Borrower(s) must be eighteen (18) year of age or older or have been declared emancipated by a court having jurisdiction.

2.03 Co-Signers

Non-occupant Co-Signers are not permitted on first mortgage loans.

2.04 Unauthorized Compensation

Borrower(s) must not receive kick-backs, rebates, discounts, and/or compensation from any subcontractor, real estate agent, title company or property seller.

2.05 Principal Residence/Occupancy Requirement

Borrower(s) must occupy the financed dwelling as a principal residence within 60 days after the closing of the loan.

2.06 Homeownership Capacity

At least one Borrower must complete the following education and counseling components prior to closing:

- Homeownership Capacity or an equivalent financial coaching program approved by Minnesota Housing; and
- Homestretch or Framework.

2.07 Targeted Mortgage Program Qualifying Income

The income used to qualify the Borrower may not exceed the income limits noted in the Underwriting Overlay. Income is defined by and calculated according to credit underwriting guidelines for the underlying loan program (FHA, Fannie Mae or other Conventional loan product). The lender should compare income specified on the final mortgage loan application to the Targeted Mortgage income limits to determine whether the Borrower's income is at or below program income limits. A copy of the underwriter's loan approval reflecting final income figures must be included in the loan file.

Chapter 3 – Property Eligibility

3.01 Eligible Properties

Properties eligible for a loan under Targeted Mortgage must be located in the State of Minnesota and may include any of the following housing types:

- 1-unit dwellings
- Twin homes
- Townhouses
- Condos
- Community Land Trust (“CLT”)
- Planned Unit Development (“PUD”)

Properties must meet the eligibility requirements of the underlying loan product guidelines.

3.02 Ineligible Properties

Properties are not eligible for financing as follows:

- A unit in a cooperative corporation or a limited equity cooperative corporation;
- A recreational/seasonal home;
- A single-wide mobile/manufactured home;
- A property located in a Special Flood Hazard Area in a community where the National Flood Insurance Program is unavailable;
- A property intended to be used as an investment property; and
- A duplex.

3.03 New Construction Requirements

New Construction property must meet the following requirements:

- A property located within Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright counties must be serviced by a regional waste water treatment center or by a treatment system owned and operated by a local unit of government;
- The land must be zoned for residential housing;
- The land must not have been annexed within the previous calendar year;
- The Borrower(s) cannot act as their own general contractor;

- Land equity (the dollar value of the difference between land value/cost and the total amount the Borrower(s) owes against the land) may be used by the Borrower(s) only as a down payment; and
- A Certificate of Occupancy must be issued prior to the loan closing.

In addition to the loan eligibility requirements already stated above, a New Construction property must meet the following requirements:

- Minnesota Housing funds may not be used for temporary initial financing (e.g. interim or construction financing); and
- Minnesota Housing loan funds may not constitute a "buyer mortgage" in which a mortgage and note are signed prior to construction, the proceeds of which are used to acquire the site and/or construction of the dwelling unit, with amortization to begin after the anticipated construction completion date.

3.04 Appraisal

The Lender must warrant that the property appraisal meets the following criteria:

- The appraiser is licensed in the State of Minnesota;
- The appraiser does not have any personal or financial interest in the property transaction; and
- Current industry standard forms are used.

3.05 Repair Completion Escrows

If a situation arises where an escrow for completion of a desired repair may be necessary, contact Minnesota Housing for approval.

3.06 Private Septic System Requirements

Newly Constructed Residences with private septic systems located within Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright counties are not eligible for financing.

3.07 Private Well Requirements

Private deep wells are only acceptable under the following conditions:

- Current municipal or county standards are met;
- A water sample is certified as safe by an approved lab or health authority; and
- The requirements of the insuring or guaranteeing entity must be satisfied.

Sandpoint or shallow wells are acceptable only under the following conditions:

- Current municipal or county standards are met;
- This type of well is very common in the area;
- A water sample is certified as safe by an approved lab or health authority;
- The value and marketability of the property is not adversely affected; and
- The requirements of the insuring or guaranteeing entity must be satisfied.

3.08 Shared Wells and Septic Systems

Shared wells and septic systems, if not operated by a public authority, are acceptable only under the following conditions:

- Current municipal or county standards are met;
- A water sample is certified as safe by an approved lab or health authority;
- The septic system has a current certificate of compliance;
- A recorded maintenance and easement agreement covers the term of the loan; and
- The requirements of the insuring or guaranteeing entity must be satisfied.

Chapter 4 – Loan Eligibility

4.01 Interest Rate/Amortization Requirements

Targeted Mortgage interest rates are posted on Minnesota Housing's website and in the loan commitment system.

Minnesota Housing requires:

- The loan must have a fixed rate; and
- The loan amount is fully amortized over the term of the loan by level installments of principal and interest payable on the 1st of each month.

4.02 Mortgage Term

Loans must have a term of 30 years.

4.03 Escrow (or Deposit) Requirements

- Each monthly payment must include escrows for property taxes, and homeowners insurance, and, if applicable, assessments, flood insurance, and/or homeowners association dues; and
- Escrows must be collected by the lender at closing. The Servicer will collect monthly payments consisting of principal, interest, taxes, and insurance (PITI) and, if applicable, homeowners association fees and flood insurance.

4.04 Late Charge

A provision for an enforceable late charge must meet the requirements of the underlying loan product.

4.05 Title Insurance Requirements and Title Waivers

Targeted Mortgage loans must meet the title insurance and waiver requirements of the underlying loan product. In addition, the title insurance policy must not be subject to any exceptions other than those previously approved by the underlying product, if applicable, and approved by Minnesota Housing. Minnesota Housing reserves the right to request deletion of any listed exceptions.

- The "insured" must be Minnesota Housing Finance Agency, their successors or assigns, as their interest may appear; and
- The title must show fee simple or leasehold ownership subject to a community land trust and be duly recorded.
- The first mortgage and assignment to Minnesota Housing must clearly indicate the document number and/or book and page numbers.

4.06 Hazard and Flood Insurance Requirements

All loans must be covered by hazard insurance, which meets, at a minimum, the requirements of Fannie Mae or Freddie Mac in addition to the following requirements:

- Insurance must be effective on the date of the mortgage;
- Level of Coverage:
  - Hazard insurance must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement and should be the type that provides for claims to be settled on a replacement cost basis;
- Amount of Coverage:
  - 100% of the insurable value of the improvements, or
  - The unpaid principal balance of the first mortgage, as long as the amount of coverage equals the minimum amount required to compensate for damage or loss on a replacement cost basis (80% of the insurance value of the improvements);
- Maximum Deductible Amount:
  - The higher of $2,500 or 1% of the policy face amount; and
- Mortgage Clause:
  - All insurance policies must contain a ‘standard’ or ‘union’ mortgage clause in the form customarily used. The mortgage clause should read “Minnesota Housing Finance Agency, in care of (insert Servicer’s name and address here).”
- Flood Insurance:
  - All loans secured by a property located in a Special Flood Hazard Area must have adequate flood insurance when the mortgage is originated and the coverage must be maintained for as long as the mortgage is outstanding or until a remapping of a flood zone results in the property no longer being in a Special Flood Hazard Area.
  - Minnesota Housing also requires flood insurance coverage for a mortgage if the remapping of a flood zone results in the security property being in a special Flood Hazard Area even though no flood insurance would have been required when the Mortgage originated. The flood insurance policy must meet at a minimum the requirements of Fannie Mae or Freddie Mac.

4.07 Refinancing of an Existing Mortgage

Minnesota Housing does not allow the refinancing of an existing loan.

4.08 Settlement/Closing Costs

Settlement/closing costs, fees, or charges the Lender collects from any party in connection with any loan must:

- Comply with Minnesota law;

- Not exceed an amount deemed usual or reasonable;
- Not exceed the actual amounts expended for any item (e.g. credit report, appraisal);
- Ensure the Borrower(s) does not pay more than a pro-rata share of property taxes; and
- Seller contributions to closing costs are limited to the amount permissible according to the underlying mortgage product guidelines.

4.09 Borrower Contribution

Borrowers must contribute a minimum of $1,000 of their own funds to the transaction.

4.10 Gifts

Gifts are permitted as long as the gift is above and beyond the required minimum Borrower contribution of $1,000.

4.11 Junior Liens/Community Seconds

All junior liens/community seconds (including resale restrictions) used in conjunction with a Minnesota Housing loan must comply with the following:

- Junior liens that are not designated community seconds are not permitted under the Targeted Mortgage program;
- The Borrower(s) may receive cash back at closing from junior lien proceeds only when the cash back represents a refund of the Borrower's own investment over and above the required minimum Borrower contribution of $1,000, as allowed by the first mortgage product; and
- Minnesota Housing requires full disclosure of any and all junior liens.

