Minnesota Housing Finance Agency

REVISED

Revisions appear in the minutes and on pages 29 and 36.

MEETINGS SCHEDULED FOR APRIL

Location:

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

THURSDAY, APRIL 23, 2015

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

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, April 23, 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.

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, April 23, 2015
1:00 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 March 26, 2015
5. **Reports**
   A. Chair
   B. Commissioner
   C. Committee
   None.
6. **Consent Agenda**
   A. Commitment, Low and Moderate Income Rental (LMIR) Program
      - Pine Ridge Apartments, Grand Rapids, D0597
7. **Action Items**
   A. Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Homeownership Finance Bonds
   B. Affordable Housing Plan Amendments, Down Payment Assistance Programs
   C. Homeownership Program Changes and Manual Updates
   D. Targeted Mortgage Opportunity Program Procedural Manual Changes
   E. Selections, Section 811 Demonstration Program Rental Assistance
   F. Housing Tax Credit (HTC) Program - 2015 Round 2 Selections and Waiting List
   G. Qualified Allocation Plan (QAP) and Procedural Manual, 2017 Housing Tax Credit (HTC) Program
8. **Discussion Items**
   None.
9. **Informational Items**
   A. Report of Complaints Received by Agency or Chief Risk Officer
   B. Post-Sale Report, Homeownership Finance Bonds, 2015 Series B
   C. Post Sale Report, State Appropriation Bonds (Housing Infrastructure) 2015 Series A and B
10. **Other Business**
    None.
11. **Adjournment**

REVISED MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING
Thursday, March 26, 2015
1:00 p.m.
State Street Conference Room – 1st Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
Chair DeCramer called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:02 p.m.
2. **Roll Call.**
Members present: John DeCramer, George Garnett, Joe Johnson, Stephanie Klinzing, and Rebecca Otto. Absent: Gloria Bostrom and Ken Johnson.
Minnesota Housing staff present: Tal Anderson, Ryan Baumtrog, Paula Beck, Nick Boettcher, Jim Cegla, Chuck Commerford, Jessica Deegan, Ray Erden, Kay Finke, Bill Kapphahn, Tony Peleska, Luis Pereira, Caryn Polity, Paula Rindels, Megan Ryan, Nancy Slattsveen, Barb Sporlein, Kim Stuart, Will Thompson, Rob Tietz, Summer Watson, Nouchie Xiong, Xia Yang.
Others present: Cory Hoeppner, RBC Capital Markets; Chip Halbach, Minnesota Housing Partnership; Paul Rebholz, Wells Fargo; Tom O'Hern, Assistant Attorney General; Celeste Grant, Office of the State Auditor.
3. **Agenda Review**
Chair DeCramer announced that two numbers on the cover page for agenda item 6.A., The HUD 2015 Annual Action Plan for HOME and HOPWA were transposed. Chair DeCramer stated that the information in the Fiscal Impact section of the report should state that the HOPWA allocation increased from $147,997 to $149,579.
4. **Approval of the Minutes.**
A. Regular Meeting of Thursday, February 19, 2015
Auditor Otto moved approval of the minutes as written. Mr. Joe Johnson seconded the motion. Motion carries 5-0.
5. **Reports**
A. Chair
None.
B. Commissioner
Commissioner Tingerthal shared that the Governor's supplemental budget included a one-time appropriation of $10 million to fund the Housing and Job Growth initiative and $2 million to fund the Highly Mobile Families initiative. Commissioner Tingerthal added that the budget is subject to debate and the various positions are fairly far apart at this time. Tingerthal stated it would be a long two months of negotiations, but it is nice to get the level of support from the Governor shown in the supplemental budget.

Commissioner Tingerthal added that the Governor's office made the Agency aware that they received a visit from the Heading Home Minnesota group, which is largely a philanthropic group that supports various initiatives related to homelessness. The group met with the Governor to advocate for a variety of programs and, notably, asked for support of the Highly Mobile Families initiative. Theirs is a new voice on behalf of housing issues and the Governor's office shared that they appreciated the visit.

Commissioner Tingerthal also called the board's attention to an editorial regarding workforce housing that appeared in the March 23 Star Tribune. Tingerthal stated that there has been a fair amount of discussion at the legislature regarding the need for workforce housing in Greater Minnesota and proposals have been made to fund projects through an initiative at DEED. There is also a proposal to create an office of workforce housing at DEED, which would be separate from Minnesota Housing. Some of the bills prohibit combining the resources of that office with affordable housing resources in the same project. The Agency has been active in its testimony that the Challenge Fund, which was established in 1999, is designed to provide funding for workforce housing and presents a good alternative for accomplishing these goals. The Governor's supplemental budget shows that he agrees there is a shortage and that it should be addressed through the use of Challenge. The editorial essentially supports that approach. Commissioner Tingerthal took an opportunity to correct or clarify some statements in the editorial. The editorial states that the Agency intends to decouple its funds from federal tax credits, however, the information shared with the Star Tribune was that the Agency understands there is concern that scoring criteria gives the appearance that tax credits must be used to be competitive in seeking Housing and Job Growth Initiative funds and staff would review the criteria to ensure workforce housing that does not use tax credits is not unfairly disadvantaged. Commissioner Tingerthal stated that she was disappointed that the editorial painted a picture that the Agency is being non-responsive to the need for workforce housing and that she believes the Agency has an excellent track record of funding these projects. In response to a question from Mr. Joe Johnson, Commissioner Tingerthal stated that the Agency would not be responding to the editorial.

Commissioner Tingerthal next shared Single Family production information, stating the Agency may top $70 million in March, which is unprecedented. Commissioner Tingerthal added that the high production may require special meeting to approve a pass through bond resolution to ensure production can continue.

Commissioner Tingerthal informed the board that one item on the meeting's agenda, a proposal for amendments to the Affordable Housing Plan, would move dollars to various down payment assistance programs. Tingerthal noted that the Agency does have a contingency fund in the Affordable Housing Plan to address these types of needs and the request is coming because of the high production and high need for entry cost assistance.

Next, Commissioner Tingerthal provided a preview of the April meeting, stating it would be a long meeting. There will be a request for final action on the Qualified Allocation Plan (QAP), which the board saw in draft form in February. Commissioner Tingerthal stated that the Agency has received about 20 public comments on the QAP. Staff is in the process of analyzing the comments and determining if there are any changes to be recommended. The comments will be summarized and the board will receive that summary along with the request for approval of the QAP in April.

Tingerthal stated that the Agency has a statutory duty to determine how 9% Low Income Housing Tax Credits are allocated among the state's seven suballocators. Staff felt that various demographic data within the state had changed enough to warrant an update of the data used in that allocation formula, which had not been updated since 1991. Staff reviewed a variety of scenarios and released a draft for public comment. Staff will also meet with the suballocators and the Met Council for consulting and plans to bring a recommendation to the April meeting. Commissioner Tingerthal shared that the suballcoators are very concerned about the update, particularly because of some decreases in percentages for Minneapolis and Saint Paul.

The final item previewed was the capital adequacy study. This study is a standard review conducted every four years with the Agency's financial advisor. Staff will review key themes with the board to determine where the Agency needs to focus on over the next few years.

Commissioner Tingerthal also shared that the Agency had its annual employee appreciation event the previous day. Staff had refreshments at the Bedlam Theater and saw a performance by the zAmya theater company, which is a performance group made up of actors who are homeless and formerly homeless.

The following employee introductions were made:

- Kay Finke introduced Ray Erden, who has joined the Agency has an Excel and Access developer. Mr. Erden has extensive knowledge of data analyses and will be supporting Multifamily division applications.
- Tony Peleska introduced Nouchie Xiong, who has joined the Agency as the senior administrative assistant in the BTS group. Ms. Xiong has an undergraduate degree from St. Kate's and a Master's in English from St. Thomas. Ms. Xiong was previously employed with Minnesota Housing Partnership and is a member of a local non-profit that builds cultural connections in the Twin Cities.

For the final item in her report, Commissioner Tingerthal stated that Mr. Craig Klausing was at the table as a guest. Mr. Klausing had been appointed, effective March 30, to fill the seat vacated by Mr. Ken Johnson. Mr. Klausing introduced himself, sharing that he is a lawyer with the Lawyers Professional Responsibility Board and serves on the Ramsey County Library Board and the Roseville Area Schools Foundation. Mr. Klausing served on the Roseville city council and as Mayor of Roseville and stated that, because Roseville is a first ring suburb with an aging housing stock and an increasingly diverse population, in those roles, he was very involved with housing issues.

C. Committee

There were no committee reports.

6. Consent Agenda

A. Adoption of HUD 2015 Annual Action Plan for HOME and HOPWA

B. Commitment Modification, Low and Moderate Income Rental (LMIR) Program - Medina Woods Townhomes, Medina, D7653

MOTION: Ms. Stephanie moved approval of the consent agenda and the adoption of Resolution No. MHFA 15-007. Mr. Joe Johnson seconded the motion. Motion carries 5-0.

7. Action Items

A. Community Homeownership Impact Fund Program Scoring Revisions for the 2015 Single Family Request For Proposal (RFP)

Mr. Luis Pereira presented this request for approval of revised scoring criteria for the Community Homeownership Impact Fund Program. Mr. Pereira stated that staff recently conducted an analysis of the selection criteria for the single family in the context of agencywide priorities and the allocation of points within the RFP, which reflects relative priority level. Using this information, applicants can best understand the weight given to each priority. The last revision was approved in May, 2013. Mr. Pereira highlighted the following changes for the board: the criteria now looks at walkability as part of location efficiency; greater weight is placed on employer and philanthropic leverage; an extra point is awarded to projects that incorporate universal design or accessibility features; preference for projects geared toward larger families in areas that have a demand for this type of housing; community need is now a standalone item.

In response to a question from Mr. Garnett, Mr. Pereira stated that the Agency wants to incentivize contributions by employers and philanthropic organizations. Currently, many applications have government sources, but staff wants to encourage non-government sources.

In response to a question from Mr. Joe Johnson, Mr. Pereira stated that Walkscore.com is a website with national data that is used to determine walkability of communities, neighborhoods or addresses. Mr. Pereira added that the Agency's research staff is working with Walkscore.com to obtain access to the underlying data. Ms. Jessica Deegan stated that the Agency has a license agreement with Walkscore. The site considers a score of 50 to be moderately walkable and any score below that is considered a car-dependent area. The data evaluates the distance of services, schools, grocery stores, etc. to determine the score and staff believes the tool uses a good data set. Staff is able to test the data if applicants feel the score is not accurate. Commissioner Tingerthal added that the Agency receives a fair number of comments, particularly from Greater Minnesota, about the accuracy of the Walkscores, but believes walkability is an important factor. Ms. Deegan has worked with Walkscore to create a streamlined process for appealing scores and an email address has been established for use by Minnesota Housing applicants to contact Walkscore directly to suggest other locations for inclusion in the data, which can help generate a new score for the location.

In response to a question from Ms. Klinzing, Mr. Pereira stated that the Community Need category is a new standalone item that was formerly included in Overall Project Feasibility. The Overall Project Feasibility category had been worth 15 points and is now worth 10 points. The Community Need category is worth 5 points. The total for these items remains 15 points. **MOTION:** Auditor Otto moved approval of the Impact Fund scoring revisions. Mr. Joe Johnson seconded the motion. Motion carries 5-0.

8. Discussion Items

A. Update: Preparing the 2016-19 Strategic Plan

Mr. John Patterson presented to the board the draft strategic priorities. Mr. Patterson shared that the Agency is having strategy sessions with key thought leaders on particular topics to help flesh out the strategies. Mr. Patterson shared the timeline for the plan and stated that some of the proposed new priorities are similar to the current priorities. Mr. Patterson shared information about the current draft priorities, which are: finance housing for low-income seniors, use affordable housing as a tool to promote community and economic prosperity, prevent and end homelessness, provide housing choices for people with special needs or large barriers, address shortage of rental assistance options, preserve affordability and physical condition of existing of affordable housing, provide equitable access to successful homeownership, and address rising housing costs.

Auditor Otto stated that, when thinking of the Agency's mission and what is in state law, the Agency's role is to provide affordable housing. Auditor Otto stated that, while important, the second draft priority, "use affordable housing as a tool to promote community and economic prosperity," may be an outcome of the work the Agency does, but she did not know that it should be a strategic goal.

Auditor Otto also suggested that it may be better to take the low-income and large families and put them somewhere other than grouped with special needs. ~~Auditor Otto also suggested that extremely low-income people and large families are different groups than others the Agency serves, but it may be better to include them somewhere other than in special needs.~~ Auditor Otto stated that these characteristics create barriers but are not necessarily special needs. ~~Auditor Otto also inquired about what other barriers to equitable access may exist but are not listed.~~

Mr. Patterson responded to Auditor Otto's comments by stating that the Agency mission component of strong communities focuses on the outcomes of financing affordable housing, which is the fostering of strong communities. Mr. Patterson also stated that he tried to accurately record the comments received and created themes around those comments, and acknowledged that some of those themes, such as special needs, may have been too broad. Staff are now looking at and tightening up those themes, but want to be sure that communities know we are hearing what their needs are.

Regarding barriers, Mr. Patterson stated that the Agency has found there is a shortage of housing available for those who are at 30% area median income and below and for large families. There is a lack of supply for both of those groups. Auditor Otto stated that the supply issue is part of why she felt they should be separated – the other special barriers identify a condition of the persons versus a lack of supply for these two groups. Because serving that very low-income group is part of the Agency's mission, she feels they are important enough to be in a separate area.

Mr. Joe Johnson inquired about what impact the Agency may have on rising housing costs because it does not have an impact on home prices. Mr. Patterson responded that the same question had been asked during a staff session and that he agrees that the Agency does not have direct control, but, when looking at cost-burdened households, it has more control of costs than incomes. The rising costs theme shows the need to give the lowest rate money and get the most out of our dollars without sacrificing housing quality. Commissioner Tingerthal stated that, in the current strategic plan, there is one page with cross-cutting principles, which run across everything the Agency does. Commissioner Tingerthal suggested that the cost issue be a principle rather than a strategy.

Auditor Otto suggested using a word other than "address," because the Agency cannot address the costs, but it can respond or mitigate and there is a need to show we are sensitive but acknowledge that we do not have control. Mr. Joe Johnson agreed that costs impacts everything but is not something within the Agency's control.

Ms. Klinzing stated that there is quite a bit dedicated to looking at low-income seniors and the baby boomer generation is the largest population segment to ever pass through the country. Because of its size, everything going on with that group will impact the entire population. Ms. Klinzing stated she felt the statistical information about the generation is great, but the psychology is often missing. Ms. Klinzing added that baby boomers are more aware of what is out there and have a greater understanding of what's available and how to access things, and are more independent than previous generations. Ms. Klinzing also questioned how technology will impact the group and where they live and suggested the Agency look at how technology may be used to help low-income seniors stay in their homes. Ms. Klinzing added that she believes some local zoning laws to be antiquated and are not moving forward to address these housing issues, for example, the ability to have a mother-in-law apartment, lot sizes, multiple family dwellings, and health, building and safety code. Ms. Klinzing suggested there is a need to impact locals to make the case that there are good reasons to consider these things in their communities. Ms. Klinzing concluded her comments by stating that we are in a time of technology that requires us to think out of the box and that the baby boomer will remain in need of housing solutions for long time and will continue to have a big impact on everyone and everything for quite a while.

Mr. Patterson responded that DHS has completed a survey on a range of baby boomers on the psychology information and that data will be incorporated. He added that the Agency is having a meeting of senior housing and service leaders to discuss the needs of this generations and will devote some of that time for what the Agency needs to do in the next five and ten years. He added that there is a need for transformation in the overall system and looking at the issues is truly part of the plan.

Ms. Klinzing reiterated that she wanted to stress the impact that the baby boomer generation will have on the entire population; the large number of people in that generation will impact rental assistance, the price of housing, everything. Their impact goes far beyond their own age group.

Commissioner Tingerthal added that one of the participants in the senior housing and services meeting is a former Agency employee who is considered a national expert on in-home technology for supporting health and independent living. Tingerthal added that the extension of broadband and other electronic communication for these purposes has been a huge priority in the Brainerd area, which is a particular geographic area where people live in dispersed areas and where people retire. Ascentia Health has received funding to experiment with broadband and tele-health for these areas. There have also been talks at the legislature about the importance of broadband as a tool for communities, particularly in Greater Minnesota, to be places where people want to live and can continue to live.

Chair DeCramer shared comments about the cost of housing, acknowledging comments that Mr. Garnett had made at a previous meeting regarding looking at costs based on square footage rather than unit costs when looking at large family housing and suggested that be something to be kept in mind. Chair DeCramer also acknowledged that the Agency talks about persons with imperfect credit but the state has immigrant populations with no credit history and that is an area that we need to take into consideration as well – persons who are here but have no credit history and that is a barrier to their obtaining rental housing. Mr. DeCramer also stated that it was great that we were able to get 21 of the local housing studies but wanted to know how we may obtain more of those housing studies.

In response to the costs comments, Mr. Patterson stated that unit size is one of the factors in the current predictive cost model, so a larger unit would have higher predicted costs and the model does allow for higher costs for larger units. Mr. Patterson stated staff would re-test the model with square footage and acknowledged that the Agency does not want to disadvantage larger units that accommodate larger families. Regarding the housing studies, Mr. Patterson stated that they are proprietary studies between the city and the consultant and the city must give permission for the study to be reviewed and analyzed. Mr. Patterson stated that he is aware of three studies that were not included in the review.

In response to a question from Auditor Otto, Mr. Patterson stated that the board members may rank the priorities if they'd like and staff would appreciate that feedback.

In response to a question from Auditor Otto regarding interest averse populations, Mr. Patterson stated that our lending rate is above 30% for households of color, but we account for only about 6% of the market. Mr. Patterson stated staff could try to collect some data on the size of the market for large families and interest averse families and do additional analysis to determine if their needs are being need.

Mr. Garnett noted that we continue to struggle with the language and the response to deal with the shortage of rental housing in the metro area and throughout the state and stated that he was not sure that anything being done in the context of the current response will result in improving that position over the next two to three years. Mr. Garnett suggested that, if there were enough money, the Agency could promote and incentivize different practices in the marketplace to encourage a different approach to development. As an example, Mr. Garnett suggested the substantial increase of requirements for inclusionary zoning for housing the Agency supports, which may push developers and local communities to include more affordable housing, for example, allowances for higher density housing. Mr. Garnett suggested that these actions could get more units out there than asking for more money at the legislature.

Mr. Garnett suggested that there may be a role for the Agency to say to the market "something is really broken," if, for the course of the last twenty years, we can't get traction on the basic issue of supply and demand. Mr. Garnett acknowledged that he did not have a particular solution to offer but he'd like to be able at some time in the future to have more affordable units than demand for those units. Mr. Garnett acknowledged that the Agency does not control all aspects of the rising housing costs, but, to the extent the Agency can drive certain requirements in the way it underwrites, the Agency does add costs to projects and questioned the cost/benefit analysis of some of the things developers are asked to do in terms of per unit cost. Mr. Garnett stated that he thought this was a reasonable conversation to have as it relates to strategic priorities

Mr. Patterson responded that the winning proposal of the Minnesota Cost Challenge does address some of those local barriers that increase costs, and is halfway through the process of creating best practices for fostering inclusionary zoning.

Mr. Garnett stated that inclusionary zoning is just one example, but he believes there is a range of processes that need to be developed in the industry. Mr. Garnett stated that the net impact of the current practices is that we have a structural shortage of rental housing and developers are basically saying "we can't figure out how to develop enough rental housing given the built-in costs and the barriers in the market to doing it." Discussion item. No action needed.

9. Informational Items

None.

10. Other Business

None.

11. Adjournment.

The meeting was adjourned at 2:11 p.m.

Minnesota Housing Finance Agency

AGENDA ITEM: 6.A
MINNESOTA HOUSING BOARD MEETING
April 23, 2015

ITEM: Pine Ridge Apartments, Grand Rapids (D0597)

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 $2,632,000 and a deferred funding commitment in the amount of $846,000 under the Flexible Financing for Capital Costs (FFCC) program, both subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:
In the 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. The AHP also allocated $4.5 million in new activity under the FFCC program (funded through the Housing Affordability Fund-Pool 3). Funding for this loan falls within the approved budget and the loan will be made at an interest rate and terms consistent with what is described in the AHP. Additionally, this loan should generate $102,140 in fee income (origination fee and construction oversight fee) as well as interest earnings which will help offset Agency operating costs.

MEETING AGENCY PRIORITIES:

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

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

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

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

The Minnesota Housing Finance Agency (Agency) Board, at its October 23, 2014, meeting, approved this development for processing under the under the Low and Moderate Income Rental (LMIR) and the Flexible Financing for Capital Costs (FFCC) programs. The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION:	**SELECTION**		**COMMITMENT**		**VARIANCE**	
Total Development Cost	$10,195,923		$10,579,936		$384,013	
Agency Sources:						
LMIR	$2,576,000		$2,632,000		$ 56,000	
FFCC	$ 940,000		$ 846,000		($ 94,000)	
Non-Agency Sources:						
Tax Credit Equity	$6,559,777		$6,997,095		$437,318	
Income From Operations	$ 0		$ 78,927		$ 78,927	
Deferred Developer Fee	$ 120,146		$ 25,914		($ 94,232)	
Gross Rents:						
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
1 BR – Section 8	40	$587	40	$590	0	$3
1 BR – tax credit	2	$529	2	$545	0	$16
2 BR – Section 8	11	$456	11	$463	0	$7
2 BR – tax credit	35	$635	35	$625	0	($10)
3 BR – Section 8	9	$504	9	$512	0	$8
3 BR – tax credit	3	$504	3	$720	0	$216
Total Number of Units	**100**		**100**			

Factors Contributing to Variances:

- The total development cost increased by $384,013. Some costs increased and some were added because they were not in the original budget. Costs increased in the following areas by the following amounts: construction costs ($185,798), architect's fees ($35,065), environmental assessment ($17,459), furnishings & equipment ($60,000), syndicator fees ($35,000), bridge loan origination fee ($40,000), and construction interest ($14,962). There were a few other minor changes to the development budget that are not listed here.

- The tax credit syndication proceeds from WNC increased by $437,318 with the equity factor increasing from $.90 to $.96.

- The developer requested to reduce the amount of deferred developer fee. The application was originally submitted without a deferred developer fee. Based on underwriting assumptions, a deferred developer fee in the amount of $120,146 was added at the time of selection. Considering the Agency's scarce resources, staff agreed to bring the request to the Board if the developer agreed to return FFCC funds in the amount that the developer fee was reduced. FFCC was reduced from $940,000 to $846,000 and deferred developer fee was reduced from $120,146 to $25,914. This $94,000 in FFCC will be returned to the FFCC pool for awarding to other developments.

- Agency staff increased the LMIR first mortgage by $56,000.

- Rents were adjusted to reflect current, Agency-approved HAP rents and utility allowances. Tax credit rents are still within the 50% AMI rent restrictions (the same as at selection).

Other significant events since Board Selection:

N/A

Board Agenda Item: 6.A
Attachment: Resolution

DEVELOPMENT SUMMARY
DEVELOPMENT:

				D0597	
Name:	Pine Ridge Apartments			App#:	M16801
Address:	620 River Rd				
City:	Grand Rapids	County:	Itasca	Region:	NEMIF

MORTGAGOR:

Ownership Entity: Pine Ridge II LP
General Partner/Principals: Schuett Pine Ridge LLC

DEVELOPMENT TEAM:

General Contractor:	Frerichs Construction Company, Saint Paul
Architect:	Kaas Wilson Architects, Minneapolis
Attorney:	Winthrop & Weinstine, PA, Minneapolis
Management Company:	The Schuett Companies, Inc, Golden Valley
Service Provider:	Northland Counseling Center Inc, Grand Rapids

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 2,632,000	LMIR First Mortgage	
	Funding Source:	Hsg Investment Fund(Pool 2)
	Interest Rate:	5.25%
	MIP Rate:	0.25%
	Term (Years):	30
	Amortization (Years):	30

$ 846,000	Flexible Financing Cap Cost	
	Funding Source:	Hsg Affordability Fund(Pool 3)
	Interest Rate:	1.00% (up to)
	Term (Years):	30

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORD-ABILITY*
1 BR	42	572	$ 569	$ 569	$ 22,760
2 BR	46	874	$ 683	$ 683	$ 27,320
3 BR	12	1,140	$ 789	$ 789	$ 31,560

*Tax credits rents are listed above. HAP unit rents are based on HAP contract rents. HAP residents pay no more than 30% of their income towards monthly rent.

Purpose:

Pine Ridge is the related-party acquisition and rehabilitation of an existing 100-unit development owned by the Schuett Companies that currently includes 60 Section 8 units and 40 market rate units. 40 of the Section 8 units are designated for the elderly and disabled; the other 20 Section 8 units serve families. All 100 units will become tax credit units.

Located in Grand Rapids, the property consists of three, 3-story elevator buildings that are connected to common space on the ground floor. There are 42 one-bedroom units, 46 two-bedroom units, and 12 three-bedroom units. Five units will be designated for persons experiencing long-term homelessness (LTH).

Preservation of the 60 Section 8 units will leverage a present value of $3,565,644 in federal rental subsidies over the next 30 years providing a 4:1 return to the Agency's deferred funding. The property is at a high risk of loss due to critical physical needs.

Target Population:
The targeted population includes seniors, singles and families with children, households of color, single-head of households, and households experiencing long-term homelessness (LTH). All of the units will be rent-restricted at 50% of Area Median Income (AMI) and income-restricted at 60% of AMI.

Project Feasibility:
The development is financially feasible as proposed. Sources include a Minnesota Housing LMIR first mortgage (construction to permanent) in the amount of $2,632,000, a Flexible Financing for Capital Costs (FFCC) deferred loan of $846,000, excess income from HAP payments of $78,927 and deferred developer fee of $25,914. The project was awarded $728,937 in annual 9% housing tax credits from Minnesota Housing in the 2014 RFP. Syndicator WNC will provide $6,997,095 in tax credit equity.

Development Team Capacity:
Schuett Companies owns and manages over 1,000 units and has redeveloped two properties totaling 174 units that are of similar size and scope to the proposed development. Schuett is experienced in the market and has a sufficient plan to complete the development on time and within budget. The developer recently completed a similar rehab with Minnesota Housing.
Schuett Companies is qualified to continue managing this property. The company was established in 1983 and currently has 15 developments, with a total of 1,001 units. Their current portfolio consists of Section 8, Section 8 Elderly, Section 8/236 Preservation, USDA, and Market Rate properties, including 19 properties with Minnesota Housing first mortgages.