4.12 Non-Complying Loans

Minnesota Housing and/or the Servicer has the right to take one or more of the following actions in the event a lender submits a Targeted Mortgage loan that does not, as determined by Minnesota Housing or the Servicer, comply with the requirements of the Targeted Mortgage program:

- Adjust the purchase price of the non-complying loan;
- If not already purchased, refuse to purchase the loan;
- If already purchased, require the lender to repurchase the loan for the purchase price;
- Terminate, suspend, or otherwise limit the lender's Participation Agreement with Minnesota Housing and/or the Servicer; and
- Preclude the lender from future participation in Minnesota Housing programs.

4.13 Repurchase of Loans

Minnesota Housing may, at its option, require the lender to repurchase a Targeted Mortgage loan if:

- Any representation or warranty of the lender or the Borrower(s) with respect to the loan is determined by Minnesota Housing to be materially incorrect; or
- The loan is not in compliance with any term or condition of the Targeted Mortgage Program.

Upon written notice of repurchase by Minnesota Housing, the Lender has ten (10) business days to submit payment to Minnesota Housing for the unpaid principal balance, accrued interest, accrued late charges, the lender premium, and any other expenses incurred, including legal fees and costs. This requirement applies if the loan is current, delinquent, or in any stage of foreclosure or post foreclosure. Failure to comply with this requirement may result in the termination, suspension, or otherwise limit the lender's Participation Agreement with Minnesota Housing.

Chapter 5 – Rate Locks

5.01 Rate Lock Guide

Refer to the Rate Lock Guide.

Chapter 6 – Documentation Requirements

6.01 Loan Processing and Closing

All loans submitted to Minnesota Housing for approval must meet the following requirements:

- All guidelines in this Procedural Manual and in the Process Guide;
- The Lender must obtain an Individual Commitment using Minnesota Housing's online loan commitment system;
- The Lender must follow all mortgage industry regulatory and compliance provisions throughout the processing of the loan;
- Completed loan documents must satisfy all the requirements of the underlying loan product, Minnesota Housing guidelines, and the requirements of the Servicer, as applicable;
- The Lender must review all documents at the various loan processing and closing stages to be certain all documents are accurate and entirely complete;
- Full documentation must be used when verifying income and assets to confirm Targeted Mortgage program eligibility; and
- Minnesota Housing or industry-standard forms may not be altered in any way other than to add a company name and logo.

6.02 Delivery Requirements

The Lender must fully execute and deliver all documents to both Minnesota Housing and the Servicer within designated timeframes. Documentation not delivered to the Servicer within the specified time frames may result, at Minnesota Housing's or the Servicer's discretion, in the Lender being required to repurchase the loan or any other available remedy. Minnesota Housing and/or the Servicer may also, at its discretion, extend the aforementioned timeframes.

The Servicer's Document Checklist and Minnesota Housing's Document Checklist specify timeframes required for the submission of closing documents. The Servicer's checklist must be included in the loan package sent to the Servicer.

- The following documents, in this order, must be scanned and e-mailed to the Servicer within 5 days of closing through the Servicer's secure email site:
    - Completed Document Checklist
    - Note and Modification (if applicable), endorsed to Minnesota Housing Finance Agency
    - Mortgage, Riders
    - CLT Rider (if applicable)
    - Assignment to Minnesota Housing
    - Final 1003 (Loan Application)

- W-9 Form
- 1008 (Underwriting Transmittal) – must be signed and dated by the underwriter
- HUD-1 Settlement Statement and all attachments
- Initial Escrow Disclosure (including 2 months' escrow cushion)
- Tax Certification (property tax information)
- Appraisal
- Flood Certification with Life of Loan Coverage
- Flood Insurance Policy (if applicable)
- Hazard Insurance Policy (all applicable policies)
- Title Commitment
- Credit Report
- Copy of Servicing Transfer Letter

- The Following documents must be scanned and e-mailed to the Servicer within 180 days of closing through the Servicer's secure email site:
  - Recorded Mortgage and Recorded Riders
  - Recorded Assignment
  - Final Title Policy

Minnesota Housing's Targeted Mortgage Document Checklist is available for use as a reference tool and is not a required document.

- **<u>Copies</u>** of the following documents must be emailed to Minnesota Housing at the address on the Checklist within 5 days of closing:
  - 1003 Initial Loan Application
  - 1008 Underwriting Transmittal Summary (final)
  - Mortgage Note (Endorsed to Minnesota Housing Finance Agency)
  - HUD-1 Settlement Statement and any attachments
  - Appraisal and all attachments
  - Homeownership Capacity Certification
  - Homeownership Education Certification
  - Fund Approve Representations and Warranties
- Within 180 days of closing, a copy of the recorded mortgage and assignment must be e-mailed to Minnesota Housing.

- Copies of the following documents must be emailed to Minnesota Housing at loan commitment:
  - 1008 Uniform Loan Underwriting & Transmittal Summary
  - Compensating Factors

Chapter 7 – Loan Servicing

7.01 Servicing

Minnesota Housing, at its sole discretion, will designate a Servicer for each Targeted Mortgage Loan it purchases.

7.02 Assumptions

Assumptions of Targeted Mortgage loans are not permitted.

Appendix A: Definitions

TERM	DEFINITION
Borrower	A mortgagor who receives funds in the form of a loan with the obligation of repaying the loan and in addition, any person purchasing the real property securing the loan, executing the promissory note, executing a guarantee of the debt evidenced by the promissory note or signing a security instrument in connection with a loan.
Co-Signer	A party that is obligated to repay the loan. A Co-signer assumes only personal liability and has no ownership interest in the property.
Individual Commitment	A specific legal commitment of funds with specific terms and conditions for use by a specific Borrower purchasing a specific property.
Mortgagor	The Borrower in a Start Up Loan transaction who pledges the property as security for the debt.
New Construction/Newly Constructed Residence	New construction or a newly constructed residence refers to a residence, which either has not been previously occupied or was completed within 24 months preceding the date of the home mortgage loan and was not subject to previous financing with a term greater than 24 months (i.e., a contract-for-deed, mortgage, or gap loan).
Principal Residence	A property used as the primary domicile of the owner-occupant Borrower and his/her household.
Servicer	A company designated by Minnesota Housing to which Borrower pay their mortgage loan payments and which performs other services in connection with mortgage loans. The duties of a mortgage servicer typically include but are not limited to the acceptance and recording of monthly mortgage payments, payment of property taxes and homeowners insurance from Borrower escrow accounts, negotiations of workouts and modifications of a mortgage upon default and conducting or supervising the foreclosure process when necessary.

Appendix B: Required Forms

Mortgage Note
Mortgage Deed
Compensating Factors Worksheet
Tennessen Warning Notice
Servicer's Document Checklist

AGENDA ITEM: 8.A.
MINNESOTA HOUSING BOARD MEETING
February 19, 2015

ITEM: 2015 Affordable Housing Plan and 2013-15 Strategic Plan: First Quarter 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 first quarter progress report for the 2015 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):

- 2015 Affordable Housing Plan and 2013-15 Strategic Plan: First Quarter Progress Report

2015 Affordable Housing Plan and 2013-15 Strategic Plan
First Quarter Progress Report
(October 1, 2014 – September 30, 2015)
February 12, 2015

Overview

The following tables summarize the Agency's activities during the first quarter of the 2015 AHP. Overall, program activity is progressing as expected with the Agency distributing 41% of the AHP funds in the first quarter. Pipeline programs that provide financing throughout the year should have committed roughly 25% of their funds and achieved 25% of the production goal. RFP programs that have already committed their funds for the year should be approaching 100%. Of special note:

- Home mortgage production, a pipeline program, has been robust, reaching 30% of the year-end forecast in the first quarter, and we have not yet entered the prime home buying season.

- Production of rental new construction has been extremely strong, exceeding the year-end forecast by 73%. The extensive use of 4% Housing Tax Credits supported the higher than expected production level. In addition, the Agency allocated a larger share of RFP and tax credit funding to new construction and smaller share to rehabilitation than previous years. With the very low rental vacancy rates around the state, this is an appropriate shift.

For pipeline programs that are below the 25% benchmark, staff will continue to closely monitor program activity; however seasonality (i.e. program activity varying by season) may be the issue and production will pick up on its own.

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

Quarter 1 of 2015 AHP (25% through AHP)

	AHP Forecast	Actual To-Date	Portion of AHP Forecast Completed
Single Family Production – Homes			
1. First Mortgages (Net Commitments)	3,003	900	30%
2. Other Opportunities*	314	205	65%
3. Owner-Occupied Home Improvement/Rehabilitation	1.651	518	31%
4. Total	*4,968*	*1,623*	*33%*
Homebuyer Education, Counseling and Training - Households			
5. Homebuyer Education, Counseling, and Training (HECAT)*	14,505	2,482	17%
Multifamily Production – Rental Units			
6. New Rental Construction	877	1,520	173%
7. Rental Rehabilitation	5,185	2,108	41%
8. Asset Management	240	8	3%
9. Total	*6,302*	*3,636*	*58%*
Rental Assistance and Operating Subsidies - Households			
10. Agency Funded Rental Assistance and Operating Subsidies*	3,585	2,163	60%
11. Section 8 and 236 Contracts	31,106	31,229	100%
12. Total	*34,691*	*33,392*	*96%*
Homeless Prevention			
13. Family Homeless Prevention and Assistance Program (FHPAP)* & Housing Opportunities for Persons with AIDS (HOPWA)	9,685	1,966	20%
Build Sustainable Housing			
14. Percentage of New Construction or Rehabilitation Units that Meet Sustainable Design Criteria:			
a. Single Family	50%	58%	**
b. Multifamily	95%	94%	**
Increase Emerging Market Homeownership			
15. Percentage of Mortgages Going to Emerging Market Households	27%	33%	**
Earn Revenue to Sustain Agency and Fund Pool 3			
16. Return on Net Assets – State Fiscal Year 2015***	n/a	$8.4 million	**
17. Annualized Return on Net Assets (%) – State Fiscal Year 2015***	n/a	2.4%	**

* Funds for Habitat for Humanity HECAT, multifamily rent assistance and operating subsidies, and FHPAP are committed by the Board in July-September, at the end of an AHP. Thus, funds committed under the 2014 AHP (in July-September 2014) fund program activity in 2015 (October 1, 2014 to September 30, 2015). The Board will not commit 2015 AHP funds for these programs until July-September 2015, which will support program activity in 2016. To reflect 2015 program activity for these programs, this table shows the households supported in 2015 with 2014 AHP funds. For all other programs, the table shows the households and housing units supported by funds provided in the 2015 AHP.

** Not Applicable.

*** Minnesota Housing does not forecast return on net assets.

Table 2: Distribution of Resources
Quarter 1 of 2015 AHP (25% through AHP)

	AHP Forecast	Actual To-Date
18. Percentage of Funds Committed Under the AHP	>95%	41%

Table 3: Management of Loan Assets
Quarter 1 of 2015 AHP (25% through AHP)

	AHP Forecast	Actual To-Date
19. Delinquency Rate for Combined Whole Loan & MBS Single-Family Portfolio (Sept. 30, 2014)	3.18%*	4.78%**
20. Foreclosure Rate for Combined Whole Loan & MBS Single-Family Portfolio (Sept 30, 2014)	0.66%*	1.12%**
21. Percentage of Multifamily Developments with Amortizing Loan on Watch List	Under 10%	8.5%
22. Percentage of Outstanding Multifamily Loan Balances on Watch List	Under 10%	5.9%

* This is benchmark, rather than a forecast, and it is based on a Minnesota Housing analysis of all mortgages in the state as reported by the Mortgage Bankers Association. The benchmark applies to the third quarter of 2014.
**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 volume for single-family first mortgages has been robust, with production at 30% of the year-end forecast, and we have not yet entered the prime home buying season. We have also had greater than expected use of down-payment and closing-cost funds, which has supported the high level of mortgage production. If loan production remains high, staff will likely come back to the Board in the near future for an AHP amendment to transfer to the Deferred Payment Loan program already budgeted Pool 3 funds that are likely to go unused.

- **Line 2:** Production for other housing opportunities is off to a good start. Under the recent RFP selections, we allocated all the funds budgeted for the Community Homeownership Impact Fund; however, unit production was less than forecasted because we financed more new construction than expected. New construction requires a higher subsidy per unit than rehabilitation and down-payment assistance. Production in the "other opportunities" area will increase a little in the final three quarters as additional homes are financed under the Habitat for Humanity and the Bridge to Success programs.

- **Line 3:** Owner-occupied home improvement/rehabilitation experienced strong production during the first quarter with respect to the year-end forecast.

- **Line 4:** Overall, production in the Single Family – Homes category has been very strong.

- **<u>Line 5:</u>** Production for the HECAT program is a little slow, 17% of year-end forecast when we are 25% through the year. With the approaching home-buying season, participation in homebuyer education may pick up. In addition, with the subsiding foreclosure crisis, the demand for foreclosure counseling is diminishing.

- **<u>Line 6</u>**: Funding of rental new construction has been extremely strong, with unit production exceeding the year-end forecast by 73%. This occurred largely because the Agency's funding per unit was much lower than expected with extensive use of 4% Housing Tax Credits. Because 4% credits are not budgeted in the AHP, they are an outside funding source and not counted in the Agency's funding per unit. A year ago, Agency funded projects received roughly $14 million in syndication proceeds from 4% tax credits. This year's projects will receive about $84 million – a $70 million increase. This increase was much larger than expected.

  In addition, a larger share of RFP and tax credit funds went to new construction than forecasted, and a smaller share went to rehabilitation. With very low rental vacancy rates around the state, this shift is appropriate.

  With the completion of the RFP and tax credit selections in October, additional funding will be limited.

- **<u>Line 7:</u>** Rent rehabilitation production is on track. As of December 31, 2014, we were at 41% of the year-end target. With the addition of roughly 2,500 public housing units that will be funded this month through the Publicly Owned Housing Program (POHP), we will reach 89% of the year-end target. The extensive use of 4% credits offset the smaller share of RFP and tax credits funds that went to rental rehabilitation (with more going to new construction).

  In future quarters, production will increase a little, as pipeline projects are funded.

- **<u>Line 8:</u>** Under Asset Management, unit production has been slower than expected. We have only reached 3% of the year-end goal. In the last year, we have reoriented this program to focus on shorter-term and immediate needs of the properties in our portfolio, and we are directing properties to the RFP process for longer-term and permanent needs. With the more targeted program focus, forecasting the amount and timing of program demand is more uncertain.

- **<u>Line 9:</u>** Overall, rental production is progressing as expected.

- **<u>Line 10:</u>** With respect to Agency financed rental assistance and operating subsidies, production is on track. The number of assisted households will increase over the course of the year as the Section 811 pilot (rent assistance for people with disabilities) ramps up and turnover occurs in the Agency's other rent assistance programs.

- **Line 11:** Section 8 contract administration is performing as expected. These project-based units will be supported throughout the year.

- **Line 12:** Overall, rent assistance and operating subsidy production (federal and state) is on track.

- **Line 13:** Assistance provided under FHPAP is performing as expected.

- **Line 14:** 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) home improvement program is 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 very close to 100%. In a given year, a couple rehabilitation projects have circumstances that make them exempt from the sustainable design criteria.

- **Line 15:** The Agency continues to meet its goal of serving communities of color or Hispanic ethnicity through homeownership. The Agency estimates that roughly 25% of renter households that are income eligible for Minnesota Housing first mortgages are of color or Hispanic ethnicity. The achievement of 33% indicates that the Agency has no disparities in its lending, which is a challenge in the current credit and regulatory environment.

- **Lines 16 and 17:** See the following Board report (item 8.B. - Financial Results for the Six Month Ending December 31, 2013) for more information.

- **Line 18:** The Agency is generally on schedule for distributing its resources, with 41% of the funds committed during the first quarter of 2015. The Agency should be above 25% at this point because the main RFP programs have already distributed their funds for the year. For pipeline programs that are below the 25% benchmark, staff will continue to closely monitor program activity; however seasonality (i.e. program activity varying by season) may be the issue and production will pick up on its own.

- **Lines 19-20:** The Agency's delinquency rate (4.78%) for single family first mortgages (whole loan and MBS) is higher than the market-wide benchmark for Minnesota (3.18%). The Agency's foreclosure rate is also higher than the benchmark.

- **Line 22-23**: The Agency is meeting its goal for minimizing the number and share of loans on its multifamily watch list.

AGENDA ITEM: 8.B.
MINNESOTA HOUSING BOARD MEETING
February 19, 2015

ITEM: Financial Results for the Six Months Ending December 31, 2014

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

Rob Tietz, 651-297-4009 Rob.Tietz@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:
At the board meeting of February 23, 2012, the board requested that staff provide the Agency's financial results every six months. This report presents the financial results for the first six months of FY2015.

FISCAL IMPACT:
None

MEETING AGENCY PRIORITIES:

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

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

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Report Highlights
- Report: Financial Results

<u>Operating Results</u>

- Revenue over expenses for the Sustainable Core is $8.4 million, a $6.3 million decrease compared to the same six-month period last fiscal year.

- Financing expense of $10.3 million increased $8.4 million compared to the same six-month period last fiscal year. The increase is due to an 8-fold increase in single family bond issuance. Financing expense is a new expense category that consists of cost of bond issuance, single family loan interest rate hedging cost, variable rate debt -related fees, and other financing expenses. These expenses were previously presented as a component of interest expense. The majority of financing expense is recovered in future fiscal years in the spread between loan interest income and bond interest expense.

<u>Balance sheet</u>

- Cash and investments increased $212 million since June 30, 2014 due to a net runoff of loans of $72 million and net bond issuance of $140 million.