Physical and Technical Review:
Physical Needs:
The scope of work has been approved by Agency architect Mike Thomas and will include the following:

- Replacement of leaking roof and addition of proper ventilation and insulation baffles
- Replacement of moldy insulation and gypsum boards
- Removal of siding to properly install a weather barrier and window flashings
- Replacement of poor quality aluminum windows prone to glaze failure and leaks
- Code work to ensure elevator is in current Minnesota code and ADA compliance
- HVAC work to ensure code compliance and address inadequate ventilation
- Energy efficiency updates to plumbing fixtures to comply with MN Green Communities criteria

Market Feasibility:
Vacancy at Pine Ridge has averaged less than 1% over the last three years. The economy in Grand Rapids and Itasca County has remained stagnant since 2008, with no change in the number of jobs in the last five years. The current unemployment rate in the city is 8.6% and approximately 51% of lower income renters are cost burdened, highlighting the need for affordable housing. Subsidized affordable housing in the county has a low 3.6% vacancy rate.

Supportive Housing:
Northland Counseling Center is the service provider and has experience with the target population. Referrals will be obtained through an established referral system of community providers including area shelters, county human services and local nonprofits. Services provided will include case management, housing support and independent living skills for eligible tenants. Project-based Section 8 will be used to maintain rent affordability on all five LTH units (3 individuals and 2 families).

DEVELOPMENT COST SUMMARY:

	Total	**Per Unit**
Total Development Cost	$10,579,936	$105,799
Acquisition or Refinance Cost	$3,300,000	$33,000
Gross Construction Cost	$5,299,000	$52,990
Soft Costs (excluding Reserves)	$1,765,936	$17,659
Non-Mortgageable Costs (excluding Reserves)	$0	$0
Reserves	$215,000	$2,150
Total LMIR Mortgage	$2,632,000	$26,320
First Mortgage Loan-to-Cost Ratio	25%	
Agency Deferred Loan Sources		
Flexible Financing Cap Cost	$846,000	$8,460
Total Agency Sources	$3,478,000	$34,780
Total Loan-to-Cost Ratio	33%	
Other Non-Agency Sources		
Syndication Proceeds	$6,997,095	$69,971
Income from Operations	$78,927	$789
Deferred Developer Fee	$25,914	$259
Total Non-Agency Sources	$7,101,936	$71,019

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:	Pine Ridge Apartments
Sponsors:	Schuett Development LLC
Guarantors:	The John E. Schuett Revocable Trust
Location of Development:	Grand Rapids
Number of Units:	100
General Contractor:	Frerichs Construction Company
Architect:	Kaas Wilson Architects, LLC
Amount of Development Cost:	$10,579,936
Amount of LMIR Mortgage:	$ 2,632,000
Amount of FFCC Deferred Loan:	$ 846,000

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 construction to 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 $2,632,000; and

2. The interest rate on the 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

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

4. The amount of the FFCC loan shall be $846,000; and

5. Repayment of the FFCC loan shall be deferred, with interest up to one percent, and the loan term shall be coterminous with the LMIR loan; and

6. The initial closing of the LMIR and the FFCC loans shall be on or before October 31, 2015 (which shall also be the LMIR and FFCC Commitment Expiration Date); and

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

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

9. The John E. Schuett Revocable Trust shall 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

10. The John E. Schuett Revocable Trust shall guarantee the mortgagor's payment under LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

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

Adopted this 23rd day of April 2015.

____

CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 7.A
MINNESOTA HOUSING BOARD MEETING
April 23, 2015

ITEM: Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Residential Housing Finance Bonds

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:
Agency staff is preparing to issue bonds to provide funds for the acquisition of newly originated single family mortgage backed securities. Kutak Rock LLP, the Agency's bond counsel, will send the resolution and Preliminary Official Statement describing the transaction under separate cover. The Board will be asked to adopt a resolution approving the terms of one or more bond issues on a not-to-exceed basis. The first bonds to be issued under this Authorization will be Series 2015 C in the amount of approximately $50mm and issued in late April or early May.

FISCAL IMPACT:
The transaction will result in the Agency earning the maximum allowable spread on the bonds.

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):

- Preliminary Official Statement (provided under separate cover)
- Resolution (provided under separate cover)

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Minnesota Housing Finance Agency

AGENDA ITEM: 7.B.
MINNESOTA HOUSING BOARD MEETING
April 23, 2015

ITEM: Affordable Housing Plan (AHP) Amendments, Home Mortgage and Downpayment Assistance Programs

CONTACT: 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)

☐ Other:

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Due to strong production, staff requests Board approval for additional funding for the Home Mortgage Programs under the 2015 AHP, and additional and reallocated funding for the downpayment assistance loan programs.

In addition, staff recommends consolidating separate AHP budget line items for the Deferred Payment Loan (DPL) and Deferred Payment Loan Plus option into one budget line item to permit program staff to effectively manage the overall program which consists of two different options based on borrower qualification and targeting objectives.

FISCAL IMPACT:
- Increase home mortgage program production by $170 million to a total of $570 million.
- Increase the DPL program by $1.587 million, which is comprised of a new allocation of $1.2 million from the Strategic Contingency Fund, and reallocation of $387,000 in unused Pool 3 funds from the Homeowners Armed with Knowledge (HAWK) and Impact Fund programs, to a total of $12.587 million.
- Increase the Monthly Payment Loan (MPL) program funding to a total of $8.5 million by reallocating $1 million from the Multifamily Low to Moderate Income Rental program (LMIR).

This $1.2 million request from the Strategic Contingency Fund for the DPL budget leaves 40% of total Strategic Contingency funds available.

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):
- Summary Request

SUMMARY REQUEST:
The home mortgage programs, which include Start Up, Step Up, and the Mortgage Credit Certificate program, provide home financing to first-time and repeat buyers. Production levels for these programs, which use a mix of mortgage revenue bonds and secondary market sales to fund loans, are 90% higher year-to-date over last year (October 2014 through March 2015). Subsequently, the demand for the home mortgage programs and complementary downpayment and closing cost loan programs (DPL and MPL) is higher than expected.

Single Family staff, in collaboration with research, developed a more robust forecast model to better account for seasonal production and current usage trends. It is important to view the forecast model with caution given various factors that impact affordability such as the current interest rate environment, purchase prices, available housing stock, availability of credit and qualified buyer pools, mortgage product requirements and pricing, and downpayment and closing cost resources.

This forecast model estimates that home mortgage production could reach $570 million, which is requested as an amendment to the 2015 AHP. In addition, staff recommends amending the DPL budget to $12.587 million and the MPL budget to $8.5 million given estimated demand resulting from the high home mortgage volume. While significant improvements have been made to the forecast model, if demand for home mortgage production increases above the high levels experienced in the AHP year-to-date, demand for available budget resources will be exhausted more quickly than outlined below.

Table 1: Projected DPL and MPL Budget Demand

	DPL	MPL
Original Budget:	**$ 11.0 million**	**$ 7.5 million**
	Cumulative Budget Usage	
March	$ 6.0 million	$ 3.0 million
April	$ 7.4 million	$ 4.7 million
May	$ 9.0 million	$ 5.7 million
June	**$ 10.6 million**	$ 6.6 million
July	$ 12.0 million	**$ 7.4 million**
August	$ 13.3 million	$ 8.1 million
September	$ 14.3 million	$ 8.7 million

Table 2: Sources and Uses

Program	Source of Funds	Original Budget	New Sources of Funds	New Budget
Deferred Payment Loan	• State appropriations ($830,000) • Repayments ($1.5 million) • Pool 3 ($8.67 million)	$11 million	• HAWK ($100,000) • Impact Fund ($287,000) • Contingency Fund ($1.2 million)	$12,587,000
Monthly Payment Loan	Pool 2	$7.5 million	• LMIR ($1 million)	$8,500,000

In an effort to meet program demand given unexpected production volume, staff identified unused Pool 2 (used to fund MPL) and unused Pool 3 (used to fund DPL) funds. One million in Pool 2 funds is available to transfer from the Multifamily LMIR program to the MPL program, which effectively increases the MPL budget to $8.5 million. Just under $400,000 in unused Pool 3 funds have been identified in the Single Family budget, which combined with the $1.2 million in Pool 3 contingency funds, brings the new DPL budget to just under $12.6 million.

Staff is recommending changes to both the DPL and MPL programs in a separate board agenda item to reduce budgetary demand for both programs, while working to preserve mission-rich targeted borrowers and overall production. The additional allocation and reallocation of funds for both programs will be used to bridge loan commitments made under the current program structure until new commitments under the revised program structure are implemented, which is anticipated to occur as early in May and as loan commitment system changes permit.

This reallocation of budget resources to both the DPL and MPL may be insufficient given record production, but any allocation of additional funds is more prudent once program changes take effect and later in the AHP program year when other unused sources of funds are more readily identifiable.

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REVISED **AGENDA ITEM:** 7.C.
MINNESOTA HOUSING BOARD MEETING
April 23, 2015

ITEM: Homeownership Program Changes and Manual Updates

CONTACT: 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)

☐ Other:

ACTION: ☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Approve decreases in the maximum loan amounts available in the Deferred Payment Loan (DPL) program, Deferred Payment Loan Plus program, and the Monthly Payment Loan (MPL) programs. Also recommended for approval is the elimination of the lender application and approval process currently required for the Deferred Payment Loan Plus option, which currently has the impact of severely limiting access to this option. The Deferred Payment Loan Plus option will continue to offer a higher loan amount for targeted borrowers who meet two of four targeting criteria.

Approve corresponding changes to the Start Up, Mortgage Credit Certificate and Step Up Program Procedural Manuals.

FISCAL IMPACT:
With home mortgage production 90% percent higher than expected year-to-date over last year, demand for the DPL and MPL programs will exceed available budgeted funds, projected to occur near the end of May and July respectively. The recommended programs changes, in conjunction with the request for Affordable Housing Plan amendments to reallocate Pool 2 funds (used by the MPL program) and Pool 3 funds (used by the DPL program), will reduce overall demand for funds and bring the programs within sustainable operating budgets.

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):
- Summary Request
- Start Up, Mortgage Credit Certificate, and Step Up Program Procedural Manuals

SUMMARY REQUEST:
Home mortgage production is very strong at $250 million in loan commitments (October, 2014 through March, 2015) as compared to $130 million in loan commitments for the same time period the prior year. This level of production, combined with demand for downpayment and closing cost loans primarily used for first-time homebuyers, strains the overall downpayment and closing cost loan budget. Both downpayment and closing cost loan programs, the Deferred Payment Loan (DPL) and the Monthly Payment Loan (MPL), are expected be fully subscribed within the next one to three months respectively.

The DPL program provides an interest-free loan for the term of the first mortgage, is only available to first-time homebuyers, and is the most income-targeted downpayment and closing cost loan program. The DPL program is funded through a combination of state appropriations, repayments, and Pool 3. The MPL is a ten-year amortizing loan available to first-time homebuyers in the Start Up and Mortgage Credit Certificate programs as well as Step Up homebuyers with downpayment and closing cost assistance needs. The MPL is funded through the Agency's Pool 2 resources.

The program changes were developed with the following principles: maintain overall production, maximize service to targeted households, manage the downpayment and closing cost programs to a sustainable budget, and develop streamlined program changes lending partners can implement based on borrower need. Staff used a more robust forecast model to incorporate seasonal and current production levels of loan demand and conducted sensitivity analysis around various levels of mortgage production to develop the following recommendations.

Recommended Changes

A. Reduce maximum loan amounts available under the DPL and MPL programs.

Program	**Maximum Loan Amount**	
	Current	*Recommended*
Deferred Payment Loan	$7,500	$6,000
Deferred Payment Loan Plus Option	$10,000	$7,500
Monthly Payment Loan	5% of the loan amount	$7,500

The recommended reduction to the maximum loan amounts seeks to balance borrower need for downpayment and closing costs with potential loss of overall production. Total cash to close needs of borrowers at various purchase price limits were analyzed to establish recommended reductions in maximum loan amounts.

Reducing the DPL maximum loan to $6,000 will impact 60% of current borrowers who have loan amounts above that threshold. Staff estimates that this change will result in minimal loss of overall production with most borrowers doing one of two things: 1. taking the new lower DPL and bringing additional funds of their own to the transaction, or 2. for borrowers than need more than the maximum DPL amount and do not have their own funds, switching to the MPL. Our review of current DPL borrowers with loan amounts above $6,000 indicates that the majority can still afford a home with a modest MPL payment.

The reduction in the maximum loan amount for the DPL Plus option and MPL effectively means that borrowers purchasing homes at higher purchase prices will have to bring more of their own funds to the transaction, but should have a neutral impact on borrowers purchasing a median priced home of $150,000 under the home mortgage programs.

B. Allow all lenders access to the Deferred Payment Loan Plus option.

We recommend this loan option, which offers a higher ($7,500) maximum loan amount for qualified targeted borrowers, be made available to all lenders network wide. Sixty percent of all DPL borrowers with loan amounts above $6,000 are households of color and Hispanic ethnicity. We'd like to capture as many of these borrowers who need more assistance under the DPL Plus option, where currently 73% of all borrowers served are households of color and Hispanic ethnicity.

While the DPL Plus program is achieving target goals, just 13% of DPL borrowers currently access the program, partially a result of the program's stringent target eligibility requirements. Currently, lenders must also apply to participate in the program, and, by removing this application barrier, our intent is to ensure that borrowers who meet the requirements have access to additional loan assistance. The budget impact should result in a sustainable shifting of slightly more borrowers who can benefit from and need the additional loan amount, but is projected to comprise less than 35% of the total DPL program budget.

C. Increase Start Up and Mortgage Credit Certificate (MCC) program income limits to the Department of Housing and Urban Development (HUD) maximum income limits.

HUD released new income limits for the Twin Cities and Rochester Metropolitan Areas and Greater Minnesota which have increased. The Start Up and MCC programs governed by mortgage revenue requirements for income limit setting adopt the increases in income limits, which serve to set income limits for the MPL.

	~~Income Limit~~ 1-2 Person Household		3+ Person Household	
	Current	Recommended	Current	Recommended
Twin Cities 11-County Metropolitan Area	$82,900	$86,600	$95,335	$99,500
Rochester Metropolitan Area	$81,300	$81,700	$93,495	$93,900
Greater Minnesota	$73,900	$77,400	$84,985	$89,000

Anticipated Budget Impact

Staff conducted budgetary sensitivity analysis by modeling anticipated shifts in production resulting from the recommended program changes and accounting for different levels of overall loan production. It is very difficult to predict mortgage production in the current environment, which presents significant opportunity given the continued low interest rate environment, relatively affordable house prices in Minnesota markets, and buyer pools able to qualify for mortgage financing.

We anticipate that the DPL budget needs should not exceed $9.5 million even given the very high (but currently on track) levels of mortgage production estimated to potentially reach $570 million. Under this scenario, the estimated MPL budget need is $13 million. If lower home mortgage production activity is realized, the DPL and MPL budget needs will be effectively reduced. Budget estimates are subject to recalculation based on production activity and will be reviewed ongoing for tracking purposes. Proposed amendments to the Affordable Housing Plan to accommodate these additional needs are presented in a separate Board item.

Chapter 5 – Downpayment and Closing Cost Loans

The downpayment and closing cost loan options available with Start Up include the Deferred Payment Loan, the Deferred Payment Loan Plus, and the Monthly Payment. The three options provide assistance to pay for eligible expenses including downpayment and customary buyer closing costs.

5.01 Deferred Payment Loan Program

The two Deferred Payment loan options available are:

- Deferred Payment Loan
- Deferred Payment Loan Plus

The Deferred Payment Loan Program provides assistance to pay for eligible expenses, including downpayment and customary buyer closing costs. The Deferred Payment Loan and the Deferred Payment Loan Plus:

- Are available only in conjunction with a first mortgage loan purchased by the Master Servicer under a Minnesota Housing Mortgage Revenue Bond (MRB) program;
- May be combined only with Minnesota Housing First-Time Homebuyer loan products with a 30-year term;
- FHA 203K Streamlined Purchases are available in increments of $100 up to the maximum loan amount. Loan amounts are rounded up to the nearest $100;
- Are a junior lien;
- Must be paid in full when, among other things:
    - The maturity date of the Deferred Payment is reached,
    - The property is sold or transferred,
    - The first mortgage is paid in full, upon a refinancing or otherwise, or
    - The first mortgage is in default or is declared to be due and payable in full.
- Are permitted in conjunction with the Fannie Mae HFA Preferred Risk Sharing™ product; and
- Cannot be assumed.

The **Deferred Payment Loan** is available in increments of $100 up to the greater of 5% of the purchase price or $5,000 ($~~7,500~~6,000 maximum loan). Loan amounts are rounded up to the nearest $100.

The **Deferred Payment Loan Plus**:

- Is available to lenders approved under the Deferred Payment Loan Plus program;
- Is available in increments of $100 up to $~~10,000~~7,500 ($~~10,000~~7,500 maximum loan). Loan amounts are rounded up to the nearest $100; and
- May be used for principal write-down in addition to downpayment and customary buyer closing costs.

5.04 Monthly Payment Loans

Monthly Payment Loans provide assistance to pay for eligible expenses, including downpayment and customary buyer closing costs. Monthly Payment Loans:

- Are available only in conjunction with a Minnesota Housing first mortgage loan;
- Are available in increments of $100 up to the greater of 5% of the purchase price (rounded up to the nearest $100), or $5,000 ($7,500 maximum loan);
- FHA 203K Streamlined Purchases are available in increments of $100 up to the greater of 5% of the purchase price plus the cost of repairs (rounded up to the nearest $100), or $5,000;
- Must occupy second lien position when combined with a non-Minnesota Housing Community Second Mortgage;
- Have an interest rate equal to that of the first mortgage;
- Are fully amortizing and are payable in level monthly payments over a 10-year term;
- Are due on the first of each month, beginning with the due date of the initial monthly payment for the first mortgage;
- Must be paid in full upon:
  - Sale or refinance of the property,
  - Transfer of title to the property,
  - Payment in full of the first mortgage at maturity, or
  - The first mortgage is declared due and payable whether through default or other event; and
- May be originated with the HFA Preferred Risk Sharing Product™; and
- May not be assumed.

Chapter 5 – Downpayment and Closing Cost Loans

The Monthly Payment Loan is available with MCC (with First Mortgage). The loan may be applied towards the downpayment and customary buyer closing costs. The amount of the Monthly Payment Loan will be included in the certified indebtedness amount as it relates to the MCC Program.

5.01 Monthly Payment Loans

Monthly Payment Loans:

- Are available only in conjunction with MCC (with First Mortgage);
- Are available in increments of $100 up to the greater of 5% of the purchase price (rounded up to the nearest $100), or $5,000 ($7,500 maximum loan);
- FHA 203K Streamlined purchases are available in increments of $100 up to the greater of 5% of the purchase price plus the cost of repairs (rounded up to the nearest $100), or $5,000;
- Must occupy second lien position when combined with a non-Minnesota Housing Community Second mortgage;
- Have an interest rate equal to that of the first mortgage;
- Are fully amortizing and are payable in level monthly payments over a 10-year term;
- Are due on the first of each month, beginning with the due date of the initial monthly payment for the first mortgage;
- Must be paid in full upon:
    - Sale or refinance of the property;
    - Transfer of title to the property;
    - Payment in full of the first mortgage at maturity; or
    - The first mortgage is declared due and payable whether through default or other event;
- May be originated with the HFA Preferred Risk Sharing™; and
- May not be assumed.

Chapter 6 – Mortgage Credit Certificate Terms and Conditions

~~6.01 Program Term~~

~~The Program term shall apply to loans closed between June 24, 2013 and December 31, 2014, unless Minnesota Housing extends the Program.~~

Chapter 5 – Downpayment and Closing Cost Loans

The Minnesota Housing downpayment and closing cost loan option available with Step Up is the Monthly Payment Loan.

5.01 Monthly Payment Loan Requirements

The Monthly Payment Loan which provides assistance to pay for eligible expenses, including downpayment and customary buyer closing costs, is the only Minnesota Housing downpayment and closing cost option available with Step Up. Monthly Payment Loans:

- Are available only in conjunction with a Minnesota Housing first mortgage loan, however, they are not available with the premium service release premium (SRP) option;
- Are available in increments of $100 up to the greater of 5% of the purchase price (rounded up to the nearest $100), or $5,000 ($7,500 maximum loan) for Step Up purchase;
- Are available in increments of $100 up to the great of 5% of the loan amount (rounded up to the nearest $100), or $5,000 ($7,500 maximum loan) for Step Up refinance;
- Are available in increments of $100 up to the greater of 5% of the purchase price plus the cost of repairs (rounded up to the nearest $100), or $5,000 ($7,500 maximum loan) for FHA 203K Streamlined Purchases;
- Must occupy second lien position when combined with a non-Minnesota Housing Community Second Mortgage;
- Have an interest rate equal to that of the first mortgage;
- Are fully amortizing and are payable in level monthly payments over a 10-year loan term;
- Are due on the first of each month, beginning with the due date of the initial monthly payment for the first mortgage; and
- Must be paid in full upon:
  - Sale of the property;
  - Transfer of title to the property;
  - Payment in full of the first mortgage at maturity; or
  - The first mortgage is declared due and payable whether through default or other event; and
- May not be assumed.

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Minnesota Housing Finance Agency

REVISED AGENDA ITEM: 7.D.
MINNESOTA HOUSING BOARD MEETING
April 23, 2015

ITEM: Targeted Mortgage Opportunity Program Procedural Manual and Program Update

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:
Staff recommends clarifying three program and policy items in the Procedural Manual in addition to adding two new program changes.

FISCAL IMPACT:
These changes have no direct fiscal impact.

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

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 which generally targets homeowners who are six months to two years away from homeownership readiness.

The Procedural Manual requires originators to adhere to loan policies, processes and required documents. Over the course of administering this pilot program for the past seven months, staff identified important clarifications to the Procedural Manual and two program changes.

Staff recommends clarifying three program requirements to more accurately reflect the intent of the program as follows:

1. Borrowers participating in this pilot loan program are required to complete intensive Homeownership Capacity counseling in addition to the HomeStretch or Framework homebuyer education and counseling. The manual now clarifies that borrowers must receive a certificate of completion for Homeownership Capacity counseling prior to signing a purchase agreement on a home or submitting a loan application.

2. The originating lender's representations and warranties are updated to ensure that they have a Conflict of Interest Policy in place.

3. The audit and due diligence section of the manual is updated to reflect the Agency's current comprehensive policies related to our audit requirements.

In addition, we recommend adopting two new program requirements:

1. Incorporate a maximum acquisition cost limit of $310,000 in the Twin Cities Metropolitan Area and $265,000 in Greater Minnesota, which is the acquisition cost limit all Agency home mortgage programs adhere to.

2. ~~Add a requirement that the loan-to-value ratio (first mortgage amount divided by the value of the property) may not exceed 90%. This will ensure that borrowers using this 100% financing option meet the program's required housing and debt-to-income requirements before taking into consideration community seconds or additional financing.~~

2. The maximum amount of community seconds cannot exceed 15% of the purchase price plus closing costs.

Chapter 1 – Partner Responsibilities and Warranties

1.05 Minnesota Housing Due Diligence Audit Guidelines and Requirements

~~Audited loans are reviewed for:~~

The lender is required to keep on file a complete copy of documents for each loan purchased by Minnesota Housing. Minnesota Housing may request that a loan file be made available to Minnesota Housing or its agent at the lender's Minnesota office during regular business hours or that a copy be forwarded to Minnesota Housing for review. Loan audits will include, but are not limited to, the following:

- A minimum of 10% of all loans purchased;
- All loans which go into early payment default (90 days or more past due) in the first 12 months;
- Loans originated by the lender with higher-than-average delinquency rates;
- 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.

1.07 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, and warrants that it has complied with regard to each loan it originates 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.

Further, lender warrants that it does not have a conflict of interest with regard to each loan it originates. Lender warrants that it has a Conflict of Interest Policy in place and has provided a copy of such policy to Minnesota Housing.

Chapter 2 – Borrower Eligibility

2.06 Homeownership Capacity

At least one Borrower must complete and provide a certificate of completion of the following education and counseling components prior to ~~closing~~ signing a purchase agreement and making loan application:

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

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Minnesota Housing Finance Agency

AGENDA ITEM: 7.E
MINNESOTA HOUSING BOARD MEETING
April 23, 2015

ITEM: Selectionă, Section 811 Demonstration Program Rental Assistance

CONTACT: Vicki Farden, 651-296-8125, vicki.farden@state.mn.us
Joel Salzer, 651-296-9828, joel.salzer@state.mn.us

REQUEST:

[x] Approval [ ] Discussion [ ] Information

TYPE(S):

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

[ ] Other:

ACTION:

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

SUMMARY REQUEST:
Adoption of the attached Resolution authorizing up to $280,724 for two Section 811 Rental Assistance Contracts (RAC) for a period of five years. This action will provide initial funding for five year RACs for two developments for a total of 12 new supportive housing units for people with disabilities. As the Section 811 Project-based Rental Assistance (PRA) Program is new for Minnesota Housing, this report has been written to provide deep background and context of the emergence and purpose of these resources. While additional Section 811 RACs will come before the Board for selection and commitment approval in future months, staff will propose that they be presented as items on the Consent Agenda.

FISCAL IMPACT:
The Section 811 Project-based Rental Assistance (PRA) Program is funded by a demonstration grant from the Department of Housing and Urban Development (HUD) for a five year term, with subsequent annual renewals. Funding for the first year of the program was allocated in the 2015 Affordable Housing Plan (AHP) and has not been identified for any other purpose.

MEETING AGENCY PRIORITIES:

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

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

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

ATTACHMENT(S):
- Background
- Resolution

Background

This Section 811 Project-based Rental Assistance Program (PRA) is a Demonstration Program of the federal Department of Housing and Urban Development (HUD). Minnesota Housing, in partnership with the Department of Human Services (DHS), was selected to participate in the Demonstration Program and was awarded $3,085,500 for 85 units of project-based rental assistance in February 2013.

Minnesota Housing signed a Cooperative Agreement with HUD in October 2014. The term of the agreement is 20 years, with initial funding provided for five years, with annual renewals subject to appropriations for the remainder of the 20 year term.