Minnesota Housing Finance Agency
Analysis of Operating Results for the Sustainable Core and Pool 3
Six Months Ending December 31, 2014 and December 31, 2013
Unaudited
($ millions)

line number		Sustainable Core: General Reserve and Bond Funds, Excluding Pool 3				Pool 3	Total General Reserve and Bond Funds
	Revenues	**Six Months Ending Dec. 31, 2014**	**Six Months Ending Dec. 31, 2013**	**Change from Prior Year, Favorable (Unfavorable)**		**Six Months Ending Dec. 31, 2014**	**Six Months Ending Dec 31, 2014**
1	Interest earned on loans	$ 40.0	$ 44.9	$ (4.9)	NIM	$ (0.2)	$ 39.8
1a	Interest earned on loans- yield compliance extinguishment[1]	**2.3**	**-**	**2.3**		-	2.3
2	Interest earned on investments- program MBS	16.0	14.6	1.4	NIM	-	16.0
3	Interest earned on investments- other	4.0	2.5	1.5	NIM	0.3	4.3
4	Gain on sale of MBS held for sale and HOMES certificates	1.2	4.4	(3.2)		-	1.2
5	Administrative reimbursement	9.4	9.6	(0.2)		-	9.4
6	Fees earned and other income	5.8	5.4	0.4		0.1	5.9
7	Total revenue	78.7	81.4	(2.7)		0.2	78.9
	Expenses						
8	Interest	36.6	39.1	2.5	NIM	-	36.6
9	**Financing[2]**	**10.3**	**1.9**	**(8.4)**		-	10.3
10	Loan administration and trustee fees	2.4	2.7	0.3		-	2.4
11	Administrative reimbursement	8.2	8.5	0.3		0.6	8.8
12	Salaries and benefits	11.4	10.3	(1.1)		-	11.4
13	Other general operating	3.2	3.2	-		1.8	5.0
14	Reduction in carrying value of certain low-interest rate deferred loans	-	-	-		0.9	0.9
15	Provision for loan loss- single family loans	0.9	1.4	0.5		0.2	1.1
15a	Provision for loan loss- single family loans, RMIC receipt[3]	**(1.8)**	**-**	**1.8**		-	(1.8)
16	Provision for loan loss- multifamily loans	(0.9)	(0.4)	0.5		-	(0.9)
17	Total expenses	70.3	66.7	(3.6)		3.5	73.8
18	**Revenues over (under) expenses, eligible for transfer to Pool 3 at fiscal year end[4]**	**8.4**	**14.7**	**(6.3)**		NA	NA
19	Unrealized gains (losses) on securities	21.0	(17.6)	38.6		0.3	21.3
20	Realized gain/(loss) on inter-fund sale of investments	-	(2.8)	2.8		-	-
21	Revenues over (under) expenses per financial statements	29.4	(5.7)	35.1		(3.0)	26.4
22	Transfer between Pool 3 and Pool 2	-	-	-		-	-
23	Change in Net Position per financial statements	$ 29.4	$ (5.7)	$ 35.1		$ (3.0)	$ 26.4

Notes

This information is intended to provide management with information regarding the financial condition of the Agency. The presentation does not conform to generally accepted accounting principles and is unaudited.

1. Extraordinary item: The Rental Housing 2004C bond yield compliance liability of $2.3 million was extinguished on August 1, 2014 when those bonds were optionally redeemed. Because the liability was extinguished, interest earned on loans increased by the same amount.
2. New expense category: Financing expenses consists of cost of bond issuance , single family loan interest rate hedging cost, variable rate debt -related fees, and other financing expenses. These expenses were previously included in interest expense.
3. Extraordinary item: RMIC receipt - Private mortgage insurer Republic Mortgage Insurance Co. made a $1.8 million payment to the Agency in September, 2014 for insurance claims covering the period January, 2012 through June, 2014.
4. FY2015 year-to-date revenue over expense is unusually high by $5 million because of extraordinary revenue and negative expense described in note 1) and note 2) and because of negative provision multifamily loan loss expense on line 16.

Minnesota Housing Finance Agency
Balance Sheet for the Sustainable Core and Pool 3
As of December 31, 2014 and June 30, 2014
Unaudited
($ millions)

line number		Sustainable Core: General Reserve and Bond Funds, Excluding Pool 3			Pool 3	Total General Reserve and Bond Funds
	Assets	As of Dec. 31, 2014	As of June 30, 2014	Change from Prior Year, Increase (Decrease)	As of Dec. 31, 2014	As of Dec. 31, 2014
1	Loans receivable, net	$ 1,350.7	$ 1,422.6	$ (71.9)	$ 36.4	$ 1,387.1
2	Investments- program mortgage-backed securities, ex Unreal.	1,003.7	899.1	104.6	-	1,003.7
3	Cash, cash equivalents, and other investments, ex Unreal.	586.2	478.8	107.4	52.9	639.1
4	Real estate owned and FHA/VA insurance claims, net	10.8	12.6	(1.8)	-	10.8
5	Interest receivable and other assets	15.7	17.5	(1.8)	0.2	15.9
6	Total assets, excluding Unrealized Appr on Investments	$ 2,967.1	$ 2,830.6	$ 136.5	$ 89.5	$ 3,056.6
7	Unrealized Appr on Investments	49.1	27.7	21.4	1.2	50.3
8	Total Assets	$ 3,016.2	$ 2,858.3	$ 157.9	$ 90.7	$ 3,106.9
	Liabilities					
9	Bonds payable	$ 2,158.5	$ 2,018.9	$ 139.6	$ -	$ 2,158.5
10	Funds held for others	68.4	69.2	(0.8)	-	68.4
11	Accounts payable, interest payable, and other liabilities	55.1	67.9	(12.8)	(20.0) [1]	35.1
12	Total liabilities, excluding Interest Rate Swap Agreements	2,282.0	2,156.0	126.0	(20.0)	2,262.0
13	Interest rate swap agreements	15.3	21.5	(6.2)	-	15.3
14	Total Liabilities	2,297.3	2,177.5	119.8	(20.0)	2,277.3
15	Deferred inflow (outflow) of resources, net	(6.6)	(15.4)	8.8	-	(6.6)
	Net Position					
16	Restricted net assets	723.2	692.8	30.4	110.7	833.9
17	Invested in capital assets	2.3	3.4	(1.1)	-	2.3
18	Total net position	725.5	696.2	29.3	110.7	836.2
19	Total liabilities, deferred inflow/outflow, and net position	$ 3,016.2	$ 2,858.3	$ 157.9	$ 90.7	$ 3,106.9

Notes

This information is intended to provide management with information regarding the financial condition of the Agency. The presentation does not conform to generally accepted accounting principles and is unaudited.

1. This amount in Pool 3 represents the portion of the approved FY2014 transfer from Pool 2 that has not yet been paid.

AGENDA ITEM: 9.A.
MINNESOTA HOUSING BOARD MEETING
February 19, 2015

ITEM: Report of Action under Delegated Authority
- Multifamily Funding Modifications Annual Report

CONTACT: Kayla Schuchman, 651-296-3705
Kayla.Schuchman@state.mn.us

REQUEST:

☐ Approval ☐ Discussion ☑ Information

TYPE(S):

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

☑ Other: Funding Modifications

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
On May 23, 2013, the board approved several delegations of authority to the Commissioner. Delegations numbered 004, 005, and 006 delegate authority to the Commissioner to approve certain funding modifications for selected developments in deferred loan programs, the Low and Moderate Income Rental (LMIR) program, and Asset Management and Preservation programs.

The delegated authority to approve funding modifications results in greater efficiencies for staff and the Board, and promotes expedited loan closings. The attached report sets forth a list of those loans for which these delegated authorities were exercised during 2014.

FISCAL IMPACT:
None

MEETING AGENCY PRIORITIES:

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

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

☑ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):

- Background
- 2014 Increases and Decreases to Deferred and Amortizing Loan Commitments
- Summary of Modifications

BACKGROUND:
Under Board delegation policy staff has authority to make funding modifications to developments selected for deferred loan programs so long as such modifications are less than the greater of 15 percent of the amount committed or $100,000, up to a maximum of $300,000.

Similarly, Board delegation policy permits staff to make funding modifications to developments committed under the Low and Moderate Income Rental program if the mortgage did not increase by more than 15 percent over the originally committed mortgage amount.

Finally, staff has authority under Board delegation policy to make funding modifications of up to 15 percent of the committed amount for developments with Asset Management and Preservation loan commitments.

The attached summary of modifications provides a program level summary of the net impacts of the modifications processed by staff during 2014.

The following report provides the annual summary of authority used under the following delegations:

Topic	Brief Description of Authority Delegated	Delegation Number
LMIR Loan Funding Modifications	Commissioner may make certain loan funding modifications under the LMIR Program. (Supersedes Board Report dated September 26, 2002)	004
Deferred Loan Funding Modifications	Commissioner may authorize certain loan funding modifications under deferred loan programs. (Supersedes Board Report dated December 20, 2001)	005
Asset Management and Preservation Loan Funding Modifications	Commissioner may approve certain loan funding modifications under the asset management and preservation programs. (Supersedes Board Report dated July 22, 2004)	006

SUMMARY OF MODIFICATIONS

2014 total **increases** to deferred loan commitments:

Bridges RTC-DHS	$75,000
Economic Development & Housing Challenge (EDHC)	$349,859
HOME Affordable Rental Preservation (HARP)	$8,659,147
Housing Infrastructure Bonds (HIB)	$122,000
Preservation Affordable Rental Investment Fund (PARIF)	$115,000
Rental Rehabilitation Deferred Loan (RRDL)	$11,379
Total	**$9,332,385**

2014 total **decreases** to deferred and amortizing loan commitments:

Bridges RTC-DHS	$59,700
DHS Housing Trust Fund Operating Subsidy (DHS HTF)	$156,260
Economic Development & Housing Challenge (EDHC)	$280,865
Finance Adjustment Factor/Finance Adjustment (FAF/FA)	$555,824
Low and Moderate Income Rental Program Bridge Loan (LMIR)	$23,000,000
Low and Moderate Income Rental Program 1st Mortgage (LMIR)	$11,830,436
Preservation Affordable Rental Investment Fund (PARIF)	$1,553,330
Publically Owned Housing Program (POHP)	$124,936
Total	**$37,561,351**

2014 FUNDING MODIFICATION
(1/1/2014 TO 12/31/2014)

Dev ID # Project#	Development Name City	Original Funding	Original Funding Amount	Revised Funding	Revised Funding Amount	Increase or (Returned Funding)	Modification Date
D0998 M16731	**Hillside Terrace-Monticello** Monticello	FAF/FA	$254,142	FAF/FA	$0	($254,142)	11/19/2014
Recommended Funding Modification: The developer did not close the loan prior to the funding commitment expiration, and indicated that he is not willing to extend the affordability period and therefore will forfeit the funds.							
D1138 M16732	**Kimberly Meadow** Plymouth	FAF/FA	$301,682	FAF/FA	$0	($301,682)	11/19/2014
Recommended Funding Modification: The developer did not close the loan prior to the funding commitment expiration, and indicated that he is not willing to extend the affordability period and therefore will forfeit the funds.							
D2165 M16571	**The Groves (fka Parkside Apts)** Cottage Grove	LMIR 1st Mortgage	$1,540,000	LMIR 1st Mortgage	$0	($1,540,000)	2/20/2014
Recommended Funding Modification: US Bank CDC, who is purchasing the tax credits, was able to significantly improve their pricing with US Bank providing the first mortgage financing of The Groves Apartments given ease of execution. Because of this, Minnesota Housing first mortgage financing will not be needed for the Groves Apartments.							
D3120 M16396	**Nan Mckay High Rise Building** South Saint Paul	POHP	$454,000	POHP	$368,734	($85,266)	1/13/2014
Recommended Funding Modification: Bidding out the project reduced the need for all awarded funds, including the POHP funds.							
D3370 M16625	**Ebenezer Tower** Minneapolis	HOME HARP	$1,851,853	HOME HARP	$3,051,000	$1,199,147	3/6/2014
Recommended Funding Modification: Additional funds were needed as the general contractor identified additional items that needed repair or replacement, including elevators, electrical systems, an underground storage tank, and new in-unit air conditioning, along with increased relocation costs. Syndicator requirements for additional reserves and a developer operating guaranty also caused increased costs.							
D3475 M16656	**Maryland Park** Saint Paul	HOME HARP	$1,100,000	HOME HARP	$1,260,000	$160,000	5/27/2014
Recommended Funding Modification: The increase went primarily for replacement of all patio doors, as required by HOME regulations. In addition, labor requirements of the City Saint Paul caused cost increases according to the general contractor.							

2014 FUNDING MODIFICATION
(1/1/2014 TO 12/31/2014)

D3745 MRA16387	**St. Cloud HRA** Saint Cloud	Bridges RTC-DHS	$57,600	Bridges RTC-DHS	$35,000	($22,600)	7/2/2014
Recommended Funding Modification: Extend grant term and reduced amount as utilization of this pilot program has been slower than anticipated.							
D5171	**Kandiyohi County Pilot Project (Phase 2)** Willmar	EDHC	$400,000	EDHC	$126,290	($273,710)	various
Recommended Funding Modification:Initial Allocation was for $400,000. Only $ 355,000 was expended to the Grantee. Phase II of the Kandiyohi County Pilot Performance Project was for a Single Family acquisition, rehab and resale program model. The grantee returned $ 288,710 of unused grant dollars. Thus the final expenditure in total (vs the original award) was $ 126,290.							
D4265 MRA16388	**Owatonna HRA - Bridges RTC Pilot** Owatonna	Bridges RTC-DHS	$77,100	Bridges RTC-DHS	$40,000	($37,100)	7/2/2014
Recommended Funding Modification: Extend grant term and reduced amount as utilization of this pilot program has been slower than anticipated.							
D5886 MOS16224	**Lincoln Place** Eagan	DHS HTF Operating Subsidy	$50,000	DHS HTF Operating Subsidy	$0	($50,000)	6/11/2014
Recommended Funding Modification: Funds were recaptured when the grant expired.							
D6346 M16405	**Prior Manor** Prior Lake	POHP	$162,000	POHP	$133,777	($28,223)	7/29/2014
Recommended Funding Modification: Construction bids came in lower than anticipated, and therefore the construction contingency funds were not needed.							
D6396 MOS16152	**2600 17th Av So - Alliance** Minneapolis	DHS HTF Operating Subsidy	$106,260	DHS HTF Operating Subsidy	$0	($106,260)	6/11/2014
Recommended Funding Modification: The project was not built, and therefore there is no longer a need for Operating Subsidy funding.							
D7564 MRA16228	**Guild Incorporated Bridges RTC** Saint Paul	Bridges RTC-DHS	$172,000	Bridges RTC-DHS	$235,000	$63,000	7/2/2014
Recommended Funding Modification: Extend grant term and increased funds to serve households for the new grant term.							

2014 FUNDING MODIFICATION
(1/1/2014 TO 12/31/2014)

D7578 M16314	**Vesterheim Manor** Preston	PARIF	$467,012	PARIF	$413,682	($53,330)	10/31/2014

Recommended Funding Modification:
Project is complete with $53,330 of remaining funds. Existing and ongoing reserves from operations are sufficient to fund the capital needs in the future, so funds were recaptured.

D7586	**Minneapolis Portfolio Preservation**	LMIR 1st Mortgage	$8,708,436	LMIR 1st Mortgage	$0	($8,708,436)	6/10/2014
M16328	Minneapolis	LMIR Bridge Loan	$20,000,000	LMIR Bridge Loan	$0	($20,000,000)	6/10/2014
		HOME	$0	HOME Affordable Rental Pres	$7,300,000	$7,300,000	8/1/2014
		PARIF	$1,500,000	PARIF	$0	($1,500,000)	12/30/2014

Recommended Funding Modification:The LMIR 1st mortgage and bridge loan were no longer needed due to the developer instead utilizing a HUD 221(d)(4) first mortgage and bridge financing from a private lender. The increased HOME funds were necessary due to the loss of the historic tax credit resource, the decision not to raise rents in order to continue serving very low income residents, and to replace the PARIF funds so that the project received funds from only one source. PARIF funds were initially kept committed to the project to mitigate the potential for closing delays due to unforeseen events, however it was determined in December 2014 that these funds were no longer needed.

D7602 M16845	**CommonBond VA Housing Saint Cloud** Saint Cloud	LMIR Bridge Loan	$3,000,000	LMIR Bridge Loan	$0	($3,000,000)	8/28/2014

Recommended Funding Modification:
This development is no longer pursuing tax exempt bonds, removing the need for a LMIR bridge loan.

D7604 M16369	**West Broadway Crescent** Minneapolis	Hsg Infrastructure Bonds EDHC	$2,325,000	Hsg Infrastructure Bonds EDHC	$2,447,000	$122,000	9/4/2014

Recommended Funding Modification:
The West Broadway Curve project requested additional funds due to increases related to unexpected winter conditions and soil remediation costs.

D7605	**Lower Sioux Estates**	EDHC	$982,620	EDHC	$1,032,620	$50,000	7/2/2014
M16293	Morton	EDHC	$1,032,620	EDHC	$1,047,120	$14,500	7/30/2014

Recommended Funding Modification:
Original construction bids came in significantly higher than the budget. The project was redesigned to save money, the Tribe contributed additional funds, and the Agency funded the remaining costs.