The purpose of the Section 811 PRA Program is to expand the supply of supportive housing that promotes and facilitates community integration for people with significant and long-term disabilities. The program advances key Minnesota initiatives to prevent and end homelessness and move people from institutional settings to the most inclusive community setting possible, and directly addresses crucial action steps of the State's Olmstead plan. The 811 PRA Program provides new affordable housing opportunities to allow more people to exit both homelessness and long-term care facilities.

The 811 PRA provides a project-based rent assistance subsidy that covers the difference between the tenant payment and the approved gross rent. Tenants pay 30% of their adjusted gross income for rent and utilities. Eligible tenants are extremely low-income (30% of AMI) persons with a disability and are between the ages of 18 and 62. In Minnesota, we chose to further target the eligible population to persons exiting institutions through the DHS Money Follows the Person Program, or persons experiencing long-term homelessness and working with the Project for Assistance in Transition from Homelessness (PATH). This targeting advances the goals of the state plan to prevent and end homelessness and the Olmstead Plan.

The partnership between Minnesota Housing and DHS is a fundamental component of the 811 PRA Program. Minnesota Housing manages the program, administers the Rental Assistance Contracts (RAC) and payments, and conducts inspections and compliance oversight. DHS coordinates all tenant referrals, manages a central waitlist, and connects residents to supportive service providers. The two state agencies coordinate all activities and have a strong partnership history.

Housing Link will play an integral role in program implementation. All properties will list available 811 PRA units on Housing Link's listing service. The listing provides detailed information about the property, including photos, accessibility features and amenities. The DHS housing coordinator receives the listing and shares it will potential applicants on the 811 PRA waitlist. Applicants can view the property and determine if it meets their needs. They can then begin the application process.

As a demonstration program, HUD requires the state to do substantial reporting and evaluation. The state's evaluation plan is detailed in our funding application and is part of the Cooperative Agreement with HUD. HUD will also conduct an evaluation of the program.

All 811 PRA units must be leased within 24 months of the program start date (October 2014), so the agency is marketing the program to existing multifamily properties that have been financed by Minnesota Housing or are in Minnesota Housing's Low Income Housing Tax Credit Portfolio or Project Based Section 8 Portfolio of developments with existing unsubsidized units.

Minnesota Housing issued a two stage Request for Proposals (RFP) process. The stage one application was a pre-application to determine eligible properties and the level of interest in the program. The agency received 15 stage one applications. Staff review determined:

- Four properties met all the eligibility criteria
- Three properties met the eligibility criteria, but did not meet the minimum number of proposed 811 PRA units (four unit minimum)
- Three applicants were Section 236 properties; these applications were put on hold due to an initial statement by HUD that 236 properties were not eligible for 811 PRA. We asked HUD to reconsider and provide rationale for their decision. Consequently, HUD has now determined that Section 236 properties are eligible for the 811 PRA Program as long as they do not have use restrictions that conflict with the program.
- The remaining five applicant properties were not eligible due to unit sizes (no studio or one bedroom units), or current supportive housing restrictions

The four eligible properties were invited to submit stage two applications. The stage two application was also marketed through the state register, agency e-news and other methods of outreach to property owners and management companies. Despite these efforts, only two properties submitted applications. These two applications were reviewed by staff and are recommended for selection.

Development #	Property Name	City	Number of PRA Units	Five Year Funding Amount
D0423	Francis Skinner Apartments	Duluth	8	$155,914
D2233	Lake Grace Apartments	Chaska	4	$124,810

Applications for 811 PRA will continue to be available on a pipeline basis until all 85 units are committed. The agency has implemented a proactive marketing campaign. Staff has identified potential properties and owners that would be a good fit for the program. Senior leadership and multifamily managers have personally called property owners to inform them about the program and ask them to consider properties that would be a good fit for the 811 PRA Program. Agency staff provides follow up with the owners and meet with their staff to provide more information about the program and discuss potential properties with the goal of securing a commitment for 811 PRA units.

The 811 PRA Program is difficult to market to existing properties in the current rental market. There is little incentive for owners to take on a new program with additional requirements and restrictions. The program requires a 30 year use restriction for the property and a 20 year RAC. The benefit to owners is a guaranteed rental subsidy payment, marketing and referrals provided by DHS, and services coordinated by the DHS Housing Coordinator. The implementation of the program by HUD was also delayed by 18 months as they developed the regulations and program materials. We are now making progress on the marketing plan and will be securing additional commitments in the next few months.

Owners must complete an 811 PRA application for each property they would like to consider for the program. Properties must meet the following eligibility and selection criteria to be selected for 811 PRA:

Multifamily Property Eligibility

- Existing properties funded with Minnesota State Low Income Housing Tax Credit (LIHTC), or financed with Minnesota Housing administered funds (e.g., HOME, LMIR, etc.) or properties within the Section 8 Portfolio that have some unsubsidized units.
- Must have a minimum of 16 housing units.
- No more than 25 percent of the total units in an eligible multifamily property can: 1) be provided Section 811 PRA funds; 2) be used for supportive housing for persons with disabilities; or 3) have any occupancy preference for persons with disabilities.
- Cannot have use restrictions to serve elderly (persons age 62 and over) or persons with disabilities
- Unit Types: Primarily one-bedroom and efficiency units are needed, but it is desirable that properties have some two- bedroom units available to allow flexibility to accommodate tenant needs. Properties will need to meet accessibility standards and have some accessible units for people with mobility impairments.
- Units that will be used for 811 PRA are either currently rent restricted to be affordable for households at 50% Area Median Income (AMI) , have rents that are naturally affordable at or below 50% AMI, or the owner will agree to limit rents to 50% AMI. Rents cannot exceed the Fair Market Rent (FMR).

Selection Criteria

- Properties are owned or managed by entities with demonstrated experience operating a Section 8 or other HUD rental assistance program
- Owner is in good standing with Minnesota Housing
- Owner will make available 4-11 units for 811 PRA
- Property is located in a preferred location designated by DHS
- Integration: applicant may designate unit type (accessible, 1 BR, etc.), but should not designate specific units to be set-aside for PRA Demo supportive housing units. Units must be integrated throughout the property (as possible based on available units)
- Site Linkages: The extent to which the site is located near jobs; transportation, recreation; retail services; health care and social services
- Owner agrees to execute and record a Use Agreement with a term of not less than 30 years in the form prescribed by HUD
- Owner agrees to enter into a minimum 20 year Rental Assistance Contract
- Experience with supportive housing, working with service providers, people experiencing homelessness, and people with disabilities
- Property is in good condition; has passed recent inspections
- Ability to list available units on Housing Link for 811 PRA
- Ability to make units available as current units turnover until all 811 PRA units are filled by the September 30, 2016 deadline

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

RESOLUTION NO. MHFA 15-

RESOLUTION APPROVING SELECTION/COMMITMENT SECTION 811 DEMONSTRATION PROGRAM RENTAL ASSISTANCE CONTRACTS

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications to provide Section 811 Rental Assistance Contracts for properties serving individuals who are extremely low income, and disabled; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to enter into Rental Assistance Contracts using federal resources as set forth below, subject to changes allowable under the HUD Section 811 Program, upon the following conditions:

1. Agency staff shall review and approve the recommended Rental Assistance Contracts (RAC) for up to the total recommended amount for five years;

Development #	Property Name	City	Number of PRA Units	Funding Amount
D0423	Francis Skinner Apartments	Duluth	8	$155,914
D2233	Lake Grace Apartments	Chaska	4	$124,810

2. The issuance by HUD of the Rental Assistance Contracts in form and substance acceptable to the Agency staff and the closing of the individual contracts shall occur no later than twelve months from the adoption date of this Resolution; and

3. The sponsors and such other parties shall execute all such documents relating to said contract, to the security therefore, as the Agency, in its sole discretion, deems necessary.

Adopted this 23rd day of April, 2015.

____

CHAIRMAN

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AGENDA ITEM: 7.F
MINNESOTA HOUSING BOARD MEETING
April 23, 2015

ITEM: Housing Tax Credit (HTC) Program - 2015 Round 2 Selections and Waiting List

CONTACT: Bob Porter, 651-297-5142
Robert.porter@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Adoption of the attached Resolution authorizing the selections and reservation/increased reservation of housing tax credits for Round 2 of the 2015 Housing Tax Credit Program year; and as credits become available, and subject to final reviews, the projects on the 2015 Waiting List indicated on Attachment: HTC 2015 Round 2**.**

FISCAL IMPACT:
Housing Tax Credits are a federal resource and therefore do not adversely impact 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
- HTC 2015 Round 2
- Resolution

BACKGROUND:
Minnesota Housing received applications for Housing Tax Credit Program (HTC) Round 2 (Round 2) on January 27, 2015. Round 2 is the final 2015 HTC application round. In Round 2, applications are selected without regard to geographic distribution. Projects that have previously received tax credits and have a shortfall of at least 5 percent, but not more than 33.33 percent, of the total qualified annual tax credit amount have priority over other applications.

The total credit availability for the 2015 HTC program is currently $12,551,497 based upon $2.30 per capita and adjustments for updated population numbers. In 2015 HTC Round 1 (Round 1), a total of $12,087,883 in credits, was allocated against a total Round 1 credit availability of $12,466,874. A total of $463,614 is currently available for Round 2.

HTC 2015 Round 1 remaining balance	$190,891
Increase due to update of population	$84,623
Returned credits	$188,100
National Pool (estimated)	Not Yet Released by IRS
HTC 2015 Current Balance (available to Round 2)	$463,614

In May, the Agency will apply for tax credits from the National Pool. Due to per capita and state allocation variables, it is not possible to estimate the credits that may be available from the National Pool at this time. The Agency may also allocate all unused and/or returned credits from previously allocated projects returned to the Agency prior to October 1, 2015 in accordance with the requirements of Section 42.

The Agency received 8 applications to Round 2 tax credits. One was determined to be ineligible to the round. The remaining seven eligible applications requested a total of $1,618,319 of Round 2 tax credits. One of these applicants, The Lonoke (Mpls.), as approved by the Board on February 19, 2015, elected to use additional Minnesota Housing EDHC funds which were available in lieu of tax credits and subsequently withdrew their application to the round. Of the remaining 6 applications, three had previously received awards of tax credits either from Minnesota Housing or a suballocator and qualified for the Round 2 supplemental request priority. The remaining three applications were reviewed and ranked as non-supplemental priority /new request applications.

All applications were ranked in accordance with the selection criteria outlined in the 2015 HTC Qualified Allocation Plan (QAP). In accordance with the 2015 QAP, the three supplemental request applications were reviewed on a priority basis. A total of $205,485 in tax credits is recommended for the three supplemental request applications.

The proposed Round 2 housing credit awards to the above mentioned supplemental request applications will leave a credit balance of approximately $258,129. Minnesota Housing's two-thirds whole funding policy requires that a project be made at least two-thirds whole on its full tax credit need if it is to receive a partial award of tax credits from available tax credit balances. Round 2 Credit balances are insufficient to substantially fund any remaining proposals to a two-thirds whole position. None of the remaining applications qualify for an award of tax credits from remaining Round 2 balances. Competitive applications not selected to receive tax credits through Round 2 will be placed on the HTC 2015 Waiting List.

The remaining credit balance from Round 2, plus any returned credits and/or National Pool credits will be evaluated for use with proposals which are placed on the 2015 Waiting List. The proposals recommended for placement on the HTC 2015 Waiting List have only received preliminary review at this time and are subject to full/final reviews should sufficient credits become available to substantially fund an additional project(s).

Staff's recommendations for Round 2 tax credit selections and the 2015 Waiting List are summarized on Attachment: HTC 2015 Round 2**.**

HTC 2015 Round 2 – January 27, 2015

Selection Summary

Project Number	Project Name	HTC Awarded
M17026	Opportunity Housing Partnership	$95,000
M17024	Forest Oak Apartments II	$80,000
M17018	Park Terrace Apartments	$30,485

TOTAL CREDITS AWARDED: $205,485
3 Projects

2015 Waiting List *

Project Number	Project Name	Wait Listed HTC Requests
M17019	Ivy Manor Apartments	$476,421
M17025	Freeborn Historic Residences	$438,347
M17023	Bois Forte Homes III	$475,660

TOTAL CREDIT REQUESTS PLACED ON WAITING LIST: $1,390,428
3 Projects

***** Staff has not completed final market or feasibility reviews for the Waiting List projects. Only preliminary market and feasibility reviews have been completed for these projects at this time. If funds become available the projects will be fully evaluated for underwriting, market and financial viabilities. Following these reviews, if a project fails to meet the required underwriting, market and feasibility review standards, staff funding considerations will move to the next qualified project on the list.

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

RESOLUTION NO. MHFA 15-

RESOLUTION RESERVING FEDERAL LOW-INCOME HOUSING CREDITS FOR CALENDAR YEAR 2015 TO CERTAIN QUALIFIED LOW INCOME HOUSING PROJECTS 2015 - ROUND 2

WHEREAS, in accordance with the Tax Reform Act of 1986 and the provisions of Minnesota Statutes Sections 462A.221-462A.225, the Minnesota Housing Finance Agency (the Agency) has received applications as a duly designated housing credit agency for allocations to certain projects of the Low-Income Housing Credit provided by Section 42 of the Internal Revenue Code of 1986 (the Code); and

WHEREAS, Agency staff has applied to said applications the criteria set forth for selection in the Qualified Allocation Plan (QAP) and Procedural Manual for Low Income Housing Tax Credit Program (the Manual), duly adopted by the Board for 2015; and

WHEREAS, Agency staff has determined to reserve, for future allocation, portions of the state ceiling of the Low Income Housing Credit to the projects identified below, pending the final staff review and delivery by the applicants of additional certifications and information required for the Agency's issuance of such allocations; and

WHEREAS, upon meeting the requirements for allocation contained in the Manual and QAP, Agency staff recommends allocating additional portions of the state ceiling of Low Income Housing Credits to the projects as follows:

Projects Receiving Additional Housing Tax Credits

Project Number	Project Name	Additional HTC Awarded
M17026	Opportunity Housing Partnership	$95,000
M17024	Forest Oak Apartments II	$80,000
M17018	Park Terrace Apartments	$30,485

Projects Placed on the 2015 Waiting List *

Project Number	Project Name	Wait Listed HTC Requests
M17019	Ivy Manor Apartments	$476,421
M17025	Freeborn Historic Residences	$438,347
M17023	Bois Forte Homes III	$475,660

NOW, THEREFORE, BE IT RESOLVED:

1. THAT, pursuant to the above-referenced statutes and the allocation ranking factors contained in the Manual when applied to the applications submitted, the Board hereby modifies the previous adopted reservations for calendar year 2015 of the Low Income Housing Credit, upon compliance with all of the requirements contained in the Manual and QAP.

2. THAT, the Commissioner of the Agency is authorized to allocate the portions of the state ceiling of Low Income Housing Credits to the developments identified, and in the amounts, but not limited to the amounts set forth above, and as funds become available, those other projects identified on the Waiting List set forth above.

3. THAT, notification letters concerning the above be forwarded to the approved applicants.

Adopted this 23rd day of April, 2015.

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CHAIRMAN

AGENDA ITEM: 7.G
MINNESOTA HOUSING BOARD MEETING
April 23, 2015

ITEM: 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 for the 2017 Housing Tax Credit Qualified Allocation Plan (QAP) and Procedural Manual.

FISCAL IMPACT:
This is a federally sponsored program not funded from state appropriations and will not have any direct 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 and Suballocator Participation
- Timeline
- Public Hearing Written Comments
- 2017 Housing Tax Credit Program, QAP and Procedural Manual Proposed Revisions
- Proposed 2017 Housing Tax Credit Program Self-Scoring Worksheet
- Methodologies
- 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. A preliminary summary of the proposed changes to the 2017 QAP and Procedural Manual was provided at the February 19, 2015 Board Meeting.

In accordance with Section 42, on February 23, 2015, the Agency published a notice soliciting public comment. Minnesota Housing staff held the public hearing on Thursday, March 19, 2015. A summary of the proposed changes was made available to the public in advance of and at the hearing for review and comment. Two members of the general public attended the hearing in person, one provided oral comments on the QAP and eighteen written comments were submitted to the hearing. Copies of the written comments are attached. A summary of the revisions to the 2017 QAP, Procedural Manual, and Selection Criteria are also attached.

The proposed revisions to the QAP were presented in the form of a blackline version of the Self-Scoring Worksheet in the February 19th board report. 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, ww.mnhousing.gov (Home -> Multifamily Rental Partners -> Programs & Funding -> Tax Credits -> 2016 QAP Planning Materials). In the current report, a blackline of the Self-Scoring Worksheet is presented which highlights the recommended changes to the February version based on public comment. The documentation for the QAP, HTC Procedure Manual and Self-Scoring worksheet may be formatted for readability.

SUBALLOCATOR PARTICIPATION:
Minneapolis, St. Paul, Dakota County, Washington County, Duluth, St. Cloud and Rochester are suballocators in the State of Minnesota. For the 2016 program year, the cities of Duluth, St. Cloud and Rochester have participated as Joint Powers suballocators through Joint Powers Agreements, under which the Agency will perform certain allocation and compliance functions on behalf of the suballocating agency. It is unknown at this time whether these suballocators will enter into Joint Powers Agreements for the 2017 program year.

TIMELINE:

2017 HTC PROGRAM SCHEDULE

March 19, 2015	Minnesota Housing 2017 QAP Public Hearing
April 23, 2015	Agency Board asked to approve final 2017 QAP and Manual
April 18, 2016 (tentative)	Publish RFP for HTC 2017 Rounds 1 and 2
May 31, 2016 (tentative)	HTC 2017 Round 1 and 2016 MF Consolidated RFP application deadline
October 27, 2016 (tentative)	Agency Board asked to approve HTC 2017 Round 1 selection recommendations
January 24, 2017 (tentative)	HTC 2017 Round 2 application deadline
April 27, 2017 (tentative)	Agency Board asked to approve HTC 2017 Round 2 selection recommendations

Public Hearing Written Comments

Twin Cities Housing Development Corporation

Dakota County CDA

Center City Housing Corp.

National Housing Trust

One Roof Community Housing

National Resources Defense Council

Southwest Minnesota Housing Partnership

Three Rivers Community Action (email)

Three Rivers Community Action (letter)

Metropolitan Consortium of Community Developers

Greater Minnesota Housing Fund

Minnesota Housing Partnership

CommonBond Communities

Institute on Metropolitan Opportunity

Minnesota NAHRO

Travois

City of Duluth

Dominium

TWIN CITIES HOUSING DEVELOPMENT CORPORATION
400 SELBY AVENUE • SUITE C
SAINT PAUL, MINNESOTA 55102
(651) 292-0211

March 18, 2015

Minnesota Housing Finance Agency
Multifamily Underwriting
Housing Tax Credit Program
400 Sibley Street, Suite 300
St. Paul, MN 55101-1998

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

Dear Ms. Schuchman,

Thank you for the opportunity to comment on this year's proposed revisions to the 2017 QAP. We offer the following comments.

Community Recovery – Planned Community Development scoring criteria

Given the necessary vagueness of the criteria for this area, it will likely be important for the Agency to provide definitive feedback to the developer as information is gathered from the local community regarding such plans. It is very possible that some but not all criteria will be met with an existing plan but that a local community is interested in modifying the plan to meet the criteria because of the importance of the proposed project to the community. Or it may be that a community is in the process of updating a plan and is interested in assuring that the plan meets the criteria of the Agency because of the importance of one or more proposed projects. In these cases reliance would be placed upon the Agency feedback and it would be important to know that feedback given, relied upon and acted upon prior to submission of the tax credit application is not overturned during the application review process for reasons that were not previously discussed in the pre-application phase.

This is particularly important given that the proposed definition of Planned Community Development will be referenced for all other considerations for community revitalization in the Procedural 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 two areas of the Self-Scoring Worksheet.

Thank you for your consideration.

Sincerely,

Barbara M. McQuillan

Barbara M. McQuillan
Executive Director

Enc.

Dakota County
Community Development
Agency
CDA

1228 Town Centre Drive | Eagan, MN 55123
PHONE 651-675-4400 | TDD/TTY 711
www.dakotacda.org

March 18, 2015

Mary Tingerthal
Commissioner
Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
Saint Paul, MN 55101

RE: Dakota County CDA Comments on the Proposed Changes to the 2017 QAP.

Dear Ms. Tingerthal,

The Dakota County Community Development Agency has reviewed the proposed changes of the 2017 Qualified Allocation Plan and have identified several important comments on the following items.

Application deadline.

Moving up the application deadline is problematic. Our concerns on the timeframe are two-fold. First, while the QAP is being prepared a year in advance, the RFP application materials will not be available until April 18, 2016, allowing only six weeks to prepare the application on the correct materials. This does not provide sufficient time for applicants to adequately prepare the application or to be proactive in preparing the application ahead of the application deadline.

Second, moving up the application deadline each year provides less and less time for applicants to prepare their application. It also impinges on the same timeframe when previously awarded tax credit projects are completing finance closings so construction can begin as the spring weather allows. Often, the same development teams completing the closings (architects, attorneys, finance staff, development staff, etc.) are also needed to complete the application process. Having the closing and application processes overlap to such a great extent does not allow sufficient time for the development team to focus on and review the application materials to ensure information is accurate and complete.

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

The Proposed Strategic Priority Policy Thresholds conflate policy priorities of the Agency with statutory thresholds of the tax credit program. While it is expected that the Agency will have strategic priorities and will direct funding toward those priorities, it is inappropriate to call those priorities "thresholds" for the tax credit program. The statutory language clearly outlines what the threshold requirements are to be eligible for tax credit financing. These are the only thresholds required for tax credit financing. Priorities should be made, instead, through the scoring system. The distinction is particularly important for suballocator jurisdictions, which set their own strategic priorities based on local needs and priorities. Implementing additional thresholds for 9% credits awarded through the Agency removes that local control for suballocator projects that will require an additional award of tax credits through Round 2 in order to be financially feasible, and is out of step with the statutory authority provided to the suballocators.

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

The Federal/Local/Philanthropic contribution scoring should be further clarified. The clarification provided states that the purpose of excluding contributions from any part of the ownership entity is to ensure that general partner equity is not construed as a federal, local, or philanthropic source. The scoring criteria should be revised to simply state that general partner equity is excluded from this criterion. Otherwise, the language places two different scoring standards on developments that publically owned versus privately owned. Where tax credit developments are publicly owned, it is absolutely appropriate and necessary that federal or local funds are provided by the local public agency in order to make the project financially feasible. This funding may not always occur within the context of a funding competition because funding levels are often insufficient to support more than one project at a time. Particularly in the case of Dakota County and Washington County, federal and local funds under the control of the respective CDA and HRA must be directed to CDA/HRA owned tax credit developments in order to make the projects financially viable and to reduce their reliance on gap financing from the Agency. As such, these funds should count toward the federal/local/philanthropic contribution scoring. It is understandable that GP equity contributions would not be included in this scoring criterion. That source of funding is easily distinguishable among the other sources, as these funds are clearly designated as GP equity and are not provided in the form of a loan. Further clarifying this scoring criteria to only exclude GP equity contributions would eliminate a double standard from being created and would ensure clarity among Agency staff in applying the criterion.

Item 8. Revise the Location Efficiency scoring criterion.

Use WalkScore as one indicator of access to amenities, but allow applicants to provide supplemental information as well. The methodology and accuracy of Walkscore is uncertain and oftentimes misrepresents the access to amenities of a particular location. Allow applicants to provide their own maps indicating the location and distances of nearby amenities to provide greater accuracy. There are many geographic contexts, particularly in suburban locations, where true walkability is quite limited. However, access to high quality amenities is quite high. Applicants should be allowed to demonstrate this access and receive credit for locating developments in areas where residents will have access to substantial amenities, even if the location is not deemed to be walkable by Walkscore.

Item 9. Revise the Universal Design scoring criterion.

Adding Universal Design as a scoring criterion could increase construction costs. We understand the desire to add universal design criteria as an element of affordable housing, in particular as it relates with the implementation of the MN Olmstead Plan. However, adding this design criteria may add construction costs depending on unit type (i.e. townhomes) and may counteract the cost containment priority. Rather than receiving points only for including universal design elements, we suggest applicants can gain points in this area for other measures taken to aid with the implementation of the MN Olmstead Plan. This could include setting aside a certain number of units with a priority for residents moving from a congregate care setting to an independent setting, or other measures that support the goals of the Olmstead Plan. Each development already has required accessible units and meets the Agency's visitability standards. Before additional standards are added, the Agency should review the occupancy of existing accessible units to see if these units are consistently occupied by households who need them. If not, the strategy should first be to create an adequate pipeline of residents who need accessible units for affordable developments that have accessible units available before adding a new type of accessible unit that may go unused by the target population.

Thank you for the opportunity to provide comments on the proposed changes.

Sincerely,

Kari R. Gill

Kari Gill
Acting Executive Director

cc:
Kayla Schuchman, Minnesota Housing Finance Agency
Chip Halbach, Minnesota Housing Partnership
Shannon Guernsey, Minnesota NAHRO

Wilson, Tamara (MHFA)

From: Rick Klun <rklun@centercityhousing.org>
Sent: Thursday, March 19, 2015 10:55 AM
To: Wilson, Tamara (MHFA)
Subject: QAP Recommendation

Tamara- My apologies for not being able to attend today, scheduling conflicts. My suggestion is quite simple and perhaps too simplistic, but I'll put it forward either way. How about deleting the 100 Bonus Points and replacing them with 1 point per unit of Permanent Supportive Housing to be developed per application?"
Sincerely,
Rick

Rick Klun
Executive Director
Center City Housing Corp.
105 1/2 W 1st ST
Duluth, MN 55802
218-722-7161
218-720-3483 Fax
rklun@centercityhousing.org

NATIONAL HOUSING TRUST

March 18, 2015

Julie LaSota
Minnesota Housing
400 Sibley Street, Suite 300
Saint Paul, MN 55101

Re: Minnesota Draft 2017 Qualified Allocation Plan

Dear Ms. LaSota.

The National Housing Trust (NHT) is a national nonprofit organization formed to preserve and revitalize affordable homes to better the quality of life for the families and elderly who live there. NHT engages in housing preservation through real estate development, lending and public policy. Over the past decade, NHT and our affiliate, NHT-Enterprise Preservation Corporation, have preserved more than 25,000 affordable apartments in all types of communities, leveraging more than $1 billion in financing.

We appreciate the opportunity to comment on the proposed changes for Minnesota's 2017 Qualified Allocation Plan. NHT fully acknowledges and appreciates the entire set of preservation policies and programs established by the Minnesota Housing. The comments below refer directly and specifically to Minnesota Housing's proposed QAP as it relates to the tax credit program. We appreciate that the State of Minnesota has other successful preservation programs and policies.

In summary, we urge Minnesota Housing to:

- **Maintain a balanced approach in the allocation of tax credits for new construction and the preservation of existing housing.**
- **Maintain the points awarded to proposals involving preservation.**
- **Balance the allocation of credits across different markets and neighborhoods.**
    - **Give equal consideration to both preservation applicants who are redeveloping properties occupied by minority households in low-income neighborhoods <u>and</u> applicants who are developing properties in areas of high opportunity.**
    - **Remove the required community revitalization plan in communities with weaker markets.**
- **Maintain the incentives for green building standards and proximity to public transportation in the final QAP.**
- **Maintain the dual application for 4% and 9% credits with sensitivity to appropriate uses of each credit.**
- **Consider working with state utilities to create energy efficiency programs.**

Low Income Housing Tax Credits and Preservation in Minnesota

As Minnesota Housing is well aware, preserving and rehabilitating existing housing is a cost-effective and sustainable method to provide rental housing to low-income families and seniors. Preservation safeguards existing affordable housing by prolonging federal investment in affordable housing properties and requires less tax credit equity per unit than new construction developments. Minnesota's success in preserving your existing affordable housing stock is truly commendable and has helped promote green practices and resource efficiency by salvaging and improving existing buildings.

Nonetheless, critical affordable housing units are at risk in Minnesota (see table). These affordable apartments currently provide homes for some of Minnesota's lowest-income families and elderly citizens. By prioritizing preservation, Minnesota's Qualified Allocation Plan provides the incentives necessary to prevent the loss of this unique housing resource.

At-risk properties in Minnesota

Project-based Section 8 properties with contracts expiring by 2018:

- 15,144 assisted units in 312 properties
- 59% of which are owned by for-profit owners

Scoring Criteria: By awarding points to preservation in the QAP, Minnesota Housing demonstrates a strong commitment to preservation that helps meet the needs of Minnesota's elderly, disabled, and low-income households. **NHT strongly supports Minnesota Housing's efforts to encourage preservation by awarding up to 30 points to preservation proposals in the scoring criteria.** We especially support Minnesota Housing's efforts to preserve housing for the lowest-income individuals and families through points awarded to projects that include federal rental assistance. At the same time, we support the preservation of affordable housing for those earning less than 30% of income regardless of the presence of a federal subsidy and believe those properties should receive an equally high priority.

Low Income Housing Tax Credits and Opportunity

The Trust recognizes Minnesota Housing's efforts to preserve and build properties in locations with high opportunity through the Economic Integration and Workforce Housing Communities scoring criteria. We believe indicators of opportunity should be one factor considered when deploying low income housing tax credits, particularly with respect to the siting of new construction units. However, we are concerned about criteria which mandates first and second tier preservation projects be located in strong markets. **While such a policy helps preserve critical housing that is at-risk for opt-out, it is important to balance the allocation of credits across different markets and neighborhoods.**

A balanced approach is the best way to create and maintain sustainable, economically vibrant, and healthy communities. States must strive to promote access to high opportunity communities AND ensure that residents who choose to remain in neighborhoods currently experiencing distress and concentrated poverty have access to housing resources and investments that improve their housing. We urge Minnesota Housing to not abandon existing low-income communities. The preservation and rehabilitation of existing affordable housing can act as a vital tool to promote revitalization by catalyzing investment and development in neighborhoods with weaker markets.

Fair Housing Principles: Fair housing principles have an equal emphasis on pro-integration and anti-discrimination. Striking a balance between addressing priority housing and redevelopment needs and providing improved opportunities can produce a tension between the twin goals of the Fair Housing Act – avoiding discrimination while promoting integration. **NHT urges Minnesota Housing to equally weigh preservation applicants who are redeveloping properties occupied by minority households in low-**

income neighborhoods and applicants who are preserving or building new properties in areas of high opportunity. By striking a balance between incentivizing construction in communities of opportunity and investing in existing neighborhoods, Minnesota Housing will preserve existing affordable housing occupied by low-income households and avoid discrimination against those households by catalyzing investment and development in those neighborhoods.

Community Revitalization Plan: It is appropriate, under certain circumstances, to use the Housing Credit to preserve and improve existing housing in lower-income communities even absent a broader community revitalization plan – while also recognizing that other preservation transactions occur as a vital part of comprehensive revitalization plan or to retain critically needed affordable housing in high opportunity areas

In Minnesota Housing's draft QAP, a property can receive an additional 9 points with the caveat that it must also be awarded points in at least three of the following categories: economic integration (areas of opportunity), TOD, workforce housing (areas of opportunity), OR be a QCT/Community Revitalization plan. NHT generally supports those criteria, but **we do not believe Minnesota Housing should require there be a community revitalization plan in communities with weaker markets.** Minority households who wish to stay and improve their communities should not be short changed. There are cases where, even absent a community revitalization plan, competitive 9% credits should be provided.

The proposed community revitalization plan requirement could also result in the unintended consequence of empowering cities to prevent affordable housing from being developed. Cities that are not supportive of affordable housing development could simply decide to take no action to pursue a community revitalization plan. This kind of passive opposition would be a very easy route for a city to effectively block affordable housing.

Preservation and Sustainable Communities

Minnesota Housing recognizes that preservation of existing affordable housing is *fundamentally* green: rehabilitation produces less construction waste, requires fewer new materials, and consumes less energy than demolition and new construction. Using green building strategies, preservation projects can deliver significant health, environmental, and financial benefits to lower-income families and communities. Green technologies promote energy and water conservation and provide long-term savings through reduced utility and maintenance costs, all while providing residents with a healthier living environment and reducing carbon emissions. **NHT enthusiastically supports the inclusion of Enterprise Green Community standards in the QAP threshold criteria, which encourages green building practices and energy efficiency while recognizing the inherently green nature of preservation.**

The Trust also commends Minnesota Housing for recognizing the importance of transit-connected affordable housing in its 2017 QAP. By awarding points to projects located in close proximity to public transportation, Minnesota Housing will preserve these at-risk units while further incentivizing location efficiency among low-income housing tax credit applicants. Because transportation and housing are the two largest expenses for households across the country, awarding points in Minnesota QAP for transit oriented developments helps ensure that low-income families are able to fit both of these necessities into their budgets.

Utilities and Energy Efficiency

The Trust encourages Minnesota Housing to partner with Minnesota's utilities to make energy-efficiency programs more accessible to affordable, multifamily developments. A majority of states implement utility-funded energy efficiency programs, often paid for through charges included in customer utility rates. These programs are a significant and growing source of resources for residential energy retrofits that remain largely untapped by the multifamily sector. Utility energy efficiency program budgets have significantly increased since 2006 and could reach $12 billion nationwide by 2020. Reaching under-served markets, such as affordable multifamily housing, will be necessary if utilities are to achieve higher spending and energy saving goals. In several states, utilities are partnering with state housing agencies and affordable housing owners to develop successful multi-family energy efficiency retrofit programs for multifamily properties. Energy efficiency upgrades in affordable rental housing are a cost-effective approach to lower operating expenses, maintain affordability for low-income households, reduce carbon emissions, and create healthier, more comfortable living environments for low-income families. **Please refer to the Natural Resources Defense Council's (NRDC) QAP comments on how Minnesota Housing might adopt additional incentives to further advance the energy efficiency of existing programs.**

Dual 4% and 9% Applications

NHT supports the dual application of 4% and 9% credits so long as the Agency takes into consideration the potential need for soft funding in 4% candidates. We agree with Minnesota Housing that, where feasible, the preservation of existing housing with 4% credits can be useful. Obviously, this may not be the case in weaker markets or markets where equity providers are not CRA driven. Some markets in Minnesota would not be suitable markets for financing with 4% credits and private activity bonds. Moreover, there are undoubtedly older Project Based Section 8 and Public Housing units that have more distinct physical needs than the equity raised by 4% credits can reasonably address. With that in mind, we support the dual application requirement.

Conclusion

It is fiscally prudent for states to balance tax credit allocations between new construction and preservation/rehabilitation. In addition to helping to build sustainable communities, preservation is cost-efficient and environmentally friendly. The National Housing Trust urges Minnesota Housing to continue its support for sustainable communities and the preservation of Minnesota's existing affordable housing by maintaining its support for preservation in its final 2017 QAP. As you consider these recommendations, you can learn how other states are approaching each of these and other issues by searching our online catalog of state and local affordable housing preservation policies at: PrezCat (www.prezcat.org), an online catalog of state and local affordable housing preservation policies.

Thank you for the opportunity to comment on this important issue in the State of Minnesota.

Sincerely,

Michael Bod

Michael Bodaken,
President

COMMUNITY
HOUSING

March 18, 2015

Minnesota Housing Finance Agency
Attn: Tamara Wilson – Housing Tax Credit Program
400 Sibley Street | Suite 300
Saint Paul, MN 55101

Dear Ms. Wilson:

Please see attached comments on the 2017 QAP. Thank you for the opportunity to provide input.

Sincerely,

Jeff Corey
Executive Director

One Roof Community Housing 2017 QAP Comments

3. Workforce Housing: Including points for mixed income housing projects would incentivize communities to invest in such projects at higher levels and result in broader ranges of incomes being served by LIHTC projects.

9. Title Unclear: This section refers to Planned Community Development as defined in the Procedure Manual. The language is vague on what documents will constitute proof for scoring points for this criteria.

10. Preservation: If the QAP is approved a year in advance, then pre-application and application materials should ideally be available much sooner than they have in recent years. Not only would this result in more thoughtfully planned pre-applications and applications, but it will also reduce having to re-enter data into forms that have been either altered slightly or simply been reviewed and have a new date on the bottom. Time is money, let's spend it doing new work and not re-doing old work.

This same issue exists for maps which ought to be updated much sooner in advance of applications than they are. If applications are going to continue to become more technical, the timelines for being able to work on them need to be extended to accommodate the increasingly sophisticated work.

It seems that internally, MH has the ability to enter an address and get a Community Profiles overview sheet that clarifies all of the data for a given address. If so, applicants having access to this tool would be a wonderful increase in efficiency.

13. Location Efficiency: The WalkScore simply does not work in our community. I offer the following examples:

- 12 East 4th Street, Duluth, MN (my work place) has a walk score of 82 out of 100, but only a transit score of 51 out of 100 despite being on a bus line and 3-4 blocks away from another bus line. It references being near Portland Square Park and Enger Park—both of which are a fair distance away and require crossing major roads (6th Avenue East and Mesaba Avenue)—but does not mention the very park located on our block which has more amenities than Portland Square. The site doesn't mention a grocery store which is a significant problem for the neighborhood (a very small but limited store is nearby, but a bus is required to get to a major store).

- 5316 Oakley Street, Duluth, MN (my home) has a walk score of 15 out of 100 and a transit score of 24 out of 100 despite being 2 blocks off a bus line and 8 blocks from a major grocery store. The site doesn't mention Lester Park—a 4 block walk to some of the most lovely hiking, mountain biking, and skiing trails and beautiful streams waterfalls in Minnesota and another couple blocks to a softball field and new playground. While there are admittedly not many dining and (due to an antiquated ordinance) no drinking options in the neighborhood, the site gets the park score completely wrong.

Page 22, 3 QCT/Community Revit....: It would be more helpful if a definition of what constituted a local jurisdiction existed (an HRA? EDA? City? County?) and if more detailed requirements for what constituted a qualifying plan were included.

Page 22, 4 Cost Containment: We still don't believe that MH analysis of real construction costs for Duluth is accurate or realistic. This puts projects from our community at a disadvantage.

March 18, 2015

Tamara Wilson
Minnesota Housing
400 Sibley Street, Suite 300
Saint Paul, MN 55101

Re: Minnesota Draft 2017 Qualified Allocation Plan

Dear Ms. Wilson,

These comments are submitted by the Natural Resources Defense Council (NRDC). We appreciate the opportunity to comment on Minnesota's draft 2017 Qualified Allocation Plan (QAP). We commend Minnesota Housing Finance Agency ("Minnesota Housing") for its commitment to increase the energy efficiency and sustainability of affordable housing. We ask that you consider our comments for revisions to the 2017 QAP.

We understand that Minnesota Housing participated with Energy ScoreCards Minnesota on a benchmarking pilot, and we very much appreciate Minnesota Housing taking that on. We support the use of benchmarking, and we respectfully recommend Minnesota Housing consider incorporating incentives into the QAP to expand the use of benchmarking.

Specifically, we recommend Minnesota Housing explore incorporating the following into the QAP:

Reward all projects that commit to benchmark the energy use of the property for the life of the applicable tax credits by including additional requirements and/or incentives into the QAP.

Discussion

NRDC, the National Housing Trust (NHT), and additional partners launched the "Energy Efficiency for All" project in 2013. Our goal is to scale up energy efficiency investment in affordable multifamily housing. Increasing energy efficiency in affordable, multifamily housing creates healthier living environments, lowers resident utility bills, reduces owner operating expenses, frees up capital for building improvements, and sustains affordable housing. We look forward to continuing to work with Minnesota Housing to achieve these outcomes.

We commend Minnesota Housing for its commitment to energy efficiency and sustainability. Ensuring that both new construction and rehabilitation projects competing for Low Income Housing Tax Credits meet Minnesota Green Communities criteria and participating in the Energy ScoreCards Minnesota benchmarking pilot are great steps to improving the energy efficiency of affordable housing in Minnesota. We also commend Minnesota Housing for increasing its collaboration with utilities, and for taking steps to ensure that projects seek utility funding for their properties.

We recommend Minnesota Housing build on its benchmarking pilot with Energy ScoreCards Minnesota and consider adopting additional requirements and incentives to encourage benchmarking of energy use. Benchmarking the energy performance of buildings for the life of the applicable tax credits will help Minnesota Housing track energy efficiency investments to see if measures have realized their expected energy savings, identify properties in need of energy efficiency improvements, and make adjustments to its energy efficiency policies in the future.

Benchmarking makes the business case for improving the energy efficiency and sustainability of the housing in which Minnesota Housing invests, either by loans or via the allocation of equity. These properties need to stand the test of time. That means the properties must, on a continuous basis, meet debt service, reserves and other essential expenses. More often than not, energy is the highest variable operating cost in affordable housing, materially affecting both owners and residents. Thus, to maintain Minnesota Housing's interest and its own investments, we recommend that Minnesota Housing explore adding incentives for benchmarking to help ensure cost-effective energy savings. Other state housing finance agencies have encouraged such benchmarking:

- **The New Jersey Housing and Mortgage Finance Authority** awards additional points in its QAP to developers who commit to participate in its benchmarking initiative. Developers are eligible to receive the points if they submit a signed energy benchmarking utility release form for all common meters (gas, oil, and electric, etc.), provide certain project data (square footage per building, mechanical systems installed, etc.), and signed energy benchmarking utility release forms for a minimum of 75% of tenants.

- **The Michigan State Housing Development Authority** has launched a utility tracking pilot to monitor electricity use in 72 developments. The pilot uses online benchmarking software to track both site and tenant-paid utilities to identify opportunities to lower operating expenses. In addition, owners are motivated to participate because the software is being used to accurately and automatically calculate the developments' utility allowances based on actual consumption data, greatly reducing owner administrative costs to perform these calculations.

The Natural Resources Defense Council commends Minnesota Housing for its support of sustainable communities, and we appreciate the opportunity to comment.

Sincerely,

NRDC

Ariana Gonzalez
Energy Policy Analyst
Natural Resources Defense Council

Southwest Minnesota Housing Partnership

"Putting Together the Pieces of Community Development"

March 16, 2015

Ms. Kayla Schuchman
Minnesota Housing Finance Agency
400 Sibley Street, Suite 3
St. Paul, MN 55101-1998

RE: Written Testimony in Response to the Proposed 2017 Housing Tax Credit, Qualified Allocation Plan and Procedural Revisions.

Dear Ms. Schuchman,

The Southwest Minnesota Housing Partnership wishes to provide the following responses to your proposed changes to the 2017 Housing Tax Credit Program and Qualified Allocation Plan:

1. We generally support the clarification of the Strategic Priority Policy Thresholds in that it more clearly defines and aligns the Qualified Allocation Plan and the State's Affordable Housing Plan. We would suggest the following clarifications or improvements:

   Greater MN Workforce Housing - The 4% vacancy point could be an issue depending on the data source. For instance, Worthington has consistently shown near 0% vacancies. The Community Profile shows it at 7.9%. It is unclear where the community profiles are capturing vacancies when there are consistent (multiple year studies in Worthington) that reflect very low vacancies. How will MHFA address variances between market studies and the community profile? Another example - Mankato would qualify but North Mankato would not. They are essentially the same market. How is this to be resolved?

   LEHD data often lags by several years (most current data available is from 2011) and because employers may not always report the exact work location of each worker, it would be good to include at the 3-point level an ability to provide additional or alternate documentation of long commutes, e.g. from employer surveys.

   Economic Integration – Farm income skews data from tracts that include both city and rural areas. This is the case with many of the higher valued census tracts. In terms of community integration, this provides higher points for greenfield sites on the edge of or outside existing infrastructure lines. As a result, the priority conflicts with other priorities in the QAP, e.g. walkability or access to transit. Since we are sure the goal is NOT to encourage development outside the existing cities and small towns who really are not large enough to exhibit major internal economic integration issues, we would recommend either 1) include the balance of Greater MN cities when tracts identify economic integration areas cross into the city or 2)

Center for Regional Development
2401 Broadway Avenue
Slayton, MN 56172-1142

Phone: 507.836.8673
Fax: 507.836.8866

Email: swmhp@swmhp.org
Website: www.swmhp.org

look to break out cities from Census tracts in calculations (as done on page 6 of preservation methodology).

Planned Community Development - Make sure that the Cooperatively Developed Plan requirement would be met either by broad plans that identify housing goals and strategies within a larger plan or by a specific housing plan. We want local governments to be able to contain costs too by including housing planning in a way that makes sense.

2. The revisions to the Household Targeting scoring criterion are welcome in several respects. We believe that the increased scoring will encourage the development of additional housing units for disabled populations in alignment with the Olmsted Act provisions. We also support the proposed provision that acknowledges that owners may petition to opt-out of long-term supportive housing requirements if justified, thereby acting to reduce investor driven reserves.

3. We are supportive of the removal of Foreclosed Properties and generally supportive of its replacement with the Planned Community Development scoring criterion. What is the problem that the Agency is trying to remedy through PCD? Many communities adopt comprehensive plans and/or consolidated plans that do identify actions that at least in part meet the requirements. In other cases there are various tasks forces, design teams and other ad hoc community committees that propose targeted activity that would meet the criteria at least partially but do not rise to the level of a community development plan, but perhaps initiative? While we believe that it is a good thing to support meaningful community planning we question if the lack of community plans is of such significance that communities will be required to develop and pay for community development plans in order to compete for and obtain resources to develop housing where documented evidence already exists to support the development. We are further troubled by how proscribed in some ways and nebulous in other ways that the planning activity is currently defined.

   a) A definition should be provided on the difference between a "plan" and an initiative".
   b) The local community is currently actively engaged in the plan or initiative. You should define "actively". When we develop community development plans with communities it is an active engagement. But the term of a plan is considered from 3 to 5 years. We will typically work from the goals that were developed in the plan. The "active" engagement after the plan is developed is with the City Council who approves projects, etc.
   c) Geographic boundaries of a targeted geographic area are identified by the plan or initiative. In most Greater Minnesota Communities the entire geography of the community is targeted but may or may not have specific activities assigned to different areas. Greater definition will be required around your definition of "targeted geography".
   d) More definition is needed concerning who are envisioned as "local community development partners" and what constitutes "evidence".

4. Revisions to the Workforce Housing Communities scoring criteria. We are supportive of this category and the proposed revisions. However, we believe that further refinement should be considered that identifies and provides equal priority to communities that evidence extremely low vacancy, significant housing demand and have been categorized as a top work-force community in the recent past. These communities are economically stalled, and

defined as communities where lack of housing and accompanying labor shortages have slowed job creation and population growth below the threshold to be recognized within the State's criteria. Clarify whether community profiles or community market studies will be used to set the vacancy rate.

5. Clarify the Federal/Local/Philanthropic Contributions scoring criterion. We believe that the State should allow and award points for additional contributions within these criteria: That a contribution made to a non-profit member of the ownership and passed through to the project be allowed and counted by individuals, philanthropy or a division of the Federal Government.

   Interest Rate: The requirement on the rate of a loan from a nonprofit is as follows:

   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. The limitation of the interest rate to at or below AFR has been a structuring issue with investors and the source of discussion with MHFA post award. It would be helpful to have a clarification with regard to the AFR restriction that would include language such as "or such higher rate that is limited to payment of interest from project operating cash flow within any applicable limitations to cash flow distributions imposed by MHFA under any regulatory agreement or loan documents related to its project funding".

6. We are in agreement with reducing Preservation scoring criteria. However, more points are needed to be allocated for new housing development (work-force) or more points reduced from preservation. The point swing is too tentative to make new production competitive enough to be successful.

7. Revise the Permanent Supporting Housing for Individuals Experiencing Long Term Homelessness scoring criteria. We are supportive of the enhancements to this section of the QAP. We in particular support the clarification concerning individuals transitioning from treatment or other facilities to the community as a priority and a population at high risk of homelessness. We would request more clarification/guidance on the proposed integration of the COC plans, access to COC plans and how that process would be utilized.

8. Location Efficiency scoring criterion. We have significant concerns as it relates to Greater Minnesota communities with these criteria. In or experience the walk score does not work. Sites located in central business districts near multiple community services, retail, schools and employment do not score above 40 points. Many Greater Minnesota communities rely on dial-a-ride transit services. The combination of the dial-a-ride with the high walk scoring severely disadvantages smaller, more rural communities as compared to the larger, primarily MSA communities in Greater Minnesota who have fixed transit stops.

9. We have major reservations concerning the emphasis on economic integration as defined by census tracts within the context of Greater Minnesota communities. It is our experience that it is marginal in that the high income census tracts tend to incorporate townships, are concentrated around lakes and/or newly developed areas at the fringes of incorporated

communities. We found this to be consistent when viewing workforce communities including Austin, Mankato, Willmar, and Worthington. Luverne had no relevant census tract and therefore could not compete for these points. By encouraging development away from core areas this discourages smart growth, redevelopment and access to many key services including transit access.

10. Revise Universal Design Criteria. We are in agreement with the proposed revisions to this area.

11. Revise the Rental Assistance scoring criterion. We strongly support the lower commitment level allowed with points for projects receiving project based assistance.

12. We have no comment on the other two proposed revisions to the QAP (Cost Containment/General Admin).

I am available at 507-836-1602 if you require further clarification. We appreciate the ability to respond to these proposed changes to the QAP.

Sincerely,

Rick Goodemann
Southwest Minnesota Housing Partnership

Wilson, Tamara (MHFA)

From: Schuchman, Kayla (MHFA)
Sent: Friday, March 06, 2015 5:24 PM
To: Wilson, Tamara (MHFA)
Subject: FW: 2015-2016 scoring
Attachments: MHFA_1019456.pdf

Tam – please treat this as a public comment.

Kayla Schuchman

From: Christopher Flood [mailto:CFlood@threeriverscap.org]
Sent: Friday, March 06, 2015 10:11 AM
To: Schuchman, Kayla (MHFA); Deegan, Jessica (MHFA); Susan Strandberg; Jenny Larson
Subject: RE: 2015-2016 scoring

Kayla and Jessica,

I'll be preparing a response to your email over the next several days, but in the mean time, I have a question about the 2017 QAP.

I notice that Polk County Census Tract 206 is not listed as qualifying for Economic Integration points in the 2017 QAP materials.

This is despite the Median Family Income in the Tract in 2013 being $67,022—above the $65,077 threshold for Non-Metro MSA's

http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_13_5YR_B19113&prodType=table

and it presumably being above the minimum threshold for low and moderate wage jobs given this footnote:

> 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.

as Tracts 206 and 207, which constitute all of the City of Crookston, are both entirely surrounded by Tract 205 which does qualify for the Economic Integration points and which therefore must exceed the threshold of jobs.

I believe this Tract has been left off the list of Tracts qualifying for Economic Integration points in error. Could you please check that tract and let me know if it should actually be included on the list?

Thanks,
Chris

From: Schuchman, Kayla (MHFA) [mailto:Kayla.Schuchman@state.mn.us]
Sent: Friday, March 06, 2015 8:48 AM

To: Deegan, Jessica (MHFA); Christopher Flood; Susan Strandberg
Subject: RE: 2015-2016 scoring

Chris,

The census tracts eligible for economic integration points for the 2016 HTC year were published with the 2016 QAP last February for public comment prior to finalizing the 2016 QAP in April. Unfortunately, if the project is not in a tract published as eligible for 2016, it will not receive points this round.

Please do submit a comment on the proposed 2017 QAP currently out for public comment if you still have concerns.

Thank you,
Kayla Schuchman

From: Deegan, Jessica (MHFA)
Sent: Friday, March 06, 2015 8:36 AM
To: Christopher Flood; Susan Strandberg
Cc: Schuchman, Kayla (MHFA)
Subject: RE: 2015-2016 scoring

I recognize that there are margins of error in the American Community Survey data that, if incorporated, would increase eligibility for many census tracts across the state. However, these data are the best available for small areas. I evaluate the coefficient of variation for the estimates to measure reliability and typically flag those with CVs over 30 as being less reliable. The CV for tract 206 in Polk for median family income is 20.8, which tells me, it has medium reliability from a statistical perspective.

I'll ask that Kayla (manager of the tax credit program) respond to the question on the potential to argue an anomaly in the data during the current year.

In addition, I highly recommend that you provide comment on this to the proposed 2017 QAP that is currently open for public comment:
http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1358905254471&pagename=External%2FPage%2FEXTStandardLayout

Jessica

Jessica Deegan | Minnesota Housing | 400 Sibley Street, Suite 300 | Saint Paul, MN 55101
651.297.3120 | 1.800.657.3769 | fax 651.296.8139 | www.mnhousing.gov

Minnesota Housing finances and advances affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster strong communities.