D7606 M16372	**CIP Scattered Site 2012** Multiple Cities	PARIF	$200,000	PARIF	$315,000	$115,000	5/28/2014

Recommended Funding Modification:
Due to an enhanced scope of work and revised cost estimates based upon actual bids, additional funds are required to ensure that the renovations are completed properly and in one phase.

D7618	**Maple Grove Apartments - B Building**	POHP	$192,000	POHP	$180,553	($11,447)	1/13/2014

2014 FUNDING MODIFICATION
(1/1/2014 TO 12/31/2014)

M16397	Wabasha				
Recommended Funding Modification: Work scope changes and bid reduction allowed for cost savings to the development.					
D7649 M16590	**Tamarack Place** Roseau	LMIR 1st Mortgage $1,582,000	LMIR 1st Mortgage $0	($1,582,000)	6/10/2014
Recommended Funding Modification: First mortgage financing was provided by a local lender at a lower interest rate, and so the LMIR first mortgage was no longer needed.					
D7664 D16621	**Clare Terrace** Robbinsdale	EDHC $854,700	EDHC $1,140,059	$285,359	10/7/2014
Recommended Funding Modification: The funding modification is due to an 11% increase in construction costs.					
D7666 M16629	**Lakeshore Townhomes** Eagan	EDHC $502,155	EDHC $495,000	($7,155)	6/16/2014
Recommended Funding Modification: Final amount needed is less than amount selected.					
D7680 MRA16666	**SW MN Adult Mental Health Consortium** Willmar	Bridges RTC-DHS $43,700	Bridges RTC-DHS $55,700	$12,000	7/2/2014
Recommended Funding Modification: Extend grant term and increased funds to serve households for the new grant term.					
D7682 M16669	**Meadow Ridge Apartments** Montgomery	RRDL $288,621	RRDL $300,000	$11,379	5/15/2014
Recommended Funding Modification: The owner requested additional funds to demolish one of the existing shower stalls and concrete flooring, to allow for proper drainage.					

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AGENDA ITEM: 9.B
MINNESOTA HOUSING BOARD MEETING
February 19, 2015

ITEM: Post-Sale Report, Homeownership Finance Bonds, 2015 Series A

CONTACT: Rob Tietz, 651-297-4009
rob.tietz@state.mn.us

Bill Kapphahn, 651-215-5972
william.kapphahn@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 Agency sold $60,013,152 of Homeownership Finance Bonds, 2015 Series A (Non-AMT) on January 12, 2015 which settled on January 26, 2015. Pursuant to the Debt Management Policy, the attached post-sale report is provided by the Agency's financial advisor, CSG Advisors. This is an information item and does not require 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):
- Post-Sale Report

Via Email Delivery

MEMORANDUM

Date: **January 27, 2015**

To: **Minnesota Housing Finance Agency**

From: **Gene Slater, Tim Rittenhouse**

Re: **Post-Sale Report**
$ 60,013,152 Homeownership Finance Bonds (HFB)
2015 Series A (Non-AMT)

BOND CRITERIA

The 2015 Series A Housing Finance Bonds were issued under last fall's Board authorization for additional single-family monthly pass-through bonds. There are four key criteria for issuing these bonds.

1. ***Avoid major interest rate risk*** by continuing to hedge pipeline production until loans are either sold or permanently financed by bond issues.

2. ***Maintain high ratings on all Minnesota Housing's single-family bonds***, with Series A rated Aaa.

3. ***Provide at least a comparable expected level of return to selling MBS,*** as measured at a reasonable assumed prepayment speed.

4. ***Enhance long-term financial sustainability*** through a mix of bond financing and sales of MBS to provide more balanced and financially sustainable results for Minnesota Housing**.**

KEY RESULTS FOR MINNESOTA HOUSING

Key Measurable Objectives. Minnesota Housing's objectives were to:

1. Achieve full spread while saving existing zero participations to finance future production.

2. Obtain a present value return for Minnesota Housing at least similar to selling MBS in the secondary market, assuming a reasonable prepayment speed.

Accomplishments. The results were successful:

- ***Full Spread.*** Minnesota Housing obtained an approximate full spread on the transaction of 1.117%, very close to the maximum IRS limit of 1.125%.

- ***Attractive Bond Yield.*** Bond yield was 2.8% versus a yield of approximately 3.15% on a traditionally structured tax-exempt issue. This differential has been narrowing recently but pass-through bonds still provide better execution.

- ***Increased Size to Finance More Production.*** With significant over-demand for the issue, Minnesota Housing increased the size by 50% from $40 mill. to $60 mill. to finance additional production.

- ***Return to Minnesota Housing.*** The relative benefits to Minnesota Housing from issuing the bonds depend on how long the mortgages remain outstanding, on average. For bond issues since 2010, the breakeven prepayment speed has averaged about 130% of the PSA prepayment standard.

    - The net present value after all hedging costs is projected to be approximately 2.9% of the issue size at 100% prepayment speed, 1.4% at 160% prepayment speed and 0.6% at 200% prepayment speed.

    - In addition, Minnesota Housing also nets approximately 1% from servicing release premiums from U.S. Bank that are retained by Pool 2 (whether it issues bonds or sells the MBS). The total net present value at 150% prepayment speed is thus about 2 points.

    - The breakeven speed on 2015A compared to an MBS sale was approximately 160%, compared to 165% on 2014 Series D, 130% on Series B/C and 144% on Series A.

- ***Hedging.*** The loan production pipeline remained fully hedged until bonds were sold. Inclusion of the hedge economics into the bond yield calculation permits Minnesota Housing to earn the maximum allowable spread, while minimizing interest rate risk.

- ***Continuing to Build Investor Demand.*** With investor orders of $120 million for Series A, the underwriters are continuing to re-establish the market and liquidity for future tax-exempt pass-through bond issues. Orders represented about three times the amount of bonds initially offered and twice the final issue size.

Implications. All of Minnesota Housing's pass-throughs since June 2014 demonstrate the renewed viability of this approach for financing production on-balance sheet. The Agency and RBC as senior manager have approached these transactions cautiously, responding to levels at which investors have offered to buy about $35 to $40 million in bonds and then upsizing if there is sufficient demand from investors. Now that investor demand has been re-confirmed, it may be desirable – while still starting with modest size issues – to set the initial offering yields somewhat more aggressively. Minnesota Housing has been the national leader in pass-through bonds and thus helps set the market, so it may be desirable to see if even greater savings can be achieved.

More broadly, Minnesota Housing remains the national leader in finding ways to both fully hedge its pipeline while financing more than two-thirds of that pipeline on the Agency's balance sheet.

TIMING AND STRUCTURE

Timing. The issue was priced on Monday, January 12th, with a quick closing on January 26th.

Sizing. The sizing was based on specific hedged MBS in Minnesota Housing's pipeline. The increased issuance allowed the Agency to reduce the amount of MBS that otherwise would have, at least temporarily, been purchased and remained in Pool 2.

Major Design Decisions. Key decisions by Minnesota Housing were to:

- Continue to include a 10-year par call at Minnesota Housing's option so that the Agency can potentially take advantage of interest rates in the future to either refund the bonds or sell the MBS and pay off the bonds.

- Include both Fannie Mae and Ginnie Mae MBS in the issue, with no percentage limit, which is important as the Fannie Mae share of production has increased partly due to higher FHA insurance premiums to borrowers. Series A financed approximately 2/3 Fannie Mae's and 1/3 Ginnie Mae's.

- Schedule the closing for on or before January 26th to allow losses on hedges that terminated on January 12th to be included (since only hedges which terminate not more than 14 days before closing can be included).

Rating. Bonds under the HFB indenture are rated Aaa by Moody's.

Hedging. Minnesota Housing has remained fully hedged on its pipeline until the bonds are sold or MBS are delivered to mortgage buyers. This protects the Agency from risk if interest rates rise between the time the loans are committed and they are packaged into MBS (for either bond or TBA sale). What this has also meant is with the unexpected but continuing drop in interest rates over the last 6 months, the benefits from selling bonds at a lower yield are offset by higher costs to terminate the hedges that have protected the Agency -- making the Agency largely indifferent to the change in rates.

BOND SALE RESULTS. Key highlights are:

1. ***Investor Interest for Tax-Exempt Series.*** There was good institutional interest, with $128 million of orders.

2. ***Timing.*** For each of the last several years, virtually all economists have predicted that rates would rise, especially as the Fed began reducing their purchases of Treasury bonds and mortgage securities. The start of this year, however, has continued the same overall downward trend of the last few years, largely because of weakness in the global economy, especially in the Eurozone, plunging oil prices, and the continuing weakness in U.S. hourly wages. The 10-year Treasury has dropped in yield from 3% at the start of 2014 to the mid- to low-2's during much of 2014. Since December 24th, the 10-year yield has plummeted from 2.27% to 1.77% as of close of business on the date of the sale – *a reduction of 50 basis points in three weeks*.