From: Christopher Flood [mailto:CFlood@threeriverscap.org]
Sent: Thursday, March 05, 2015 5:26 PM
To: Deegan, Jessica (MHFA); Susan Strandberg
Cc: Schuchman, Kayla (MHFA)
Subject: RE: 2015-2016 scoring

Jessica,

Thanks. This clears up one issue I had (i.e., if the input data have changed), but it creates another one.

According to the 2007-11 ACS, the median family income in Polk County tract 206 in 2011 was $66,929.

http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_11_5YR_B19113A&prodType=table

However, just a year later, the median family income is listed in the 2008-2012 ACS as $52,634.

http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_12_5YR_B19113&prodType=table

This is a change of $14,295 or 21% in a single year. That seems like a tremendous change in a median number for a whole census tract's incomes in a single year. I am not aware of any economic catastrophes in the Crookston area that could explain this.

It appears that the discrepancy must have arisen from the nature of ACS data—extrapolating from a small sample size. I notice that the margins of error in these numbers are quite large: $7,377 (11%) in the 2007-11 data and a whopping $18,012 (34%) in the 2008-12 data. The real median for this year then could be anywhere from $34,622 to $70,646.

I notice that in the 2009-13 ACS that the median family income number has bounced back up to $67,022 (with a $15,982 or 24% margin or error)—which presumably would put the tract back above the 40th percentile and qualify it for Economic Integration points. This seems like a more typical slight change when factoring in inflation.

http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_13_5YR_B19113&prodType=table

Given the wide margin for error in these data, is it possible to argue against an anomalous year's data? It appears to me that the data Minnesota Housing is relying on to make these distinctions a the census tract level do not support such fine grained and high impact distinctions. Is there any mechanism in the RFP process for making a case that the tract should actually qualify for these points? And if so, how might we go about that?

Thanks,
Chris

From: Deegan, Jessica (MHFA) [mailto:Jessica.Deegan@state.mn.us]
Sent: Thursday, March 05, 2015 3:20 PM
To: Christopher Flood; Susan Strandberg
Cc: Schuchman, Kayla (MHFA)
Subject: RE: 2015-2016 scoring

The two data lists for the 2014/2015 QAP and the 2016 QAP are based on different data years. Thus, the tracts are somewhat different.

The 2016 QAP economic integration priority areas are based on 2008-2012 Data from the American Community Survey, while the 2014/2015 QAP was based on data from the 2007-2011 American Community Survey. I'm attaching the methodologies for both, even though I know you've seen them.

Again, we had the 2016 community profiles published for review and planning when the 2016 QAP was approved last year. We have to publish both sets of data simultaneously because of the two year QAP. Applications this past fall (2015 QAP) were scored using the 2014/2015 data and will score applications this coming fall based on the newer data. This is why we maintained two separate community profiles data tools for scoring 2015 and for planning 2016. We'll do the same for 2017 when that is approved.

Let me know if I can clarify further.

I will still look into the oddity in Goodhue county, but I hope this answers your questions on why the data are diferent between the 2014/2015 QAP (which was a one time two year QAP) and the 2016 QAP).

Jessica

From: Christopher Flood [mailto:CFlood@threeriverscap.org]
Sent: Thursday, March 05, 2015 2:39 PM
To: Deegan, Jessica (MHFA); Susan Strandberg
Cc: Schuchman, Kayla (MHFA)
Subject: RE: 2015-2016 scoring

Hi Jessica,

I have similar census tract question. I'm working on a potential project in Crookston. It is in tract 206 in Polk County.

Last year, when I checked on the Economic Integration points for this tract, it showed up as scoring points. This year it does not. (see attached) My understanding is that the two lists were generated with the same data. Can you explain how this tract scored points last year, but doesn't score this year? This is a concern because this is a 7 point loss to a potential project.

Thanks,
Chris

From: Deegan, Jessica (MHFA) [mailto:Jessica.Deegan@state.mn.us]
Sent: Wednesday, March 04, 2015 2:13 PM
To: Susan Strandberg
Cc: Christopher Flood; Schuchman, Kayla (MHFA)
Subject: RE: 2015-2016 scoring

There appears to be an error in the map and data overlay for economic integration regarding this tract.

I've confirmed that Census Tract 806 in Goodhue does meet the criteria for economic integration. The median family income for this tract is $63,938 and there are 2,587 jobs within 5 miles. Thus, the tract should achieve 7 points for economic integration.

I am attaching the community profile for the tract, for reference. I will update our document in coming days to reflect this change.

Thanks for bringing this to my attention, and sorry for confusion this has caused!
Jessica

From: Susan Strandberg [mailto:SStrandberg@threeriverscap.org]
Sent: Wednesday, March 04, 2015 1:53 PM
To: Deegan, Jessica (MHFA)
Cc: Christopher Flood; Schuchman, Kayla (MHFA)
Subject: RE: 2015-2016 scoring

This is the document that I was looking at for 2016. Can you explain why Census Tract 806 has fallen off the list between last year and this year when the number of jobs and median family income shown in the Community Profile for this tract meets the criteria for this category?

From: Deegan, Jessica (MHFA) [mailto:Jessica.Deegan@state.mn.us]
Sent: Wednesday, March 04, 2015 1:36 PM
To: Susan Strandberg
Cc: Christopher Flood; Schuchman, Kayla (MHFA)
Subject: RE: 2015-2016 scoring

The new economic integration scoring document is here.

This and other documents are located on this page:
http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1358905251684&pagename=External%2FPage%2FEXTStandardLayout

It's my understanding that the materials on the website are still in transition.

From: Susan Strandberg [mailto:SStrandberg@threeriverscap.org]
Sent: Wednesday, March 04, 2015 1:31 PM
To: Deegan, Jessica (MHFA)
Cc: Christopher Flood; Schuchman, Kayla (MHFA)
Subject: RE: 2015-2016 scoring

Hi Jessica,

The link you provided takes me to the Community Profile Page. I've looked at the data for tract 806 and it has not changed since I evaluated it in December. What does appear to have changed is the table of census tracts which qualify for Economic Integration points. Do you have the correct table to use for Economic Integration points in the 2015 RFP?

Thanks,
Susan

From: Deegan, Jessica (MHFA) [mailto:Jessica.Deegan@state.mn.us]
Sent: Wednesday, March 04, 2015 1:21 PM
To: Susan Strandberg
Cc: Christopher Flood; Schuchman, Kayla (MHFA)
Subject: RE: 2015-2016 scoring

Hi Susan,
I am sorry for the confusion. The 2016 QAP community profiles materials recently transitioned from a "planning" role to a "scoring" role, and are the correct data and documents to use in applications for 2016 QAP/2015 RFP. However, it appears the links on the main HTC funding page have not been updated.

- The scoring data for this year are here: http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1394436712945&pagename=External%2FPage%2FEXTStandardLayout

- The planning data for next the second year are located here: http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1394436707979&pagename=External%2FPage%2FEXTStandardLayout (up until last week, this page was populated with 2016 documents that had been there for planning since last April – this page will be updated with planning data for the 2017 QAP this spring).

I am circling Kayla Schuchman in on this as she manages the RFP and HTC program. I am happy to help further if you have any questions related to the community profiles materials.

Jessica

From: Susan Strandberg [mailto:SStrandberg@threeriverscap.org]
Sent: Wednesday, March 04, 2015 12:28 PM
To: Deegan, Jessica (MHFA)
Cc: Christopher Flood
Subject: 2015-2016 scoring

Hi Jessica,

Chris Flood and I were just looking at the new 2016 maps and tables and had a question. We've been planning a project in Cannon Falls for several months and had done a preliminary scoring tally in early December using the 2014/2015 materials. In those materials, the census tract for Cannon Falls in Goodhue County (806) shows up on the list for Community Economic Integration. However, in the 2016 materials, this census tract is suddenly excluded. Given that the underlying data does not appear to have changed, I'm wondering if this is a mistake (see attached lists). I believe the thinking behind doing a two-year QAP process was to give developers stability in the scoring criteria and allow for better project planning. This is a potential 9 point swing that would greatly impact the chances of this project being funded.

Thanks for your help,
Susan

ThreeRivers
COMMUNITY ACTION

Susan Strandberg | Community Development Officer
Direct: 507-732-8557 | susan.strandberg@threeriverscap.org
1414 North Star Drive, Zumbrota, MN 55992
Fax: 507-732-8547

We work with community partners to provide warmth, transportation, food, housing, advocacy, and education to individuals and families. For more information on how you can help, visit our website at www.threeriverscap.org.

ThreeRivers
COMMUNITY ACTION
People-focused, community-driven

March 19, 2015

Kayla Schuchman
Minnesota Housing
400 Sibley Street, Suite 300
Saint Paul, MN 55101

RE: Written Testimony in Response to the 2017 QAP

Dear Ms. Schuchman:

Three Rivers Community Action is an active non-profit developer working throughout greater Minnesota. In the course of evaluating potential projects throughout the state, we have become concerned that the proposed 2017 QAP scoring criteria would put potential projects in smaller communities outside of the Metro area or greater Minnesota regional centers at a significant disadvantage in the tight competition for funding and tax credits.

We support the Agency's overall efforts toward a more objective, data-driven approach to allocating the state's limited resources. We are concerned, however, that there are limits to this approach—particularly in rural areas with lower population densities. We believe that the data sources that are available have significant limits, are primarily backward looking and may have an inherent bias toward larger communities. In addition, we believe some metrics within the criteria do not reflect the realities of life in rural communities and discourage a community-based approach to housing development.

Administrative Office
1414 North Star Drive
Zumbrota, MN 55992
Phone: 507-732-7391
www.threeriverscap.org
TTY: MN Relay Service:
1-800-627-3529

Faribault Office
201 South Lyndale Avenue
Faribault, MN 55021

Plainview Office
55049 241st Avenue
Plainview MN 55964

Wabasha Office
611 Broadway Avenue
Wabasha, MN 55981

Targeting Source Data

In several categories, the data available to the Agency is typically derived from American Community Survey (ACS) data from the U.S. Census. This data is available at the census tract level, suggesting a high level of accuracy and precision. However, the values published for tracts in the American Community Survey are interpolated from survey data collected over five years. These data have margins of error that can be over 30% above or below the published number. In several QAP categories, the Agency creates very hard and precise break points based on these estimates.

If, for example, the published median family income of a tract is even a single dollar below the value of the 40th percentile of comparable tracts, that tract is not eligible for economic integration points. This would be the case even if the ACS showed the published number could be as much as $10,000 more or less than the published income for the year. A published number that underestimates the median family income can result in a seven point swing that is more than enough to cost a community a needed project in the tight competition for tax credits.

Despite the lack of precision inherent in the data, the current application process does not allow for any clear method for disputing an anomalous value. We support the Agency's use of the best available data to target resources, but we suggest the Agency acknowledge the limits of the data and develop a more graduated point distribution for tract targeting and provide an option for making a narrative case with alternate data. This narrative option should make clear the expectations for providing a convincing, data-driven case.

Location Efficiency

In the Location Efficiency category, the 2017 QAP scoring gives preference to areas with access to public transportation and businesses and services within walking distance of the project. While it is hard to argue with the advantages these attributes offer residents of affordable homes, we fear the criteria used to evaluate these attributes is unfairly biased toward larger communities. For example:

Public Transit: Areas without fixed route transit service are at a five point disadvantage when compared to other Greater Minnesota areas with fixed route service. In effect, this means that only those communities that already have population densities sufficient to support fixed route service can receive the full nine points in this category. More rural communities that cannot support fixed route service (likely the majority of the area of the state) are only able to score up to four points and are therefore less likely to receive funding or a tax credit award.

Walkability: Locations must score at least 50 on the WalkScore website to receive a point for walkability and a score of 70 for two points. We are finding that these scores are extremely difficult to attain in many smaller communities. We believe this is due in part to issues inherent to the WalkScore methodology. For example:

- Because many of the services that appear on WalkScore are self-reported or reliant on a business' web presence, the scores are often skewed toward larger communities and urban neighborhoods where businesses are more likely to use web-based marketing and residents more likely to use web-based tools to locate services and attractions. Even a small city's modest technology budget can inadvertently work against it if the City's website does not capture all of the local public amenities. Many parks, for example, are missing from WalkScore's maps of smaller communities.

- WalkScore appears to give points for duplicate services and amenities in an area. In smaller towns, facilities and services are often scattered throughout the community and rarely duplicated because the consumer base simply cannot support multiples.

- WalkScore includes the availability of urban amenities like Car and Bike Shares in its criteria; and appears to give points for short block lengths. This suggests that the WalkScore methodology is tilted toward urban areas that can support urban amenities and already have urban development patterns.

- WalkScore has a number of errors in the base data it uses in creating a score. As a small, but easily verifiable example, WalkScore appears at times to confuse Rochester, Minnesota with Rochester, New York and Rochester, Illinois. This raises some questions about the reliability of the tool in areas with lower total numbers of amenities.

While our recent attempts to use WalkScore's on-line map editor have been successful in adding some services and amenities that are missing from the

WalkScore maps, these additions to the WalkScore maps have yet to change the actual WalkScore number. Given that it is unclear what the WalkScore methodology is and the fact that WalkScore uses a proprietary algorithm to create this score, applicants are unable to know how a WalkScore is derived or how to make a case that a particular WalkScore is incorrect.

We strongly believe that it is unwise for the agency to outsource its decision-making authority to an outside entity in such a highly-weighted category. We suggest, instead, that the Agency establish target commute distances more consistent with common commute distances in rural parts of the state and reconsider the use of WalkScore as the sole basis for walkability. We would suggest that the Agency's prior practice of providing maps identifying the location of nearby services and amenities was a preferable way to make a case for relative location efficiency in rural communities.

We understand the Agency's desire to develop clear, consistent, and objective criteria in support of thoughtful resource targeting, and we recognize the limitations of available data on which to make decisions. However, we believe the inherent limitations of the data and realities of life in rural communities should be acknowledged. To account for the disadvantage we see for rural communities, we would encourage the Agency to consider adding value to local participation in proposed projects in smaller communities. Small communities have not only limited development capacity, but they have limited financial resources to bring to bear on housing shortages. When small communities commit a significant percentage of the development cost of projects, they are oftentimes making commitments comparable to many times that value in communities with larger populations and greater resources. This imbalance should be recognized and supported with additional points.

Finally, we strongly encourage the Agency to reach out to greater Minnesota developers, policymakers, and community leaders in developing reasonable, equitable targeting criteria for rural communities. We believe the Agency can better serve greater Minnesota with greater involvement of voices from rural communities. With the recent shift from regular Regional Housing Group meetings to occasional Regional Dialogs, we find that there are fewer opportunities for greater Minnesota stakeholders to engage with Agency staff. We encourage the Agency to reinvest in the Regional Housing Groups. This small investment would have the dual benefit of both enhancing capacity in greater Minnesota and developing strong relationships and deep understanding between rural stakeholders and Agency staff.

We look forward to working with Minnesota Housing to provide quality affordable housing in communities throughout Minnesota.

Thank you for your consideration,

Jenny Larson

Jenny Larson
Community Development Director

MCCD
Metropolitan Consortium of Community Developers

3137 Chicago Ave
Minneapolis, MN
55407

612-789-7337 voice
612-822-1489 fax

www.mccdmn.org
info@mccdmn.org

March 19, 2015

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

Re: Written Comments Regarding Proposed Changes to the 2017 QAP

Dear Tamara Wilson,

The Metropolitan Consortium of Community Developers (MCCD) and our 48 members, appreciate the work that Minnesota Housing has been engaged in thus far in proposing changes to the 2017 QAP. We are generally supportive of the Agency's efforts to align the QAP with current community needs, and appreciate the effort that has gone into changes that address the long-standing issue of high cost of large reserves for housing that serves very low income people or Special Populations. We are also supportive of the Agency's shift of focus from the foreclosure crisis toward community recovery and community development.

A number of our members have submitted more detailed comments and suggestions. MCCD is offering comments on a couple of areas of more prevalent concern among membership:

1. Economic Integration: While we support and appreciate the economic integration selection priority, we wonder if there may also be an opportunity to add something like a mixed-income integration option to this priority. We would envision an integration priority supporting mixed-income housing in lower income communities by offering a percentage of the units to families with incomes at least 30% above the neighborhood average household income. Minnesota Housing may want to look at the city of Minneapolis' self-scoring worksheet #14 for more ideas of how to potentially scale economic integration efforts.

2. Community Recovery - Planned Community Development: Our members are very supportive of shifting the focus from foreclosure recovery toward community recovery and supporting local community development efforts. However, many of our members have expressed concern about this selection priority in that it seems unclear what evidence from local community development partners the Agency is looking for. It would be beneficial to specify the types of evidence that will qualify. It should be considered that in smaller communities, they often lack planning staff to create formal plans. Additionally, in larger cities with multiple development projects underway, cities may be reluctant to provide formal evidence of support or such evidence may require a lengthy approval process that would unnecessarily complicate the development work. Finally, we suggest that the contribution of city or even County resources toward the development should be considered solid evidence of community support.

Thank you for your consideration,

Jim Roth
Metropolitan Consortium of Community Developers
Executive Director

GREATER MINNESOTA HOUSING FUND

332 Minnesota Street • Suite 1201 East
Saint Paul, MN 55101
ph 651/221-1997
toll free 800/277-2258
fax 651/221-1904
web www.gmhf.com

March 19, 2015

Kayla Schuchman
Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul MN 55101-1998

Comments on the Proposed 2017 Housing Tax Credit Qualified Allocation Plan

Dear Ms. Schuchman:

As an annual funding partner with Minnesota Housing and others in the Super RFP, Greater Minnesota Housing Fund (GMHF) has awarded $50 million in gap financing to more than 200 affordable multifamily developments since 1996. Many of these projects have been funded through the tax credit program administered by the Agency. As a funding co-partner with the Agency, GMHF has a policy interest in how tax credit projects receive points and priority each year. It is from this vantage point and from our role as advocate for Greater Minnesota communities that we provide the following comments on the proposed changes to the Qualified Allocation Plan for 2017.

General Comments

GMHF and our partners in the development community appreciate the opportunity to provide public comments on the proposed QAP each year. A well-crafted QAP appears to be the result of months of research, reflection, and refinements on the part of the Agency staff. When the public comment period opens each year, the majority of the QAP has been drafted and has been presented to the Minnesota Housing Board. Our experience from prior years is that while the Agency is open to modifications following the public comment period, these changes are not substantive policy revisions but modifications to data sources or minor revisions. GMHF recommends that the Agency consider in future years opening up this process of reflection and refinements on the QAP with the larger housing community earlier in the year, to receive input of a more strategic scale. This can have the positive result of allowing the Agency's partners – developers, funders, stakeholders – an opportunity to better understand the Agency's proposed changes, and more thorough understanding and vetting of the data sources being proposed that drive point determinations.

Continue to use QAP to serve Highest-Need Households

GMHF appreciates the Agency's development of a QAP that closely aligns with statewide housing priorities such as creating and sustaining supportive housing with services, preserving existing subsidized housing that has valuable rental assistance that keeps tenant rents affordable, and remaining responsive to emerging needs such as workforce housing. GMHF is an advocate for providing affordable housing across the housing spectrum, though it can be a challenge to balance sometimes competing priorities that serve different segments within a single QAP. GMHF recommends the Agency continue to use the QAP to give priority points to developments that serve lowest-income households who are most cost-burdened, and to preserve existing developments that provide Rental Assistance that keeps tenant contributions at an affordable 30% of income. As the Agency's recent March 2015 publication "Statewide Analysis of Gaps in Affordable Rental Housing" points out, households with income at or below 30% AMI (extremely low income households) have the greatest need and have the fewest housing options.

Thank you for the opportunity to comment on the 2017 Qualified Action Plan. GMHF appreciates our long-standing partnership with Minnesota Housing, and your consideration of our comments.

Sincerely,

Robyn Bipes
Director of Programs & Lending
Greater Minnesota Housing Fund

Minnesota Housing Partnership www.mhponline.org 651-649-1710

mhp

3/19/15

via email

To: Minnesota Housing
From: Minnesota Housing Partnership, Chip Halbach

Subject: Proposed 2017 Qualified Allocation Plan

MHP has reviewed and endorses the March 16 written testimony provided by Rick Goodemann of Southwest Minnesota Housing Partnership. The changes to the QAP proposed by Rick would be very helpful for affordable housing development, particularly in Greater Minnesota communities.

From our TA team's work with the city of Princeton we can provide an example consistent with Rick's suggestion related to Economic Integration. That is, <u>in Greater Minnesota when a portion of a city falls within an Economic Integration census tract a project located anywhere in that community should quality for points under the priority area.</u>

Princeton, a community of 4600, falls within multiple census tracts. The western portion of the city in tract 1706 qualifies for Economic Integration tax credit points, but not tract 1707 which comprises most of the community. The city council hopes to expand their rental housing supply as city staff report waiting lists for all rental housing. The city wants to put rental housing on a prime development site it owns but the site is in 1707 which does not qualify for the points. The QAP should support housing markets as they function in Greater MN.

Our other example concerns Planned Community Development. We recommend that <u>regional planning qualifies as planning under this section, and a city council resolution identifying the plan in connection to a proposed project is evidence that the project contributes to the regional plan's objectives.</u>

Our experience with Housing Institutes illustrates the efficiency gained by having leaders from multiple communities convene and identify objectives for a targeted regional geography. This planning process typically includes identifying specific towns for housing development as a primary strategy to creating a more vital and sustainable region. This proven planning process being used in Greater Minnesota should be accepted as Planned Community Development under the QAP. Whereas in larger towns a plan can identify a specific subarea for housing development, the parallel for these economically interconnected Greater Minnesota communities is to set development priorities for entire communities, not subareas within communities, and the QAP should reflect that difference.

Wilson, Tamara (MHFA)

From:	Lee, Cynthia <Cynthia.Lee@commonbond.org>
Sent:	Thursday, March 19, 2015 2:01 PM
To:	Wilson, Tamara (MHFA); Schuchman, Kayla (MHFA)
Cc:	Higgins, Ellen
Subject:	Comments Regarding Proposed Revisions to the 2017 Housing Tax Credit Program

CommonBond appreciates the comprehensive changes Minnesota Housing has proposed for the 2017 Housing Tax Credit Program. We would like to offer our comments on the following items.

1. **Planned Community Development:**

The proposed definition of a planned community development does not clearly align with the types of revitalization plans typically undertaken by local government entities, including small area plans, master plans, corridor plans, redevelopment plans, TIF plans, development objectives, main street plans, etc. The definition of a planned community development should clearly allow for plans of these types and should specifically define acceptable plan types. Acceptable plan types should align with standard planning practices and paradigms.

The proposed points for planned community development are disproportionately high. The proposed planned community development requirements do not seem to be aligned with current efforts to achieve greater regional equity. In general, higher-income areas with strong markets are not likely to embark on a community revitalization plan process. Revitalization plans are far more likely to be developed in the inner city, in areas that are experiencing disinvestment and decline and are in need of revitalization. Small cities in greater Minnesota may not have access to resources to undertake a number of community revitalization plans. The proposed revitalization plan language strongly limits and discourages development and preservation in areas of opportunity, particularly in MN Housing's 'geographic priority areas'.

In addition, the proposed community revitalization plan requirement could end up having the unintended consequence of empowering cities to prevent affordable housing from being developed. Cities that are not supportive of affordable housing development could simply decide to take no action to pursue a community revitalization plan. This kind of passive opposition would be a very easy route for a city to take.

2. **Preservation Scoring:**

CommonBond disagrees with the reduction of potential points for Preservation. There is a clear ongoing need for resources to preserve federally assisted housing. HUD has recently made preservation one of its highest priorities, and has adopted several policies which support ways to facilitate combining LIHTC with HUD resources.

3. **Long Term Homeless:**

The proposed bonus point section requires that units be set aside either for LTH single adults or for families at risk of long-term homelessness. Conceivably, in some properties it might be appropriate to serve a combination of both of these populations. If, for instance, homeless units are being added to an existing preservation property, it might be appropriate to designate a combination of 1, 2, and 3 bedroom units as the homeless set-aside units.

Also, this section should clarify whether this new definition will affect the rent limits for families at risk of long-term homelessness vs. LTH rent limits, and it should also address the question of whether these rent limits would be required to remain static for the entire length of the residency of the homeless hh. In cases where a formerly homeless hh succeeds in obtaining and retaining a good-paying job, should the rent limit for that unit increase accordingly?

4. **Location Efficiency**

The WalkScore mapping tool is not accurate and is not reliable. Locational scoring should be based on other, more reliable tools.

5. **Universal Design**

The proposed design features in this section will have significant cost implications, creating conflict with MN Housing's priority for cost containment. In particular, we would note the following:

- For new construction, a number of the specified design features have very high cost implications, including the need for significant additional square footage in a number of areas. We estimate that the additional cost would be approximately $50,000 per unit.
- The 100% universal design pointing for elevator buildings represents a significant increase in required unit square footage and increased cost.
- For rehabilitation of existing buildings, many of the proposed minimum design features are not physically feasible, or are simply cost prohibitive. The proposed universal design requirements as written are generally not feasible for most rehabilitation projects.
- The technical and physical feasibility of several of these criteria needs further analysis. We would be happy to participate with MN Housing in further analysis.

6. **Rental Assistance:**

The definition of allowable rental assistance should include Section 811 and 202 PRAC assistance. With the current direction HUD is taking to eliminate the capital funding component for these programs, it is important for MN Housing to enable the potential for developments to combine 9% LIHTC with PRAC rental assistance.

7. **Green Communities:**

The current Green Communities requirements are resulting in significant feasibility challenges, particularly for Multifamily High Rise (MFHR- 4 stories and up) developments with underground enclosed parking. The Green Communities specifications for these properties now require the following:

- Parking below housing is required to be naturally ventilated and unheated
- Frost depth footings would be required throughout garage level
- All mechanical and plumbing would need to be enclosed in a plenum protected against freezing
- Plenum would potentially be an enclosed space requiring an additional fire sprinkler system
- Garage level would require a dry fire sprinkler system
- Adding a plenum to the garage design will increase the height of the building and/or depth of the garage level slab and frost footings
- Requires projects to be energy Star MFHR program certified
- Prescriptive and Performance design path currently do not allow for garage area tempering for freeze protection
- Prescriptive and Performance design paths are allowed for 1, 2 and 3 story but not 4 story projects
- Garage level drive ramps are required to be unheated resulting in excessively long ramps for safety. Site area increases dramatically which is inconsistent with urban infill sites.

These requirements when applied to climate zones 6 and 7 dramatically increase construction costs. In general, compliance with these requirements greatly restricts and increase site area. Additionally, these requirements could have a negative effect on urban infill and smaller sites, making them infeasible. These requirements will have the effect of increasing construction costs, land requirements and ultimately could reduce affordable housing development. Compliance with these requirements virtually eliminates four story affordable housing as a viable project model. In order to maintain any level of cost containment, we believe that these requirements should be adjusted within the Minnesota Overlay to be better aligned with the Minnesota climate.

Furthermore, it should be noted that the new 2015 energy code will add requirements and costs on top of the cost increases described above.

8. **Cash Flow Repayment Policy**:

We understand that there is a new MN Housing policy requiring cash flow repayments on subordinate deferred loans. This policy should be clearly defined in MN Housing's written RFP materials when the policy has been adopted and goes in to effect. This policy needs to take in to account a number of underwriting factors, including the impact on the limited partner's projections, minimum gain, bona fide debt, Seller Loan repayment requirements, and yields. We also believe that cash flow repayments should not automatically be required where the owner is providing and funding social services, or is a mission-based non-profit.

Please contact us if there are any questions. Thank you.

Cynthia Lee
Associate Vice President, Housing Development
CommonBond Communities
1080 Montreal Avenue | St Paul, MN 55116
Phone: 651-290-6245 | Main: 651-291-1750 | Fax: 651-291-1003
cynthia.lee@commonbond.org | commonbond.org | facebook

CommonBond builds stable homes, strong futures, and vibrant communities.

INSTITUTE ON METROPOLITAN OPPORTUNITY
UNIVERSITY OF MINNESOTA LAW SCHOOL

TO: Tamara Wilson

FROM: Institute on Metropolitan Opportunity

DATE: 3-19-2015

RE: Additional Comments on Proposed Changes to LIHTC Allocation Process

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The following comments on the proposed revisions are intended to accompany the testimony given at the public hearing on March 19th, 2015. In addition, we recommend that MHFA consult our previous comments on the 2014 revisions to the QAP, which are attached as Appendix I and incorporated by reference. Those comments discuss the agency's legal obligations pertaining to LIHTC allocation and the ongoing tendency of the LIHTC allocative process to award tax credits to projects in racially and economically concentrated neighborhoods.

What follows are comments specific to the proposed QAP revisions.

Information Released with Proposed Revisions

In order to better evaluate proposed LIHTC allocation changes, and to study the incentive effects within the allocation process, we suggest that MHFA release the following information alongside each year's planned QAP revision:

- All submitted proposals from the previous year or years
- Information about the location of those proposals
- Characteristics of those proposals, including:
  - Number of units
  - Affordability of units
  - Planned Total Development Costs
  - Land acquisition costs
  - Construction characteristics
  - Other planned sources of financing
- The point values those proposals were awarded *in each scoring category.*

Historic data going back multiple years would be particularly helpful in examining how QAP changes have impacted the pool of submissions as a whole.

Workforce Housing Communities Geographically Broad Scoring Criteria

The workforce housing communities criterion seems to be of limited use within the metropolitan area, because the five-mile radius applied to top job growth cities ensures that most of the urbanized metropolitan area qualifies for the full point value under this category. This erases important differences in job availability and economic opportunity between neighboring communities in the Twin Cities region. We would suggest, at least within the metropolitan area, a more exact approach, in which more points are awarded for building closer than five miles from a job center, incentivizing project developers to seek out the highest-opportunity areas.

Moreover, we recommend against the use of absolute values in any capacity when considering job growth, as doing so will inevitably favor the largest cities.

Planned Community Development Criterion

Although this criterion will almost inevitably result in a greater number of tax credits allocated to areas of concentrated poverty or racial segregation, one component of the proposed new methodology is particularly troubling. This is the requirement that the community development "plan or initiative" rely on affordable housing development as "a *primary* strategy to meet identified objectives." Affordable housing development is not widely regarded as having an economically beneficial effect by middle- or higher-income communities, and in the event that such a community were to pursue a plan as envisioned by this criterion, it is extremely unlikely it would include affordable housing as a "primary" strategy. These requirement should be phrase more broadly in order to incorporate a wider array of development plans. For instance, the following language could be used:

- The plan or initiative policies designed to revitalize a community and provide economic and educational opportunities to prospective tenants of the subsidized units.

Strategic Priority Policy Thresholds

While several of the new threshold requirements appear to be potentially useful policy tools, we are skeptical that they will, without additional refinement, meaningfully change allocative outcomes.

The thresholds are modified versions of preexisting point criteria. It seems likely, therefore, that any project which scores highly enough to be awarded tax credits in the competitive rounds would have satisfied at least one, and very likely more, of these criteria in the process. Put differently, a project which meets no threshold requirement would necessarily be relinquishing at least several dozen available points, severely limiting its competitiveness. As a result, without more support, it is hard to believe the threshold requirements transform the allocation process.

This is, however, one area where it is difficult to evaluate proposed changes without additional information, because it is impossible to know what proportion of past projects had not met these thresholds, or which thresholds are more frequently met.

Elimination of Strategically Targeted Resources and Foreclosed Properties Criteria

The elimination of the Strategically Targeted Resources and Temporary Priority – Foreclosed Properties criteria is a positive change. It simplifies the allocation process, increases policymakers' leverage over proposed development, and results in more predictable incentives. In general, one major flaw of the existing allocative system is the accumulation of an excessive number of point criteria and other conditions, making it difficult for policymakers to predictably pursue any given set of policy goals, and creating the potential for unexpected and unforeseeable interactions between seemingly-unrelated elements of the LIHTC award process. In general, we recommend that MHFA err on the side of simplicity, and attempt to use as few scoring criteria and preconditions as possible to achieve a well-defined set of policy objectives.

Special Populations

Although increasing the number of points available for Special Populations is not inherently problematic, it does raise some concerns. In the metro region, housing for special populations tends to be concentrated within limited geographic areas, particular in the central cities and in neighborhoods with a high degree of racial and economic concentration. Increasing the points available for projects serving special population therefore also risks increasing the amount of LIHTC funding put to use in these areas. To resolve this potential problem, extra care should be taken to ensure that this housing does not undermine MHFA's integrative objectives; this could take the form of stronger incentives for economic integration or a more specific requirement that projects availing themselves of the Special Population points not increase concentration.

Appendix I

Institute on Metropolitan Opportunity Comments MHFA QAP,

February 20, 2012

institute on race & poverty

Research, Education and Advocacy

February 20, 2012

Minnesota Housing Finance Agency
Multifamily Underwriting
Housing Tax Credit Program
400 Sibley Street, Suite 300
St. Paul, MN 55101-4451

Re: Orfield Comments on State Qualified Allocation Plan.

To Whom It May Concern:

The Minnesota Housing Finance Agency (MHFA) has a duty to "affirmatively further fair housing."[1] This affirmative duty is "more than an obligation not to discriminate," it is an obligation for MHFA to use its "immense leverage" to further "integrated and balanced living patterns."[2] Minnesota's proposed Qualified Allocation Plan (QAP) does just the opposite. It encourages racial segregation by encouraging the placement of projects in segregated or unstably integrated areas and discouraging projects in high opportunity white or stably integrated areas. The QAP must be amended to conform to the requirements of the Fair Housing Act and strongly encourage the location of the majority of units in pro-integrative locations. Between, 2005-2011, the QAP resulted in the building of 1,200 units in the central cities, areas with segregated, low performing elementary schools. At the same time the state rejected $32,000,000 worth of projects in the suburbs where schools are more likely to be low poverty, high performing schools. Moreover, these suburban projects may actually have been cheaper to build with lower rents than the new projects built in the segregated neighborhoods of the central cities.

MFHA is not only a disinterested banker. It must comply with the Tax Credit statute *and the Fair Housing Act*.[3] To the extent that the State has opted to have a single entity administer the LIHTC and CDBG/HOME block grant programs, the obligations to affirmatively further fair housing come into play with even greater legal force.[4] The State may be really efficient at

[1] 42 U.S.C. §3608 (d).

2 *NAACP v. Sec'y of Hous. & Urban Dev.*, 817 F.2d 149,156 (1st Cir. 1987).(citing NAACP v. Harris, 567 F. Supp. 637, 644 (D. Mass. 1983)).

[3] *Inclusive Communities Project v. Texas Dep't of Housing and Community Affairs*, 749 F.Supp. 2d 486 (N.D. Texas 2010).

[4] The certification that the State of Minnesota signs, as a precondition of receiving roughly $30 million/year in CDBG, etc., says that the State is promising HUD that all of its programs (not just those supported by CDBG, etc., but the entire housing and community development function) will be operated consistent with affirmatively further fair housing (AFFH) requirements. See Fair Housing Planning Guide, at p. 1-3: Applicability. Although the grantee's AFFH obligation arises in connection with the receipt of Federal funding, its AFFH obligation is not restricted to the design and operation of HUD-funded programs at the State or local level. The AFFH obligation extends to all housing and housing-related activities in the grantee's jurisdictional area whether publicly or privately funded. The Guide echoes the Civil Rights Restoration Act of 1988, which overruled the Supreme Court's Grove City case, and re-established the principle that recipients of federal funds must comply with civil rights laws in all

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producing affordable housing units, whether with LIHTC or otherwise, but the focus on the State as "banker only" and on raw numbers of units ignores one of the most important things Judge Cote wrote in her Westchester summary judgment opinion:

> The HUD Guide explains that while it is often the case that minorities are disproportionately represented among the low-income population, simply providing affordable housing for the low-income population "is not in and of itself sufficient to affirmatively further fair housing." This unsurprising statement is grounded in the statutory and regulatory framework behind the obligation to AFFH, which as already discussed, is concerned with addressing whether there are independent barriers to protected classes exercising fair housing choice. As a matter of logic, providing more affordable housing for a low-income racial minority will improve its housing stock but may do little to change any pattern of discrimination or segregation. Addressing that pattern would at a minimum necessitate an analysis of where the additional housing is placed.[5]

The Fair Housing Act forbids building a disproportionate share of low income housing in poor and segregated, or integrated but resegregating, neighborhoods, when it is possible to build that same housing in low poverty, high opportunity white or stably integrated neighborhoods. Under the Fair Housing Act "color blindness is not permissible" in the decision to add low income housing units to poor segregated neighborhoods or unstably integrated neighborhoods.[6] Courts in these circumstance have held that the "increase … of racial concentration is prima facie likely to lead to urban blight and is thus prima facie at variance with the national housing policy."[7] Moreover the courts have made crystal clear that "increasing or maintaining racially segregated housing patterns merely because minority groups will gain an immediate benefit would render such persons willing, and perhaps unwitting, partners in the trend toward ghettoization of our urban centers."[8]

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areas, not just in the particular program or activity that received federal funding. See http://www.civilrights.org/ monitor/march1988 /art1p1.html . Since the language of the AFFH provision of the FHA (42 USC §3608, and implementing regulations at 24 CFR Parts 91 and 570) are structurally similar to the civil rights statutes involved in the CRRA 1988, the principle is the same: Congress exercised its power under the Spending Clause to say, effectively: "If you take this federal money, then the entire housing and community development function of the state/municipality will be governed by these civil rights principles." If that is the case, then the State has an obligation to govern its own State programs in a manner that complies with AFFH. That includes the LIHTC program, whether operated by the State or legislatively delegated to Sub-Allocators. The obligation to run an AFFH-compliant program cannot be avoided by handing it off to another agency; the State will have obligations to monitor the entities to whom functions are delegated, and will retain respondent superior liability on top of the statutory, regulatory and contractual AFFH obligations.

[5] *See United States of America ex rel Anti-Discrimination Center of Metro New York v. Westchester County*, 668 F. Supp. 2d 548, 564-65 (S.D.N.Y. 2009) .

[6] *Shannon v. United States Dep't. of Hous. & Urban Dev.*, 436 F.2d 809, 820 (3d Cir. 1970) (finding that "increase or maintenance of racial concentration is prima facie likely to lead to urban blight and is thus prima facie at variance with the national housing policy" and therefore concluding that housing authorities should not site new housing in racially concentrated areas if there are viable alternatives); *see also* 24 C.F.R. § 941.202 (g) (2010) (requiring public housing sites to be accessible to "*educational*, commercial, and health facilities and services" that are "at least equivalent to those typically found in neighborhoods consisting largely of similar unassisted standard housing" (emphasis added)).

[7] *See* 436 F.2d at 821; 24 C.F.R. § 941.202.

[8] *Id.* at 1134.

The Fair Housing Act requires Minnesota Housing and all of the state sub-allocators to consider the racial balance of schools attended by government-supported housing recipients [9] The clear implication of this legal requirement is that stably racially integrated schools are a central component of fair housing policy. Similarly, the Supreme Court has repeatedly held that school and housing segregation are reciprocally related and the patterns of illegal housing segregation causes school segregation and, similarly, that illegal school segregation causes segregation in housing.[10]

Recently, HUD's Fair Housing Equity Assessment Grant Applications require grant recipients, such as the Met Council's Corridors of Opportunity Program, not only to monitor the racial balance of local schools but their academic performance as well.[11]

On February 23, 2010, Secretary Shaun Donovan clarified HUD's Fair Housing requirements for its state grantees before Congress, stating:

> [S]ustainability also means creating "geographies of opportunity," places that effectively connect people to jobs, ***quality public schools***, and other amenities. Today, too many HUD-assisted families are stuck in neighborhoods of concentrated poverty and segregation, where one's zip code ***predicts poor educational***, employment, and even health outcomes. These neighborhoods are not sustainable in their present state.[12] (emphasis added)

Contrary to law, the proposed QAP is not only impermissibly colorblind but goes beyond this to create a system of scoring that encourages the placement of housing projects in areas of minority concentration near deeply racially segregated and low performing schools, or in unstably integrated areas. This system of point scoring ignores Minnesota Housing's clear obligations to affirmatively further fair housing and to use its leverage to create balanced and integrated housing. Indeed, data described below indicate that, despite clear fair housing obligations, the state's fair share law, and a record of pro-integrative location decisions in earlier years, only 17 percent of subsidized units since 1986 are now located in a pro-integrative manner. Eighty-three percent of units are located in ways that now contribute to segregation or resegregation. This outcome is particularly suspect in contrast to MHFA's pro-integrative siting of affordable housing in the period from 1970 to 1986.

The need for more pro-integrative siting incentives in the Twin Cities is clear. According to Minnesota Department of Education data, the number of elementary schools in the region with very high non-white student percentages (above 80 percent) went from 11 in 1995 to 55 in 2002. Since 2002, this number has increased still further to 83. Put another way, the number of non-white students in highly segregated schools increased dramatically from just 3,419 in 1995 (or 8

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[9] *Shannon v. United States Dep't of Housing and Urban Development*, 436 F.2d 809, 822 (3d Cir. 1970); 24 C.F.R. § 941.202 (c)(2)(g); The Fair Housing Acts requires that HUD must consider 1) the racial balance of schools attended by government supported housing recipients, 2) the location of middle income and luxury housing, and 3) the availability of federally guaranteed low cost loans.

[10] See *Swann v. Charlotte-Mecklenburg Bd. of Educ.*, 402 U.S. 1, 20-21 (1971); *Keyes v. Sch. Dist. No. 1, Denver, Colorado*, 413 U.S. 189, 202-203 (1973); *Milliken v. Bradley*, 418 U.S. 717, 755 (1974).

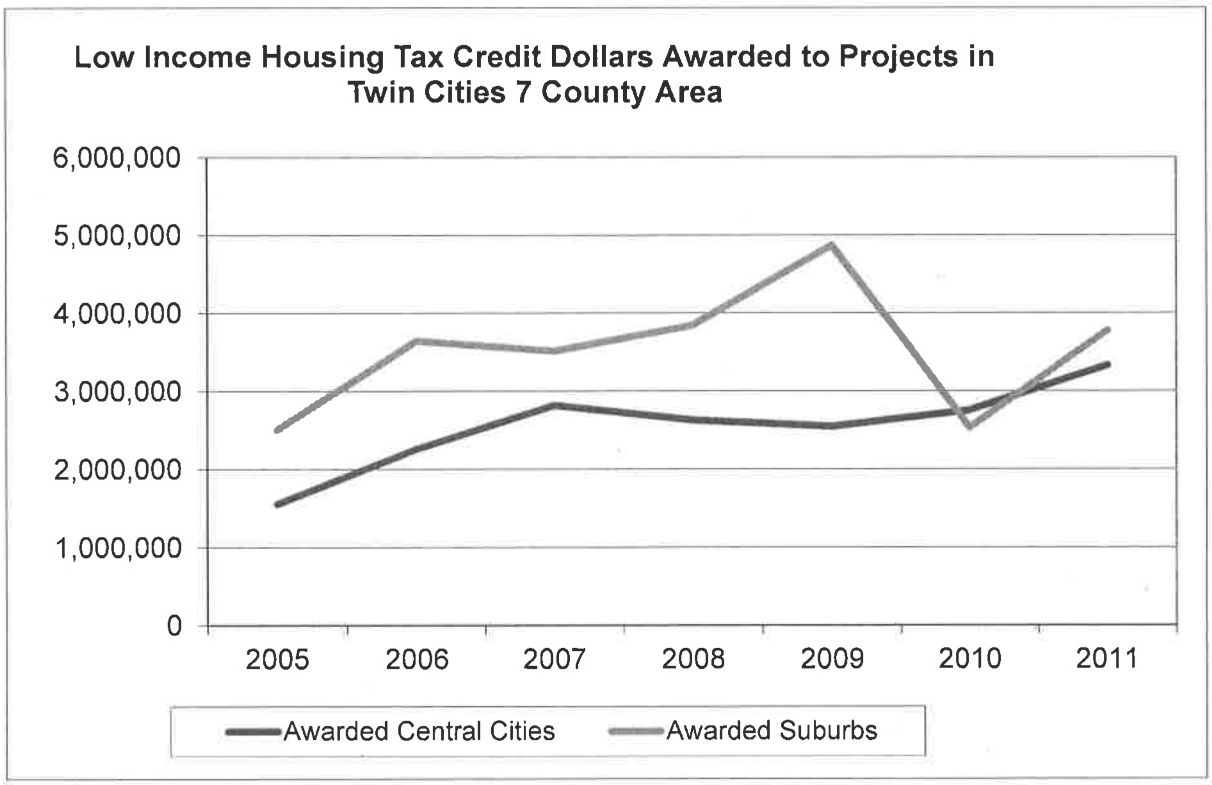
[11] *See* Addressing Equity and Opportunity: The Regional Fair Housing and Equity Assessment (FHEA) Grant Obligation (August 2011), http://www.prrac.org/pdf/Regional_FH_Equity_Assessment_HUD_Aug_2011.pdf.

[12] Press Release, HUD, Written Testimony of Shaun Donovan: FY2011 Budget Request for HUD (Feb. 23, 2010) (emphasis added), *available at* http://portal.hud.gov/hudportal/HUD?src=/press/testimonies/2010/2010-02-23.

percent of all students of color in the region) to 20,074 in 2002 (32 percent) and 31,535 in 2010 (36 percent).

Recent trends in the LIHTC Program

Recent research by the Institute on Race and Poverty (IRP), reported in *Region: Planning the Future of the Twin Cities* showed that, in 2002, roughly 50 percent of LIHTC units and 55 percent Section 8 project units were located in the region's two central cities.[13] IRP analysis of more recent tax credit allocation data in MHFA's annual publication of "Housing Tax Credit Awards and Applicants" shows that the percentage of LIHTC awards going to suburbs, measured in dollars, hovered near 60 percent from 2005 to 2009, dropping to 50 percent in 2010 and 2011 (reflected in the chart below). Thus the central cities with only a quarter of the region's population and deeply racially segregated schools have received roughly 50 percent of the tax credit units and recent tax credit funding.



Moreover subsidized housing units in the suburbs since 1986 continue to be located primarily in areas with schools which are predominantly non-white or that are resegregating. The map below shows the location of elementary schools in the region, divided into three categories—predominantly white (schools with non-white shares between 0 and 30 percent), integrated (non-white shares between 30 and 50 percent), and predominantly non-white (non-

[13] Orfield, Myron and Thomas Luce, *Region: Planning the Future of the Twin Cities*, University of Minnesota Press, 2010, Chapter 3.

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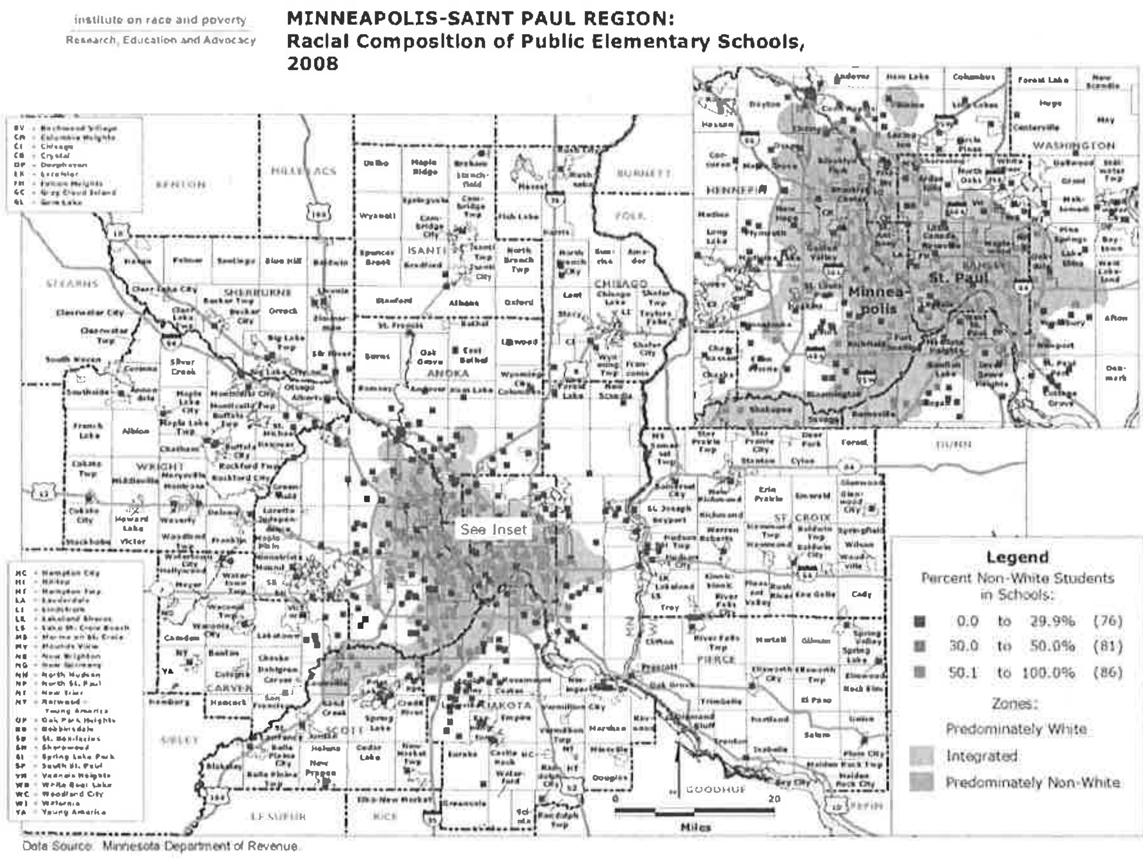
white shares greater than 50 percent). The map also shows contours for the parts of the region where schools of each sort predominate. In 2007, nearly two-thirds (64 percent) of all subsidized housing units in the region were inside the red contour where nearly all schools were predominantly non-white. Only 17 percent were in the non-shaded area where schools were predominantly white. This part of the region, of course, is where opportunity structures are strongest—where jobs are growing most quickly and where low-poverty, high quality schools predominate.

This pattern is very similar when compared to neighborhood characteristics (rather than schools). Despite multiple levels of law and regulation to the contrary, subsidized units are also still disproportionately in neighborhoods of minority concentration (as defined by HUD) in the Twin Cities. IRP analysis of Housing Link data shows that in 2007, 57 percent of subsidized units (including LIHTC and Section 8 project units) were in census tracts with more than 30 percent minority residents, more than twice the percentage of the region's population living in those tracts.



A simulation by IRP of the potential effects of the placement of subsidized units in 2005 showed that more proactive placement of existing LIHTC units in attendance areas for low

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poverty schools could have significantly increased school integration at that time.[14] For instance, if LIHTC and project-based Section 8 units had been assigned *randomly* by race and located across the region in the same proportions as overall population, then the region could have been brought nearly a third of the way to the goal of integrated schools in 2005.[15] It is thus conceivable that pro-integrative placement of new units in low poverty school attendance areas could do most of the work necessary for a racially integrated regional school system.[16] Indeed, in the long run, if housing policy returns to the more pro-integrative strategies of earlier decades it may be possible to have integrated schools with less pro-integrative busing than exists today.

Overall, as the central city schools have collapsed under segregation and poverty, the central cities have been allocated nearly twice their regional fair share of tax credit funding. Most of the tax credit units have been placed in neighborhoods in which the schools are predominately poor and non-white, have failing test sores (whether public or charter) and are growing worse and more isolated from college or middle-income jobs.

Recent MHFA tax credit allocation data also show that between 2005 and 2011, $10 million of new construction added about 1,200 of new units in the central cities, often in segregated neighborhoods, while at the same time, the state rejected about $32 million worth of requests from suburban areas, the part of the region more likely to have higher achieving and more integrated schools. In the suburbs, 85 percent of these LIHTC units are in white or stably integrated area. In the city, 85 percent of the units are in neighborhoods with more than 30 percent minority households and virtually all of the units are in areas with mostly non-white, high poverty and low performing schools. (See the table below and the map on the following page.)

[14] See Institute on Race and Poverty, *A Comprehensive Strategy to Integrate Twin Cities Schools and Neighborhoods*, p. 38, available at http://www.irpumn.org.-
[15] *Id.* at 39.
[16] If a random placement of units does half the work, a pro-integrative placement of all of the units by logical deduction could do even more.