   Although both the 10-year Treasury and the 10-year MMD have dropped significantly in yield since the Agency's last pass-through transaction in October, there has been very little change in GNMA and Fannie Mae yields (and therefore mortgage rates). These had only declined about 7 basis points since Minnesota Housing's last pass-through in October (HFB Series 2015 C). Yields on GNMAs and Fannie Maes are the benchmarks to which pass-through buyers compared Minnesota's issue.

2. ***Successful Sale:*** The sale proved favorable with the bond yield on Series A in generally a similar relationship to GNMA yields as on the Agency's other recent pass-throughs.

Comparison to GNMA Yields: Investors are comparing the pass-through issues to current coupon GNMAs. Minnesota's transactions have generally been about 20 basis points lower. Compared to GNMAs, Minnesota bonds provide much less liquidity in the global markets but do offer tax-exemption.

	2014 Series A Tax-Exempt	**2014 Series B Tax-Exempt Series**	**2014 Series C Tax-Exempt**	**2015 Series A Tax-Exempt**
	June 2014	August 2014	October 2014	January 2015
Minnesota Housing bond yield	**3.0%**	**2.95%**	**2.875%**	**2.80%**
Yield on GNMA 4.0 current coupon, at 150% prepayment speed	3.18%	3.16%	3.12%	3.05%
Minnesota Housing compared to GNMA yield	**18 basis points lower**	**21 basis points lower**	**24.5 basis points lower**	**25 basis points lower**

Comparable Single-Family Pass-Through Bond Transactions: Other than Minnesota's own prior pass-through issues, there have been very few single-family pass-through bond issues sold this year. The only other tax-exempt new money transactions in the last six months have been very small sales by Escambia County, Florida and Pinellas County, Florida -- both of which Minnesota outperformed. Other state HFAs have used taxable pass-through bonds for refundings, with much shorter average lives.

All in all, Series A achieved a very good result.

UNDERWRITING

Underwriters. RBC was the senior manager; regular co-managers were Piper Jaffray and Wells Fargo. Since monthly pass-through bonds are sold only to institutional investors, there was no selling group or rotating co-manager.

Underwriter Fees. Management fees were appropriate, consistent with industry standards and in the same range as fees reported for other housing issues of similar size and structure.

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ISSUE DETAILS

Key Dates: 2015A Bond Pricing under HFB Indenture
Institutional Order Period: Monday, January 12, 2015
Closing Date: Monday, January 26, 2015

Economic Calendar. Economic signals had been moderately positive with unemployment dipping to 5.6% and payrolls increasing by 300,000 in December. Market watchers had thus been anticipating the Fed would begin to tighten rates between April and July. In the week prior to the sale, however, hourly earnings dropped from 0.2% to -0.2% (and the prior figure was revised from 0.4% to 0.2%). The increase for the past year is only 1.7% in hourly wages. Many investors reacted by assuming that any rise in Fed rates will now be even further delayed, perhaps into 2016.

Treasuries. For each of the last several years, virtually all economists have predicted that rates would rise, especially as the Fed began reducing securities purchases. The start of this year, however, has continued the same overall downward trend of the last few years, largely because of weakness in the global economy, especially in the Eurozone. The 10-year Treasury has dropped in yield from 3% at the start of 2014 to the mid to low 2's during much of 2014. Since December 24th, the 10 year yield has plummeted from 2.27% to 1.92%. This is a level not seen since May 2013 before the Federal Reserve first indicated it might begin tapering its quantitative easing program.

Municipals. Munis have rallied but not as much as treasuries. What is striking is that, even at such low absolute yields, the market has been especially strong with continued buyer appetite, a large amount of redemptions, and limited new supply to meet the demand. Overall factors include:

- Volume of new issuance continues at record low levels. Visible supply is currently $6 billion.

- Despite the absolute low level of rates, there has been ongoing and renewed retail and institutional interest.

- Credit spreads have continued to remain relatively wide, especially compared to the low absolute level of rates, with 45 basis points between AAA and A levels for both 10 and 30 year MMD

Issue	Date	10-Year Treasury	10-Year MMD	MMD/ Treasury Ratio	30-Year Treasury	30-Year MMD	MMD/ Treasury Ratio
2013 B HFB	4/8/13	1.76%	1.72%	97.7%	2.91%	2.94%	101.0%
2013 RHFB A/B/C	5/14/13	1.96%	1.81%	92.3%	3.17%	2.93%	92.4%
2013 C HFB	6/17/13	2.19%	2.23%	101.8%	3.35%	3.50%	104.4%
2014 RHFB A	2/11/14	2.75%	2.52%	91.6%	3.69%	3.87%	104.9%
2014 RHFB B	4/16/14	2.65%	2.30%	86.8%	3.45%	3.51%	101.7%
2014 A HFB	6/10/14	2.64%	2.33%	88.3%	3.47%	3.36%	98.0%
2014 B / C HFB	8/7/14	2.46%	2.16%	87.0%	3.27%	3.21%	98.2%
2014 D HFB	10/10/14	2.31%	2.01%	87.0%	3.03%	2.92%	96.3%
2014 RHFB CDE	12/3/15	2.28%	2.08%	91.2%	3.00%	2.99%	99.7%
2015 A	1/12/15	**1.92%**	**1.84%**	**95.8%**	**2.49%**	**2.63%**	**105.6%**
Change from *2014 RHFB CDE*		**-36 bp**	**-24 bp**	**+ 4.8%**	**-51 bp**	**-36 bp**	**+3.4%**

Municipal Calendar. The Minnesota competitive sale calendar for the week included three school district GO's on Monday led by Buffalo Hanover for $32.4 million and Farmington for $22.2 million.

The most recent single-family issue was a traditionally structured Wyoming issue of $77.1 million (including $12.8 million AMT and $64.3 million non-AMT). The final non-AMT term bond maturity in 2037 had 3.70% coupon, and the non-AMT PAC with a 4.9-year average life and a 3.00% coupon was priced to yield 2%.

The last pass-through issues were a Missouri taxable refunding on Nov. 18th and Minnesota's 2014 Series D tax-exempt issue on October 14th.

Later in the week Colorado and New Hampshire both priced large taxable refundings that were traditionally structured.

MBS Yields. MBS yields are very relevant because investors can choose between purchasing MBS directly or purchasing Minnesota Housing's bonds backed by MBS. In effect, bond purchasers look as much to the spread between Minnesota Housing's bonds and MBS as they do to the spread between Minnesota Housing bonds and treasuries.

As can be seen, MBS yields have dropped only very slightly (GNMAs by 7 basis points and FNMAs by 11 basis points since the last pass-through issue in October compared to 39 basis point drop in 10 Treasury yields over the same period). GNMAs are trading at a much wider spread to both the 10-year Treasury and the 10-year MMD Index than they were during Minnesota Housing's prior sales. Yields on Fannies have hardly moved at all. The yields have been computed at the 150% prepayment speed that is assumed for breakeven in the use of bonds compared to outright sales of the MBS.

Type	Delivery	Coupon	Measure	Feb. 11, 2014	April 16, 2014	June 10, 2014	August 12, 2014	Oct. 10, 2014	Jan. 12, 2015
GNMA	Current	4.0	Price	105.98	105.80	106.23	106.38	106.70	107.27
			Yield*	3.22%	3.24%	**3.18%**	**3.16%**	**3.12%**	**3.05%**
FNMA	Current	4.5	Price	107.44	107.06	107.72	107.73	108.33	108.38
			Yield*	3.50%	3.55%	**3.47%**	**3.46%**	**3.39%**	**3.38%**
10-year Treasury	n/a	n/a	Yield	2.75%	2.65%	2.64%	2.46%	2.31%	1.92%
GNMA to 10 year Treasury	n/a	n/a	Yield*	117.09%	122.26%	**120.45%**	**128.58%**	**135.06%**	**158.61%**
GNMA to 10 year MMD	n/a	n/a	Yield*	127.78%	140.87%	**136.48%**	**146.44%**	**155.19%**	**165.50%**