Number of HTC and Affordable Rental Units by Percentage Minority in Census Tracts in the Cities of Minneapolis and Saint Paul, 2005-2011

		Rental Units Affordable at % of Regional Income		
% Minority in Tract	HTC Units	30%	50%	80%
0 to 19%	73	1,246	13,396	23,903
20 to 29%	263	2,135	9,963	16,023
30 to 49%	426	6,123	18,077	28,615
50 to 59%	200	2,915	8,823	12,693
60 to 79%	545	5,840	16,742	23,743
80% or more	329	3,628	6,779	9,690
Total	1,836	21,889	73,780	114,668

Number of HTC and Affordable Rental Units by Percentage Minority in Census Tracts in the Twin Cities Suburbs, 2005-2011

		Rental Units Affordable at % of Regional Income		
% Minority in Tract	HTC Units	30%	50%	80%
0 to 19%	1,127	6,954	26,301	60,473
20 to 29%	507	4,874	23,254	51,749
30 to 49%	282	1,905	12,398	25,412
50 to 59%	22	754	3,854	5,919
60 to 79%	0	295	3,029	4,174
80% or more	0	61	640	1,170
Total	1,938	14,843	69,476	148,897

Share of HTC and Affordable Rental Units by Percentage Minority in Census Tracts in the Cities of Minneapolis and Saint Paul, 2005-2011

		Rental Units Affordable at % of Regional Income		
% Minority in Tract	HTC Units	30%	50%	80%
0 to 19%	4.0	5.7	18.2	20.8
20 to 29%	14.3	9.8	13.5	14.0
30 to 49%	23.2	28.0	24.5	25.0
50 to 59%	10.9	13.3	12.0	11.1
60 to 79%	29.7	26.7	22.7	20.7
80% or more	17.9	16.6	9.2	8.5
Total	100.0	100.0	100.0	100.0

Source: 2005-2011 Minnesota Housing Finance Agency, 2006-2010 American Community Survey

Share of HTC and Affordable Rental Units by Percentage Minority in Census Tracts in the Twin Cities Suburbs, 2005-2011

		Rental Units Affordable at % of Regional Income		
% Minority in Tract	HTC Units	30%	50%	80%
0 to 19%	58.2	46.9	37.9	40.6
20 to 29%	26.2	32.8	33.5	34.8
30 to 49%	14.6	12.8	17.8	17.1
50 to 59%	1.1	5.1	5.5	4.0
60 to 79%	0.0	2.0	4.4	2.8
80% or more	0.0	0.4	0.9	0.8
Total	100.0	100.0	100.0	100.0

Source: 2005-2011 Minnesota Housing Finance Agency, 2006-2010 American Community Survey

It is also possible that suburban units could have been developed at lower expense than central city units. Over the last six years the average subsidy per unit according to MHFA in the central cities was $8,219 while in the suburbs it was $7,934. In this light, it is noteworthy that, according to the Dakota County Community Development Agency, rents in the projects they have built are much more affordable in term of both government subsidy and tenant rent than those in equivalent central city units. Such suburban units would have provided not only shelter to the children living in them but access to schools with much better graduation and college attendance rates.

The state's system of sub-allocators is also highly segregative. Because it focuses so much effort on the two central cities, it has been a clear impediment to integration which the state does not identify in its Analysis of Impediments to Fair Housing Choice. The placement of the low income housing tax credit by the Minneapolis and Saint Paul sub-allocators appears to be as segregative as the conduct by the City of Minneapolis which led to the successful fair housing law suit in *Hollman v. Cisneros*.[17] Because of the extremely segregative conduct of the central city sub-allocators, Minnesota Housing's obligation to create a pro-integrative scoring system for proposals is even more clear.

Under the QAP, contrary to the clear requirements of the Fair Housing Act, there are no points awarded for racial integration at all in the proposal evaluation process. Only one or two

[17] Civ. No. 4-92-712 (D. Minn. filed Apr. 21, 1995); see also Timothy L. Thompson, *Promoting Mobility and Equal Opportunity:* Hollman v. Cisneros, 5 J. Affordable Housing & Community Dev. L. 237, 237 (1996).

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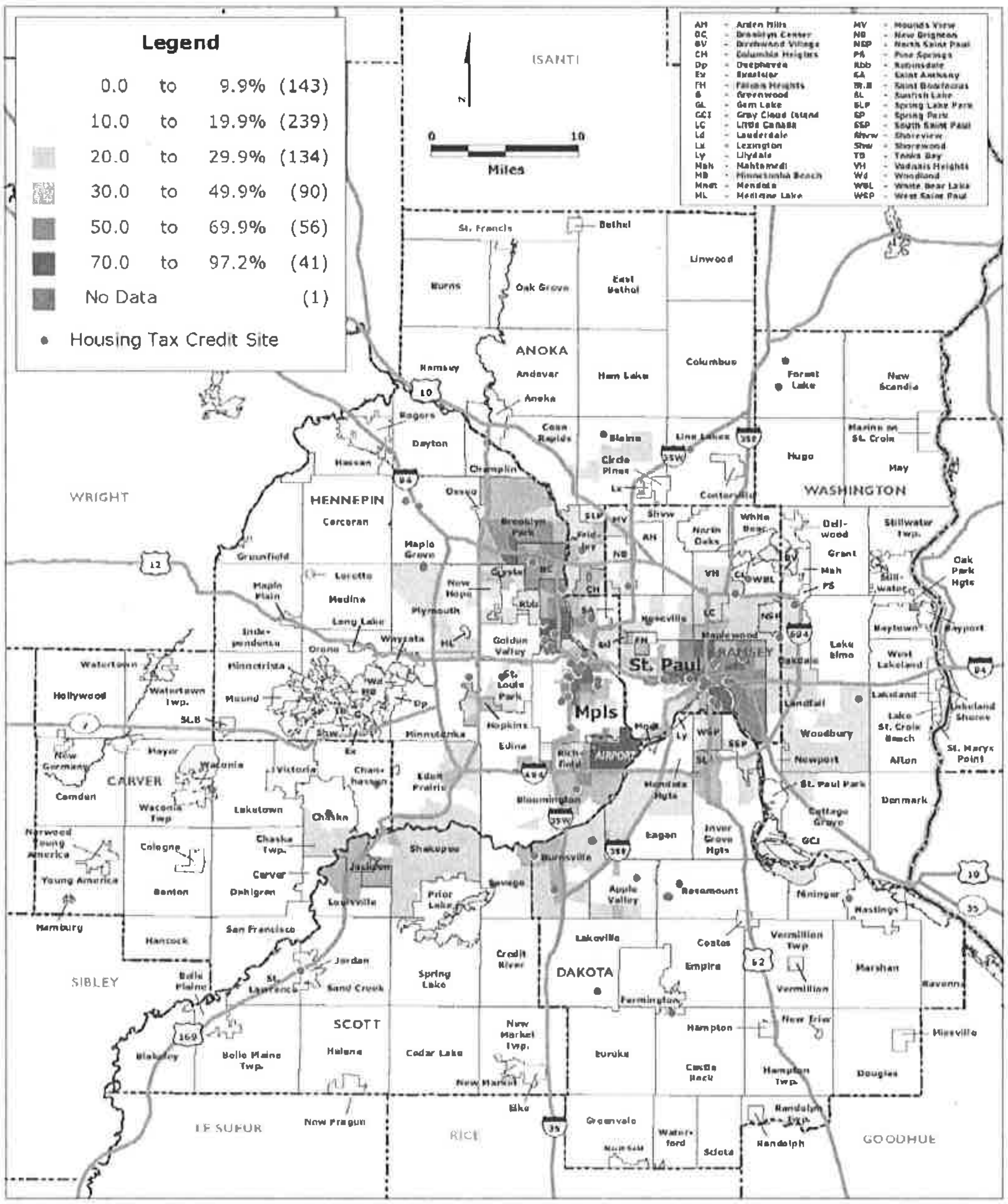
Institute on race and poverty
Research, Education and Advocacy

MINNEAPOLIS - SAINT PAUL REGION
Percentage Minority Population by Census Tract, 2010 and Housing Tax Credit Allocation Projects, 2005-2011



Data Sources: U.S. Census Bureau, Minnesota Housing Finance Agency.

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points are awarded for a potential project in low poverty areas. In contrast, virtually all of the other criteria, worth well over 100 points, appear to promote the placement of units in areas of minority concentration or resegregation. For example, "readiness to proceed" favors areas with less community opposition (24 points). In addition, "rehabilitation of existing structures" (10 points), "being part of community revitalization plan" (2 points), "using existing water or sewer" (10 points), "foreclosed properties" (10 points), "preservation of existing credits" (10 points) "permanent housing for the homeless" (110 points) "minimizing transportation costs" (3 points) "serves lowest income tenants" (13 points), "local philanthropic contribution" (which favors local CDCs operating in segregated neighborhoods) (10 points) would all seem to favor core city projects over areas where the schools are white or integrated and high-performing.[18] Even housing growth (10 points), which would generally appear to be pro-integrative by favoring suburbs, actually prioritized housing in Minneapolis and St. Paul in recent years when the cities led the region in new housing starts. Most recently, in 2010 the state agency added a criterion for "transit oriented development" which, if given effect, could increase the segregation of schools, particularly on the Central Corridor between Minneapolis and Saint Paul.

While some of the proposed changes to the QAP may slightly ameliorate this bias, most of the proposed changes actually make the system more segregative. Specifically, revising the targeting of the State Designated Basis Boost to areas that have community revitalization plans, historic buildings, and a high proportion of government supported housing is segregative. Other changes, such as revising the top growth community criteria, philanthropic contribution credit, and non-financial readiness to proceed could have very minor integrative effects, but will not change the overall segregative character of the QAP scoring criteria.[19]

The QAP must reflect the federal fair housing framework for stable metropolitan racial integration (SMRI) as articulated in the site and neighborhood standards developed under the authority of the 1) Fair Housing Act, 2) the Civil Right Act of 1964, and 3) the equal protection clause of the U.S. Constitution.[20] These site and neighborhood standards are codified at 24 C.F.R. § 941.202.[21]

For purposes of stable metropolitan racial integration, the Fair Housing Act creates three types of metropolitan neighborhoods or communities:

1) "*Areas of minority concentration*,"[22] or neighborhoods or communities with more than 30 percent non-white population in housing and/or neighborhood schools. These are neighborhoods or communities that are largely non-white and poor, or on a clear path toward racial and social segregation and disinvestment caused by housing discrimination. Under the Fair Housing Act, "color blindness is not permissible" in areas of minority concentration and the

[18] See Minnesota Housing, Self-Scoring Worksheet, 2012 Housing Tax Credit Program. (Scoring Criteria).
[19] See Proposed Revisions to the Qualified Allocation Plan (QAP) and Procedural Manual, 2013 Housing Tax Credit Program.
[20] See Orfield, *Racial Integration and Community Revitalization: Applying the Fair Housing Act to the Low Income Housing Tax Credit*, 58 Vand.L.Rev 1747, 1763-1776 (2005).
[21] See also *Shannon v. United States Dep't of Housing and Urban Development*, 436 F.2d 809 (3d Cir. 1970).
[22] 24 C.F.R. § 941.202 (c)(1)(i).

"increase of racial concentration is prima facie likely to lead to urban blight and is thus prima facie at variance with national housing policy."[23]

2) "*Racially mixed areas*"[24] or neighborhoods or communities that are presently integrated, but where integration is fragile and subject to resegregation. These are neighborhoods or communities with a white and middle income majority, whose racial and economic stability is threatened by illegal and un-redressed housing discrimination including, but not limited to, a) steering by real estate agents, b) individual and geographic credit discrimination, c) discriminatory placement of government sponsored low income family housing, d) discriminatory drawing of sub district school district attendance area boundaries or catchment areas[25], and e) other discriminatory housing or education practices by state governments or by surrounding local governments. The Fair Housing Act requires HUD to consider the racial balance of schools attended by government-supported housing recipients.[26] The clear implication of this legal requirement is that stably racially integrated schools are a central component of SMRI enforcement.[27]

3) All other neighborhoods or communities that are predominantly white and middle or upper income and under no threat of resegregation caused by housing discrimination. A subset of these neighborhoods includes "high opportunity neighborhoods or communities" (HOC). HOCs are defined to include the region's: a) best performing and best funded local public schools (which must also be either predominantly white and low poverty or stably racial and economically integrated); b) best health facilities, services, and outcomes; c) best municipal facilities and services at a given tax rate, d) highest growth of entry level employment; e) highest concentration of luxury housing; and f) strongest, federal guaranteed, low cost prime credit market for housing and businesses redevelopment.[28] SMRI policy requires that these types of communities be prioritized for the placement of new government subsidized family housing. Research not only shows this approach is necessary for SMRI, but also shows that placement of housing in HOCs provides the best result for advances in educations and employment success.[29]

The QAP should be redrafted to change the implied pro-segregative incentives to pro-integrative ones. Under the Federal Fair Housing Act, 75 percent of projects should be pro-integrative or at a minimum the allocation plan must provide more pro-integrative siting decisions than segregative ones in each cycle.[30] All segregative decisions must occur in the context of a properly prepared community revitalization plan that will actually revitalize the neighborhood (as measured by school characteristics, the share of middle-income residents, and

[23] *Shannon*, 436 F.2d at 821.
[24] 24 C.F.R. § 941.202 (c)(1)(ii).
[25] See *Keyes v. Denver School District*, 413 US 189 (1973)(outlined standards for fair drawing of school catchment areas and declaring that housing and school segregation are reciprocally related).
[26] See 436 F.2d at 822
[27] *Keyes*, 413 U.S. at 201 (segregated school boundary drawing and segregated housing patterns have reciprocal effects).
[28] 24 C.F.R. § 941.202 (c)(2)(g); The Fair Housing Acts requires that HUD must consider 1) the racial balance of schools attended by government supported housing recipients, 2) the location of middle income and luxury housing, and 3) the availability of federally guaranteed low cost loans. See *Shannon*, 436 F.2d at 822.
[29] See IRP, "A Comprehensive Strategy to Integrate Twin Cities Schools and Neighborhoods," pp. 9-12, http:www.irpumn.org., for a review the research documenting the benefits of integrated schools.
[30] See *Gautreaux v. Chicago Hous. Auth.*, 304 F. Supp. 736, 737-38 (N.D. Ill. 1969).

local business vitality). A plan that simply represents the status quo regarding segregation is impermissible under Title VIII.

The new criteria must incentivize the placement of units in high opportunity communities, or geographic areas with low poverty, high performing schools with less than 30 percent of the children qualifying for free or reduced cost lunch, and with less than 30 percent non-white students. In addition to integrated schools, the QAP should incent housing in cities and school districts with high levels of new entry level job growth, high fiscal capacity and low local tax rates, the best public health statistics, and the lowest crime rates.

The MHFA should redraft its QAP to conform to the requirements of the Federal Fair Housing Act and use its all of its "immense leverage" to further integrated and balanced living patterns.[31] Its scoring system should incent stable racial integration. It is good policy for the region and it is the law of the land.

Sincerely,

Myron Orfield
Professor of Law
Director of the Institute on Race & Poverty

[31]817 F.2d at 156 (citing NAACP v. Harris, 567 F. Supp. 637, 644 (D. Mass. 1983)). The First Circuit pragmatically argued the legislative history reflects an intention that HUD should "use its grant programs to assist in ending discrimination and segregation, to the point where the supply of genuinely open housing increases." NAACP v. Sec'y of Hous. & Urban Dev., 817 F.2d at 155.

MINNESOTA NAHRO SERVING MINNESOTA'S HOUSING & COMMUNITY DEVELOPMENT NEEDS

March 19, 2015

Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St Paul, Minnesota 55101-1998

Sent via email to tamara.wilson@state.mn.us.

RE: Comments on the Proposed 2017 Qualified Allocation Plan (QAP)

Dear Commissioner Tingerthal:

On behalf of Minnesota NAHRO and its members, thank you for the opportunity to provide comment on the Proposed Revisions to the 2017 Housing Tax Credit Program and Qualified Allocation Plan (QAP). Minnesota NAHRO members own, manage or administer the majority of subsidized rental housing in Minnesota including all public housing plus the administration of the Housing Choice Voucher/Section 8 program. Please consider this letter our comments on the proposed changes to the 2017 Housing Tax Credit QAP.

Strategic Priority Threshold

The addition of the requirement that all tax credit projects must meet one of the agency's Strategic Priority Policy Thresholds creates an inappropriate requirement not required by statute and undermines the role of the sub-allocators across the state. The governing statute clearly outlines what is required for a project to be eligible for tax credit financing. As such, the creation of the "priority threshold" imposes requirements that exceed this statutory authority. While it is recognized and expected that the agency should direct funding to its strategic priorities through the QAP, this should not be a threshold requirement that determines eligibility for the program.

Moreover, this requirement undermines the role of the sub-allocator in the process which is also recognized in statute. The imposition of this requirement will make it more difficult for the sub-allocators to address their own program outcomes based on local needs and market conditions. It is also clear from the remainder of the QAP that the agency is able to effectively direct funding to its strategic priorities so this threshold requirement is unnecessary.

Revised Household Targeting Criterion

Addressing the impact of the Olmstead Plan in the QAP is an important component moving forward but it is critical to maintain flexibility regarding the funding of services due to program funding changes expected at the state and federal level in coming years. In addition, serving very low income households at or below 30% AMI regardless of unit size should receive points even if the project does not explicitly serve disabled or homeless populations.

Community Recovery, Planned Community Development Criterion

As currently drafted, there is concern this requirement will have a disproportional impact on smaller communities that do not typically produce such plan documents. In addition, the QAP should clarify that the involvement of local HRAs, CDAs, PHAs or similar organizations meet the local jurisdictional requirement. Finally, the types of plans needed to meet this requirement are costly and will impose additional costs for the local jurisdiction and/or the development. As such, the commitment of local resources in support of the project should also be considered a qualifying factor/evidence of local support.

Workforce Housing Criterion
Including a workforce housing criterion recognizes the demonstrated need for such affordable housing across the state (especially in Greater Minnesota) and is therefore an important addition to the QAP. However, as currently structured, there is concern that the proposal is too restrictive geographically and data driven. Since both the funding sources and the type of projects that will move forward continue to change over time, it will be important for this criterion to have some flexibility as the market responds to viable projects. In addition, while the data is informative, it can be dated especially for Greater Minnesota communities. As such, other data sets may be available to provide evidence that a development is appropriately located such as low unemployment rates or low vacancy rates. Finally, the geographic limitation to 5 miles in the metro and 10 miles in Greater Minnesota is too restrictive and needs to allow for a development that serves that identified market but may not meet the 5 or 10 miles radius requirement.

Preservation Scoring Criterion
Preservation should continue to be a priority for scoring but the proposed reduction by five points appropriately balances this criterion with the need for new construction.

Location Efficiency Scoring Criterion
The Greater Minnesota location efficiency should be revised as the identified distance in the current transit score is a significant limitation and should be increased. It is appropriate to allow points for either completed or planned transit services. However, the reliance on WalkScore is problematic especially for Greater Minnesota communities as the data source has been inaccurate for a number of communities, the methodology used is unclear and therefore the WalkScore is an inadequate measure.

Universal Design Criterion
The shift to universal design is understandable especially in light of the Olmstead Plan but there is continued concern that this increases project costs. Moreover, rehab projects will most likely fail to meet these criteria and should not be penalized under this provision. The agency should incorporate universal design criteria with caution and the agency should asses how universal design criteria may impact overall unit costs.

Rental Assistance Criterion
The reduction on the percentage or number of units required to have project based rental assistance is appropriate especially light of the ongoing funding reductions experienced at the federal level for organization's administering the program.

Cost Containment Methodology
The effort to hold down total development costs is important and it is clear that development costs will continue to increase rapidly if the economy continues to improve. The agency should investigate cost drivers in previous rounds and look to the other states for alternatives.

The remaining comments concern items not specifically addressed in the 2017 QAP but we expect them to be important issues in future funding years governed by this proposal.

Rental Assistance Demonstration Project

Among the impacts of the RAD program is the expected funding shift for public housing properties. Specifically, in the past their funding was generally limited to the Operating and Capital Fund but, through RAD conversions, these properties will tap into tax credit programs (currently most RAD tax credit properties used the less competitive 4% credit). There is much to learn as the RAD program continues to increase the number of units available for funding. Minnesota NAHRO requests that the agency work with state industry experts to assess the impact of the RAD program in the coming years and how it interacts with the state's tax credit program, the Project Based Section 8 program as well as the federal funding landscape.

Age Restricted Housing Serving Seniors

Minnesota NAHRO is concerned that there is no clear or adequate production option for communities to meet the needs of low income seniors. Specifically, the 2017 QAP does not directly address the growing need for affordable senior housing while many of the funding resources used to develop such projects either no longer exist or face considerable market pressures. As such, it is recommended that Minnesota Housing provide an equal opportunity and/or additional opportunities when considering a proposal for supplemental housing tax credit and/or gap financing if a sub-allocators top tax credit selection is a senior (age restricted) development serving low income seniors at 30% AMI. Allowing for this type of development will leverage the state's investment and serves an increasing number of very low income households in the state. Without the state's commitment, the need will only increase and become more expensive to address.

Thank you for the opportunity to submit these comments on behalf of Minnesota NAHRO member agencies. If I can be of further assistance, please do not hesitate to contact me.

Sincerely,

Shannon

Shannon Guernsey, JD
Executive Director

TRAVOIS

310 W. 19th Terrace
Kansas City, MO 64108

March 19, 2015

Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul, MN 55101-1998

Ladies and Gentlemen:

We appreciate the opportunity to comment on the 2017 draft Qualified Allocation Plan (QAP). Over the past decade, Travois has had the privilege of working with several Indian Tribes in Minnesota on 26 Low Income Housing Tax Credit Projects. On behalf of Travois and its Indian Country clients, please accept the following comments with regards to the possible 2017 changes.

Policy Thresholds

We assume the language for "tribal corporate entities" includes Tribally Designated Housing Entities (TDHEs)/tribal housing authorities. We ask that MHFA clarify the language to specifically include TDHEs in addition to tribal governments and tribal corporate entities. We also recommend that MHFA include those Priority Policy Thresholds on the Self-Score Worksheet (or ensure that the requirement is clear in the Procedural Manual). If included on the Self-Score worksheet, the expanded definitions would not be necessary but the shortened form would be helpful (Access to Fixed Transit, Greater MN Workforce Housing, Economic Integration, etc.).

Federal/Local/Philanthropic Contribution

We ask that MHFA clarify the language to include Tribally Designated Housing Entities (TDHEs) to go along with tribal governments. The language could read "tribal government/Tribally Designated Housing Entity (TDHE)" on Page 6 of 23 of the draft Self-Score Worksheet.

New Planned Community Development Section

From the Proposed Revisions provided by MHFA, the definition of Planned Community Development is discussed and expectations are outlined. However, the Self-Score Worksheet does not clearly define how points will be awarded in this category. It is not clear how many points will be available in this category nor is it clear if there will be an opportunity for different amounts of points. MHFA should also clarify what documentation will be required in order to be eligible for these points.

Permanent Supportive Housing for Households Experiencing Homelessness

In the bonus point section, MHFA should clarify in the first sentence that "For proposals receiving points under A.2 above", bonus points will be available. We assume that to be the intent with the other language in that section. Without the clarification of A.2 included, it is unclear whether a project with LTH units targeted to single individuals could be eligible for the bonus points.

In general in this section, it seems that projects providing 5% or more, but no fewer than four units, targeting 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 Coordinate Entry System (and receiving points accordingly) should automatically be eligible for these points. We are not 100% clear why it is necessary to make the selection for these points. Instead, MHFA should add language simply stating that projects receiving those points will automatically be eligible for consideration by MHFA of the bonus points. The process seems ambiguous as to how exactly these bonus points are awarded in review of the applications.

Location Efficiency and Walkability

We are disappointed that the location efficiency continues to be tied to a project's Walk Score. This category has always been problematic for tribal projects (and rural projects in general). Consider the project submitted in 2015 by Mille Lacs Corporate Ventures. Despite an ideal location in Hinckley, MN the project only achieves a Walk Score of 18 of 100.

Considering the highest Walk-Score in all of Hinckley, a potential project could only score 41 of 100 (thereby not eligible for any points).

100-198 Main Street East

Hinckley

Favorite Map Nearby Apartments

41 **Car-Dependent**

Most errands require a car.

Score Details

Despite being in an Workforce Housing community that received points last year, there is no opportunity for any project to earn a high enough Walk Score to be eligible for points in the LIHTC scoring process.

What's problematic for rural communities—and especially tribal projects—is that amenities that are available may not be accurately reflected within the Walk Score calculation. Consider the First Light Health System clinic in Hinckley. Though less than .2 miles away, it is not identified as a Walk Score amenity.

FirstLight HEALTH SYSTEM Hinckley

Located in Hinckley, MN before the Grand Casino.

FirstLight Health System offers primary and specialty care services at 4 locations in Mora, Hinckley and Pine City.

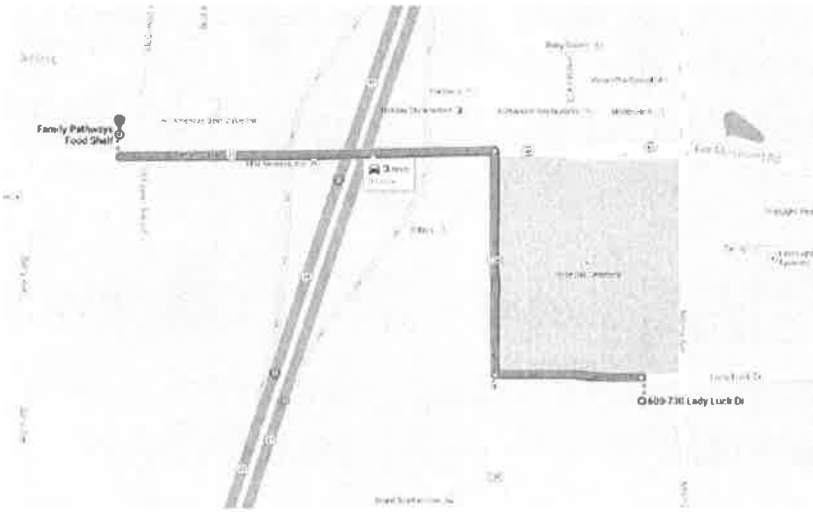
At FirstLight Health System, you can expect patient centered care by a team of highly skilled and compassionate health care providers. FirstLight Health System is committed to providing our community with the highest quality medical care in a warm and caring environment.

As the wellness leader in our community, we recognize that nothing is more important than you—our patient—and your family and friends. That's why we work hard to build relationships and trust with patients. Our network of providers, hospitals, specialists and clinics bring you the health care you'll need throughout your life.