*at 150% PSA

PASS-THROUGH BOND PRICING COMPARABLES

Pricing Date	1/12/15		11/19/14		10/14/14		9/16/14	
Amount	$60,013,152		$40,578,855		$39,934,464		$45,176,941	
Issuer	Minnesota HFA		Missouri HDC		Minnesota HFA		Massachusetts HFA	
Series	2015 Series A		2014 Series C		2014 Series D		2014 Series B	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Multifamily / Negotiated	
Rating(s)	Aaa / - / -		- / AA+ / -		Aaa / - / -		Aaa / AA+ / -	
Tax Status	Tax Exempt, Non-AMT		Taxable		Tax Exempt, Non-AMT		Taxable	
Use of Funds	New Money		Refunding		New Money		New Money	
Maturity	2045		2036		2044		2045	
Price	100.000		100.000		100.000		100.000	
Coupon/Yield	2.800		2.970		2.875		4.500	
Indicator	Indicative Yield 1/12/15	Spread	Indicative Yield 11/19/14	Spread	Indicative Yield 10/10/14	Spread	Indicative Yield 9/16/14	Spread
5-Year US Treasury	1.390	+141	1.660	+131	1.550	+133	1.780	+272
10-Year US Treasury	1.920	+88	2.360	+61	2.310	+57	2.600	+190
GNMA I @ 100% PSA	2.647	+15	2.827	+14	2.782	+9	2.996	+150
GNMA I @ Dlr Forecast	2.516	+28	2.760	+21	2.699	+18	2.989	+151
10-Year MMD	1.840	+96	2.180	+79	1.990	+89	2.250	+225
MBS PREPAY HISTORY (%PSA)								
Past 3 months	-		109%		-		-	
Past 6 months	-		161%		-		-	
Past 12 months	-		187%		-		-	
Since issuance	-		256%		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)								
At 100% PSA	10.7		7.9		10.8		20.6 at 5% CPR	
At 150% PSA	8.7		6.6		8.7		17.8 at 10% CPR	
At 200% PSA	7.2		5.6		7.3		16.3 at 15% CPR	
At 300% PSA	5.4		4.2		5.5		15.3 at 20% CPR	
WEIGHTED AVERAGE MORTGAGE RATE	4.47%		6.02%		-		-	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	3.85%		5.52%		3.81%		-	
Notes								
Sr Manager	RBC Capital Markets		Stifel, Nicolaus		RBC Capital Markets		Barclays	

PASS-THROUGH BOND PRICING COMPARABLES

Pricing Date	9/10/14		8/19/14		8/12/14		6/19/14	
Amount	A1: $12,300,000; A2: $5,990,307		$4,335,000		B: $18,868,172; C: $13,663,159		$34,561,047	
Issuer	Pinellas Co., Florida HFA		Escambia Co., Florida HFA		Minnesota HFA		New York City HDC	
Series	2014 Series A1,A2		Series 2014B		2014 Series B,C		2014 Series A	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Multifamily / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -		Aaa / - / -		Aa2 / AA / -	
Tax Status	A1: TE Non-AMT; A2: Taxable		Tax Exempt, Non-AMT		B: TE Non-AMT; C: Taxable		Taxable	
Use of Funds	A1: New Money; A2: Refunding		New Money		New Money		Refunding	
Maturity	A1: 2044; A2: 2036		2044		2044		2036	
Price	A1: 102; A2: 100		100.000		100.000		100.000	
Coupon/Yield	A1: 3.18%; A2: 2.9%		3.125		B: 2.950; C: 3.250		3.050	
Indicator	Indicative Yield 9/10/14	Spread	Indicative Yield 8/19/14	Spread	Indicative Yield 8/12/14	Spread	Indicative Yield 6/19/14	Spread
5-Year US Treasury	1.790	+139/+111	1.590	+154	1.630	+132/+162	1.710	+134
10-Year US Treasury	2.540	+64/+36	2.400	+73	2.460	+49/+79	2.640	+41
GNMA I @ 100% PSA	2.978	+20/-8	2.906	+22	2.945	+0/+30	3.032	+2
GNMA I @ Dlr Forecast	2.963	+22/-6	2.866	+26	2.918	+3/+33	3.036	+1
10-Year MMD	2.230	+95/+67	2.120	+101	2.160	+79/+109	2.320	+73
MBS PREPAY HISTORY (%PSA)								
Past 3 months	9%		-		-		-	
Past 6 months	22%		-		-		-	
Past 12 months	178%		-		-		-	
Since issuance	247%		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)								
At 100% PSA	10.4 / 7.2		10.7		10.7		9.3 at 5% CPR	
At 150% PSA	8.4 / 6.1		8.7		8.7		7.4 at 10% CPR	
At 200% PSA	7.0 / 5.2		7.2		7.3		6.1 at 15% CPR	
At 300% PSA	5.2 / 4.0		5.4		5.4		5.3 at 20% CPR	
WEIGHTED AVERAGE MORTGAGE RATE	5.98%		4.25%		-		-	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	5.48%		4.00%		3.86%		-	
Notes	A1 is 3.40% coupon at 102.00 price to yield 3.18% assuming 100% PSA							
Sr Manager	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		Barclays	

PASS-THROUGH BOND PRICING COMPARABLES

Pricing Date	6/12/14	6/11/14	6/10/14	5/16/14
Amount	$12,646,801	$28,666,756	$38,526,925	$42,615,830
Issuer	New Mexico MFA	Indiana HCD	Minnesota HFA	District of Columbia HFA
Series	2014 Series B	2014 Series 1	2014 Series A	2014 Series A
Program	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Multifamily / Negotiated
Rating(s)	- / AA+ / -	- / - / AAA	Aaa / - / -	Aaa / AA+ / -
Tax Status	Taxable	Taxable	Tax Exempt, Non-AMT	Taxable
Use of Funds	Refunding	Refunding	New Money	Refunding
Maturity	2035	2038	2044	2045
Price	100.000	104.250	100.000	100.000
Coupon/Yield	2.750	3.090	3.000	3.875

Indicator	Indicative Yield 6/12/14	Spread	Indicative Yield 6/11/14	Spread	Indicative Yield 6/10/14	Spread	Indicative Yield 5/16/14	Spread
5-Year US Treasury	1.660	+109	1.700	+139	1.710	+129	1.560	+232
10-Year US Treasury	2.580	+17	2.650	+44	2.640	+36	2.520	+136
GNMA I @ 100% PSA	2.998	-25	3.039	+5	3.043	-4	2.989	+89
GNMA I @ Dlr Forecast	2.991	-24	3.047	+4	3.052	-5	2.979	+90
10-Year MMD	2.330	+42	2.330	+76	2.330	+67	2.160	+172
MBS PREPAY HISTORY (%PSA)								
Past 3 months	142%		-		-		-	
Past 6 months	181%		-		-		-	
Past 12 months	238%		-		-		-	
Since issuance	307%		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)								
At 100% PSA	7.9		-		10.8		10.5 at 5% CPR	
At 150% PSA	6.6		-		8.8		6.9 at 10% CPR	
At 200% PSA	5.6		-		7.3		5.0 at 15% CPR	
At 300% PSA	4.2		-		5.5		3.8 at 20% CPR	
WEIGHTED AVERAGE MORTGAGE RATE	6.08%		-		-		-	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	5.58%		-		3.98%		-	
Notes			4.05% coupon at 104.25 price to yield 3.09% assuming historic prepayment speed					
Sr Manager	RBC Capital Markets		JP Morgan		RBC Capital Markets		Barclays	

PASS-THROUGH BOND PRICING COMPARABLES

Pricing Date	4/23/14		4/15/14		4/2/14		2/4/14	
Amount	$21,070,000		$23,741,983		$67,824,608		$20,000,000	
Issuer	Florida HFC		Missouri HDC		Massachusetts HFA		Utah HC	
Series	2014 Series A		2014 Series 1		2014 Series A		2014 Series A	
Program	Single Family / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		- / AA+ / -		Aaa / AA+ / -		Aa3 / - / -	
Tax Status	Taxable		Taxable		Taxable		Taxable	
Use of Funds	Refunding		Refunding		Refunding		New Money	
Maturity	2036		2040		2046		2044	
Price	100.000		100.000		100.000		100.000	
Coupon/Yield	3.000		4.200		4.375		2.900	
Indicator	Indicative Yield 4/23/14	Spread	Indicative Yield 4/15/14	Spread	Indicative Yield 4/2/14	Spread	Indicative Yield 2/4/14	Spread
5-Year US Treasury	1.730	+127	1.630	+257	1.800	+258	1.460	+144
10-Year US Treasury	2.700	+30	2.640	+156	2.820	+156	2.640	+26
GNMA I @ 100% PSA	3.162	-16	3.120	+108	3.306	+107	3.118	-22
GNMA I @ Dlr Forecast	3.212	-21	3.156	+104	3.408	+97	3.153	-25
10-Year MMD	2.280	+72	2.300	+190	2.540	+184	2.520	+38
MBS PREPAY HISTORY (%PSA)								
Past 3 months	119%		-		-		-	
Past 6 months	163%		-		-		-	
Past 12 months	139%		-		-		-	
Since issuance	167%		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)								
At 100% PSA	6.2		-		14.9 at 5% CPR		10.1	
At 150% PSA	5.4		-		12.0 at 10% CPR		8.4	
At 200% PSA	4.7		-		10.2 at 15% CPR		7.2	
At 300% PSA	3.6		-		9.1 at 20% CPR		5.7	
WEIGHTED AVERAGE MORTGAGE RATE	5.55%		-		-		-	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	5.02%		-		-		-	
Notes								
Sr Manager	RBC Capital Markets		George K. Baum		Barclays		Zions Bank	