Phone Numbers
Main: 320-384-6189

Street Address
FirstLight Health System- Hinckley Clinic
620 Sandy Lane
Hinckley, MN 55037-8381

Important social services are also overlooked. Despite being within .5 mile of a food pantry, these points are not factored into the Walk Score either.



We respect MHFA's effort to enter into a licensing agreement to be able to dispute a score. Based on our experience in Michigan (who also uses Walk Score in their scoring process) and the Sault Tribe Housing Authority, this process is not the answer. While our client there was able to appeal and increase their Walk Score slightly, the timing of the process is worth mentioning. In that process, it was extremely difficult to identity a person with the ability to hear the request/appeal. Once a contact was identified and communication began with a person able to hear the request, the information was exchanged over a short period of time. A detrimental factor in that process, however, was that the scores on the website are only updated every six months. Even with the appeal (and acknowledgment that the score should be increased by Walk Score), the information available on the website was not made available until the next update cycle. In their case, that coincidentally happened to be within a several week period of the initial communication. It's highly plausible though that a group could appeal with the application submission date due between the time of the appeal and when the website is updated six months later. In that instance, the appeal is meaningless.

The proposed accommodation, which allows an applicant to lobby Walk Score for a more accurate assessment of walkability, will have no mitigating effect for the majority of tribal projects. The fundamental problem is not that Walk Score does not accurately reflect the amenities available, but that reservations are in locations where these amenities are spread out over larger distances or are unlikely to exist at all. The underlying assumption driving location-placed scoring criteria seems to be that these developments will be more desirable, marketable places to live which will translate to faster lease up, lower turnover and increased chances for overall project success. This assumption simply does not apply to tribal projects to the same degree it would to other projects. The vast majority of Travois' 168+ tribal projects would have scored abysmally by Walk Score standards. However, these projects have been incredibly successful – as judged by rapid lease-up, low turnover, lengthy waiting lists for project units, and no uncorrected 8823s or credit recapture.

We strongly recommend that MHFA return to a list of site amenities to supplement Walk Score, where applicants can earn points for being in proximity to a fixed list of amenities *or* by providing transportation services to those amenities. Ultimately, MHFA should want to fund affordable housing for those most in need. A project's Walk Score has nothing to do with need and shouldn't outweigh other, much more compelling factors in a project's potential success, such as demand, low financial risk, and deep income targeting.

Cost Containment

Travois recognizes the importance of containing construction costs. We also acknowledge that state housing agencies across the country are being scrutinized to ensure the most effective and efficient use of their tax credit allocation. We agree that the intent of the LIHTC program is to provide safe, decent and affordable housing to individuals and families in need and that the tax credit resource should not be abused. Unfortunately, the cost to construct projects on Indian reservations and tribal land is inherently higher than the cost to construct off the reservation, due to the remote locations of the projects (e.g. added fuel and transportation costs, increased labor expense) and governmental procurement policies. Additionally most, if not all, tribal construction consists of building or rehabilitating single-family detached housing, which is more costly than the construction or rehabilitation of multi-family attached units.

We appreciate the adjustments MHFA has integrated related to considerations such as TERO but as the recent submission from Mille Lacs Corporate Ventures indicates, the adjustments made do not accurately capture the high cost to develop tribal projects. MHFA indicates that the proposed project in Hinckley would have had the highest costs (when it was determined that TERO would not be applicable in this instance).

We encourage Minnesota Housing to implement cost containment thresholds specifically created for tribal projects based on limits already imposed by HUD's Office of Public and Indian Housing (PIH), which factor in a majority of these outside influences. Under the Native American Housing and Self-Determination Act (NAHASDA), HUD annually adopts TDC limits for moderately designed houses for each tribe by averaging construction cost information from both the Marshall & Swift/Boeckh. LLC and RSMeans Residential Cost Data indices and applying location and TDC cost inflation factors.

PIH Notice 2014-16 provides TDC guidance for tribes to follow under NAHASDA along with the current applicable TDC maximums for all MN tribes within the HUD Eastern/Woodlands Office of Native American Programs. Those tribal TDC limits used by HUD are below. We strongly encourage the agency to use HUD's tribal development cost limits as a baseline for determining the low cost/moderate cost thresholds for tribal projects.

ONAP OFFICE	STATE	TRIBAL AREA	1BDRM	2BDRM	3BDRM	4BDRM
Eastern/Woodlands	MN	Bois Forte Band of Minnesota Chippewa	$281,360	$314,468	$359,477	$392,902
Eastern/Woodlands	MN	Fond Du Lac Band of Minn. Chippewa	$284,591	$318,178	$363,863	$397,776
Eastern/Woodlands	MN	Grand Portage Band of Minn. Chippewa	$284,591	$318,178	$363,863	$397,776
Eastern/Woodlands	MN	Leech Lake Band of Minnesota Chippewa	$262,066	$293,288	$335,827	$367,368
Eastern/Woodlands	MN	Lower Sioux	$266,890	$298,583	$341,739	$373,751
Eastern/Woodlands	MN	Mille Lacs Band of Minnesota Chippewa	$282,983	$316,413	$361,892	$395,648
Eastern/Woodlands	MN	Prairie Island Sioux	$301,246	$336,896	$385,411	$421,414
Eastern/Woodlands	MN	Red Lake Band of Chippewa	$262,066	$293,288	$335,827	$367,368
Eastern/Woodlands	MN	Shakopee Sioux	$304,462	$340,426	$389,353	$425,669
Eastern/Woodlands	MN	Upper Sioux Indian Community	$294,768	$329,296	$376,197	$411,047
Eastern/Woodlands	MN	White Earth Band of Minnesota Chippewa	$261,520	$292,580	$334,874	$366,246

Thank you for the opportunity to provide comments on the 2017 draft QAP. If you have any questions regarding the suggestions above, please do not hesitate to contact us directly.

Wilson, Tamara (MHFA)

From: Karen Olesen <kolesen@DuluthMN.gov>
Sent: Thursday, February 12, 2015 11:43 AM
To: Wilson, Tamara (MHFA)
Cc: 'khamre@duluth.mn.gov'; Parker, Terri (MHFA); Porter, Robert (MHFA); 'wesley.butler@state.mn.us'; Dickinson, Renee (MHFA); Suzanne Kelley
Subject: RE: Rescheduled Meeting - 2016 HTC Annual Suballocator Meeting - Rescheduled Meeting

Tamara, et al –

Thanks for hosting the sub-allocator meeting this morning! Appreciate the opportunity to call in, since we just couldn't make a trip "down South" work. I do have a few comments that didn't warrant interrupting the meeting, but want to pass along.

Revitalization Plans vs. Land Use Plans – Sometimes, a Land Use Plan serves as a Revitalization Plan, so be careful about dismissing just on the basis of a title. Duluth is doing "Small Area Plans" in selected neighborhoods that start with aligning zoning with our relatively new Comprehensive Plan, but go further. As an example, the Small Area Plan for Lincoln Park is underway right now and the scope includes health impacts (participation by MN Dept of Health), bicycle & recreational trails, neighborhood businesses (UMD Engineering student teams working with businesses on potential improvements), sustainability, housing, "food desert" issue, etc. The very large steering committee is made up of residents and business owners. So although it is facilitated by City Planning staff and called a Land Use Plan, it is a revitalization plan at heart.

Cost Containment – Duluth's construction and rehab costs are similar to the Metro area (not Greater MN). We have to build on rock, slopes, infill sites with contamination. The labor force is highly unionized, and demand for contractors and construction labor has increased costs even more. If we provide the evidence (Davis Bacon wage rates, work with Rick Klun at Center City to compare construction in Duluth vs Rochester & St. Cloud), would you consider including Duluth under the Metro category for cost containment?

Communicating Local Priorities – We really want to keep the lines open, as that's only a "win win" for all of us. There was mention of a mid-July meeting with funders, sub-allocators, HRA providers of project based vouchers, to talk about priorities. Would it make sense to include Joint Agreement folks?

The Duluth contingent is excited about having MN Housing staff provide TA up here in March, as was offered the day of the O'Neil Apts grand opening. Have you given any thought about potential dates that would work? If you let Keith & I know, we'll start the ball rolling!

Thanks, again, for a really informative meeting.

Karen Olesen, Senior Planner
Community Development Division
City of Duluth, MN 55802
218-730-5303

TO: TAMARA WILSON
FROM: DOMINIUM INC.
SUBJECT: 2017 QAP
DATE: MARCH 19, 2015

We have reviewed proposed changes to the QAP and have several comments to share. We will divide them between General and Specific:

General

1. Timeframes: The timeframe between application submittal (June) and board approval (October or November) is 120 days or more. Given the very strong economy and tight housing markets, it is becoming increasingly difficult to maintain site control over extended periods – anything the agency can do to shorten these approval periods will benefit housing sponsors' abilities to control better sites.

2. Bond Projects: Requiring these projects to include Green Communities criteria adds costs to these projects and thus reduces feasibility, and thus reduces the amount of this resource that comes to Minnesota. The Agency should consider reasonable waiver requests in this area or should consider providing additional resources to pay for these costs.

3. Complexity: The point scoring system is becoming more complex and more involved instead of less. This additional complexity adds to uncertainty, which adds costs to sponsors. This complexity appears geared towards trying to accomplish multiple policy goals simultaneously through the 9% tax credit – is it possible to meet all of these goals through this one program?

Specifics

1. Proposed Strategic Priority Threshold: Most developments would already need to meet at least one of these strategic priorities to score enough for a tax credit award – this is not likely to change applications the agency receives.

2. Revise Household Targeting Scoring Criteria: I like the idea behind trying to encourage lenders/investors to requiring fewer reserves to be set aside to pay for services – given that the agency, in its sole determination, will determine whether services may be discontinued, it may be trickier than anticipated to convince lender/syndicators to not require a reserve.

3. Planned Community Development: It is a good idea to eliminate the foreclosed properties criteria. In theory, I could see the Planned Community Development criteria as encouraging sites in redevelopment areas, at the cost of encouraging developments in growing suburbs – the Agency will need to determine early on what constitutes "Planned Community Development" and stick to their determinations so that sponsors can effectively plan development proposals.

4. Workforce Housing Scoring: This scoring criteria appears to be even more granular – will this make for better sites being submitted?

5. Local Philanthropic Contributions: This clarification is probably ok – not sure what a "funding competition" is – if a local non-profit raises money, does it matter whether there is a "competition"?

6. Preservation: Reducing these points by "5" is not likely to move the needle much, but not sure that matters given that all projects over 40 units are required to submit dual 4%/9% applications – that seems to be a good policy move.

7. Long Term Homeless: Broadening this definition appears to be a good thing. We are confused by the local continuum of care points – what does this require a sponsor to agree to?

8. Location Efficiency Scoring: The new walkscore criteria, with appeals from sponsors seems like a bad idea – will this really result in better sites submitted?

9. Universal Design: This will add to costs because bathrooms will grow in size. Rehab projects will not compete well without extra rehab costs to bring old standards up to new. It is unclear if the 42" hallway criteria refers to common hallways or hallways within a unit.

10. Intersection between all location-based points: Intersection between transit points, economic integration points, workforce/jobs points and planned community development points will likely determine winners and losers in selection game – finding sites with all these attributes is likely very difficult, but maybe good public policy if you can do it.

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

At the February, 2015 Board meeting, staff presented a proposed 2017 Qualified Allocation Plan (QAP) for the Housing Tax Credit program. Public comments on the proposed 2017 QAP were submitted to the Agency last month. Staff has carefully reviewed and considered all of the comments. Changes made as a result of comments are detailed below.

This Board report restates the explanation provided in the February 2015 report for proposed changes from the 2016 QAP to the 2017 QAP. Following the original explanation of each change is a summary of the public comments received and then staff's suggested modifications to the QAP in response to the public comments. To aid in readability, the information that the Board has not seen previously (the summary of public comments and staff's recommendations) is boxed and shaded.

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.

Public Comments Summary (*staff responses italicized)*:

- **The Agency received three letters indicating support.**
- **The policy thresholds may not have much effect as projects that score high enough to be competitive would probably need to meet at least one threshold.**
  It is possible for an application to be competitive without meeting any of the proposed policy thresholds, as projects could garner somewhere between 70 and 80 points without meeting any of the policy thresholds. The policy thresholds will ensure that such a project does not compete solely based on these more secondary priorities, without meeting Agency strategic priorities.

  While it is more likely that a project that is competitive will meet one or many of these policy thresholds, part of the intent of publishing the Strategic Priority Policy Thresholds is to provide clearer communication of our strategic priorities, as many applications that are not competitive, and do not meet the policy thresholds, are received each year. The intent of clearer communication of Agency strategic priorities is to provide useful guidance to applicants of how to choose sites and craft proposals that are more likely to be successful, and to save applicants of proposals that do not meet strategic priorities, and are less likely to be competitive, time and money. After implementation, Minnesota Housing will re-evaluate the effectiveness appropriateness of the criteria annually.
- **Minnesota Housing should expand the definition of the tribal threshold to clarify that Tribally Designated Housing Entities, in addition to tribal corporate entities and tribal governments, are eligible.**
  Minnesota Housing will clarify the language to say projects sponsored by tribal governments, tribal corporate entities, or tribally designated housing entities are eligible under the relevant policy threshold.
- **Statute sets the thresholds required for tax credits, and adding the proposed policy thresholds will remove ability of suballocators to set local priorities**.
  State statute governing the Housing Tax Credit Program stipulates that tax credits may only be allocated to projects that satisfy the requirements of the allocating agency's QAP. It further states that in the first funding round, tax credits may only be allocated to projects that meet certain project characteristics, commonly referred to as statutory thresholds. Minnesota Housing's policy thresholds will not replace these statutory thresholds. Rather, among projects that meet the statutory thresholds, Minnesota Housing's QAP will only allow the Agency to fund projects that also meet one of the Strategic Priority Policy Thresholds. Statute does not prohibit an allocating agency from having other requirements or policy priorities above and beyond the statutory thresholds, rather these are set as a floor. Suballocators will retain the ability to set their own local priorities above and beyond

the statutory thresholds, and without regard to Minnesota Housing's QAP, though projects seeking Round 2 tax credits will continue to need to meet the priorities of Minnesota Housing's QAP, as they have in the past.

- **Allow applicant data for vacancy rates to be used to document the Workforce Housing policy threshold rather than only using the Community Profiles data, as applicant data can be more up to date.**
  The Agency agrees that applicant data should be used to document vacancy rates for the Greater Minnesota Workforce Housing policy threshold. Vacancy rates in Minnesota Housing's Community Profiles should not be used to document vacancy rate in an individual community. These vacancy rates are based on county level data for properties in Minnesota Housing's first mortgage portfolio and USDA Rural Development's portfolio of subsidized housing rather than a market vacancy rate for individual cities or market areas. Acceptable market studies provided by applicants will be allowable as documentation of low vacancy. Data on unemployment rates is not required by the proposed QAP.

Proposed Change Resulting from Public Comment:
Revise the Strategic Priority Policy Threshold language for HTC Procedural Manual:

- **Tribal**: Projects sponsored by tribal governments, tribally designated housing entities, or tribal corporate entities

- **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, documented by a market study or other third-party data) 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

2. Revise the Household Targeting scoring criterion. (# 1 on the Self-Scoring Worksheet)
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.

Public Comments Summary (*staff responses italicized*):

- **Received four letters of support for the proposed revisions.**
- **Points should be increased for Economic Integration to counteract the increased concentration that will result from increasing the points for Special Populations, or a requirement added that applicants claiming the Special Populations points cannot increase concentration.**
  Minnesota Housing cannot verify the assertion that projects that target 10 to 25% of their units toward Special Populations have in the past, or are likely in the future, to be more concentrated in areas of concentrated poverty. However, Agency staff considers access to services, and appropriateness of the location to the targeted population as the most important factors when evaluating applications targeting units toward Special Populations.
- **Provide points for applicants serving households at or below 30% of area median income regardless of unit size, even if the project doesn't explicitly serve disabled or homeless populations.**
  Minnesota Housing does provide a variety of pointing incentives for units structured to serve households at or below 30% of area median income, without regard to unit size or population targeting, including under the Preservation, Rental Assistance, and Serves Lowest Income Tenants/Rent Reduction scoring criteria. However, homeless or special populations that are identified as the highest priorities under the Heading Home Minnesota Plan to Prevent and End Homelessness and Minnesota's Olmstead Plan, are given priority under the Household Targeting and Permanent Supportive Housing criteria.

Proposed Change Resulting from Public Comment: No proposed change.

3. Revise the Workforce Housing Communities scoring criterion. (# 4 on the Self-Scoring Worksheet)

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.

Public Comments Summary (*staff responses italicized)*:

- **Received three letters supporting components of the proposed criterion.**
- **Allow applicant data for unemployment rates, and long commutes to be used to document the Workforce Housing scoring criteria rather than only using the Community Profiles data, as applicant data can be more up to date.**
  Given the additional time Minnesota Housing is providing to applicants from when the QAP is published and when applications are due, some data may become dated. Given this, Minnesota Housing included employer surveys as an eligible alternative data source for documenting job growth, and agreed to update the list of eligible job centers and job growth communities to include cities that would be eligible using data current as of April 2016, adding eligible communities, but not removing any eligible communities. To further address the issue of stale data, staff agrees to take a similar approach with data used to document long commutes, adding communities that are eligible as of April 2016, but not removing any eligible communities.
- **Provide equivalent priority for communities that have in the past received points for being a top workforce community that no longer qualify but still have very low vacancy rates, as these communities have experienced slowed job growth due to the labor shortages that result from housing shortages.**
  Long-commute communities (where a relatively large share of the community's workforce commutes in rather than living in the community) were added to capture communities that do not have a growing workforce but have a shortage of housing for the current workforce. This is a more direct and objective measure of demand for additional workforce housing than whether a community had past job growth. Because we do not have enough 9% credits to meet the workforce housing needs of every community in the State, Minnesota Housing has prioritized supporting the housing needs of communities with the strongest and clearest need for workforce housing.
- **The criteria are too restrictive geographically and inflexible to respond to market changes**.
  By adding the long-commute communities to the criterion, in addition to communities that become eligible based on updated data in April of 2016, and by allowing communities to be eligible with

documentation from one employer showing the addition of 100 or more jobs, the criteria is quite flexible and responsive to market changes.

- **The five mile Metro and ten mile Greater Minnesota geographic commute-shed is too restrictive.**
  The five-mile (Metro) and ten mile (Greater Minnesota) commute-sheds provide an appropriate balance of encouraging location efficiency and minimizing long-commutes while at the same time recognizing the reality of urban and rural living patterns. We established these commute-sheds a number of years ago, and they have performed as intended.
- **Clarify why scoring has become more granular.**
  Based on community feedback, additional eligibility criteria have been added to expand the definition of Workforce Housing Communities, allowing more communities with diverse workforce housing needs to compete under this scoring criterion.
- **Points in the Metro should only be awarded to projects closer than five miles from a job center to allow greater differentiation in job access, as currently most urbanized Metro areas qualify.**
  The five-mile commute-shed (Metro) provides an appropriate balance of encouraging location efficiency and minimizing long-commutes while at the same time recognizing the reality of urban living patterns. The fact that much of the Twin Cities metro area qualifies as a workforce community reflects that the job growth areas are relatively well distributed around the region, providing a large area with access to jobs. The job growth areas extend from the inner-ring suburbs of St. Louis Park, Golden Valley, and Maplewood to Rogers and Blaine to the north, Medina and Chanhassen to the west, Lakeville to the south, and Woodbury to the east.
- **Absolute values should not be used when considering job growth as these will inevitably favor the largest cities**
  The criterion provides an incentive to locate housing where the most jobs are being created. A community that adds 5,000 jobs provides far more employment opportunities for a tenant than a community that adds 100 jobs, even if the community with 100 additional jobs accounts for a larger percentage increase.

Proposed Change Resulting from Public Comment:

Revise the Workforce Housing Communities methodology memo (See Methodologies attachment) to indicate that data will be updated in April 2016 for long commute communities, in addition to top job centers and job growth communities, adding communities that are newly eligible, but not removing any.

4. Clarify the Federal/Local/Philanthropic Contributions scoring criterion. (# 5 on the Self-Scoring Worksheet)

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.

Public Comments Summary (*staff responses italicized)*:

- **Allow a contribution made to a nonprofit member of the ownership and passed through to the project to be allowed**.
  A project specific award made for the benefit of the project is eligible even when passed through a non-profit member, provided the relationship between the application submitted for the funding competition and the project is documented. A contribution to the owner or member, for general use of that organization, is not eligible.
- **Allow grants from nonprofits converted to deferred loans to have an interest rate at or below AFR "or such higher rate that is limited to payment of interest from project operating cash flow within any applicable limitations to cash flow distributions imposed by Minnesota Housing under any regulatory agreement or loan documents related to its project funding" as this has been a structuring issue with investors.**
  This comment applies much more broadly than general QAP scoring. Minnesota Housing underwriting generally does not allow related party loans to collect payment of interest or principal prior to the maturity of our amortizing and/or subordinate soft loans.
- **Rather than create a separate standard for publicly owned and privately owned properties, just state that general partner equity is excluded from this contribution, as GP equity is easily distinguishable from other sources provided by a public owner (federal and local).**
  Saying general partner (GP) equity is excluded is not enough detail to ensure contributions provided from a local government or tribal government would not be determined to be general partner equity and therefore excluded. Without the proposed clarification it may appear that any contribution provided from the general partner must be excluded, regardless of whether that general partner is a public entity.
- **Provide clarification on what constitutes a funding competition, and how fundraising by a nonprofit will be treated.**
  A competition means open access to funds. A contribution of funds raised to support the general operations or administration of the nonprofit, would be considered equity.
- **Include Tribally Designated Housing Entities (TDHEs), in addition to tribal governments, as exempt from the Identity of Interest Exclusion.**
  Minnesota Housing will revise the language to include Tribally Designated Housing Entities as exempt.
- **More weight should be given to contributions under this category to projects in rural areas, as these communities have fewer resources, and to compensate for the disadvantage to rural communities inherent in the geographic priorities included in the QAP.**
  Minnesota Housing has proposed solutions to countering possible disadvantage to rural communities posed by both Economic Integration and Location Efficiency. Staff evaluated all 2015 Round 1 applications for potential bias toward applications from rural areas in the Federal/Local/Philanthropic Contributions scoring category. No evidence of bias was found, and projects from rural locations tended to score better than those from larger Greater Minnesota communities. In addition, communities throughout the state vary in size, including those in both rural and metropolitan areas. The portion of total development costs that has been provided from federal, local, or philanthropic sources is an important measure regardless of the size of the local community.

Proposed Change Resulting from Public Comment:

- Minnesota Housing will revise the language on the 2017 Housing Tax Credit Program Self-Scoring Worksheet to include Tribally Designated Housing Entities as exempt from the Identify of Interest Exclusion.

5. 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. (# 10 on the Self-Scoring Worksheet)

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.

Proposed Definition for Procedural Manual:
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.

Public Comments Summary (*staff responses italicized)*:

Planned Community Development and QCT Community Revitalization

- **The Agency received four letters supporting elements of the proposed changes.**
- **The number of points proposed is unclear or appears to be too high.**
  Minnesota Housing is proposing three points for the category which appropriately balances this category with other more important criteria.
- **The proposed changes will contribute to the concentration of tax credit financed developments in low income communities and under-invested areas, as higher income communities may be less likely to undergo qualifying community development planning efforts, less likely to include affordable housing as a "primary strategy" in any planning efforts they do undertake, or may refuse to provide the required evidence as a means of preventing affordable housing.**
  Minnesota Housing has crafted its proposed definition of Planned Community Development broadly in order to capture the different types of planning efforts that may occur in all types of communities, including higher income communities. Communities can pursue Planned Community Development efforts to accomplish many different objectives, and Minnesota Housing disagrees with the assertion that higher income communities do not undergo community development planning efforts.

  Minnesota Housing agrees that affordable housing does not have to be a "primary strategy" in order to meet the policy goals of the scoring category. Agency staff propose to replace "primary" with "key." However, Minnesota Housing believes in the importance of communities planning for and considering affordable housing when going through their Planned Community Development efforts. If affordable housing is not a local priority, then the proposal will likely not receive points in this *category. Proposals that do not meet a local priority can receive points in other categories such as economic integration and location efficiency.*

- **Applicants need clarification of what a *qualifying plan is* and what it means for a community to be *actively engaged,* and Agency staff will need to provide clear and consistent guidance to applicants in this regard*.***

  Minnesota Housing believes many of the plans typically undertaken by local stakeholder and government entities would qualify based on the proposed definition, including many of the examples mentioned by commenters. Non-qualifying plans—such as certain comprehensive and neighborhood plans—passively identify a community's needs, goals and types of desired land uses if development were to occur. Plans that local government entities are required to produce are generally not acceptable. Minnesota Housing will modify the language in the Procedural Manual to emphasize that qualifying plans are a response to a crisis or opportunity and identify the specific activities and investments actively being made to achieve the plan's objectives. Minnesota Housing agrees that some land use plans may qualify and will remove "land use" from the examples of ineligible plans.

  "Actively" means stakeholders are currently working on the implementation steps identified in a plan, or the plan includes a timeline of implementation activities that runs past the date when the Minnesota Housing Board of Directors would make its initial selections. "Actively" also means the plan has not been superseded by a more current plan. Minnesota Housing will clarify the related language in the proposed definition.

  Minnesota Housing's intent is to provide consistent guidance on acceptable plans and supporting documentation. Staff independently reviews each application in the year and round received, so applicants are encouraged to meet with staff in advance to discuss the application and supporting documentation. Minnesota Housing will make the final determination of points during the selection period once the application and all the documentation is received.
- **Applicants need a clearer definition of a *local community* and *local community development partners.***

  Minnesota Housing will clarify in the definition that a qualifying plan can be created and approved by a wide variety of public and private local community development partners such as cities, counties, private foundations and public housing authorities.
- **Applicants need a clearer definition of what *evidence* will be required*.***

  Minnesota Housing will clarify the proposed language in the Procedural Manual that the evidence that a specific project contributes to the goals of the plan should be in the form of a letter or resolution. The letter or resolution should identify the plan and its consistency with local goals. The evidence must be from an appropriate representative of a public body that represents the community that contains the proposed development. In multi-jurisdictional plans the evidence must come from the community in which the project will be located.
- **It will be difficult for small communities to create and approve qualifying plans.**

  Minnesota Housing staff consulted with planning experts and concluded that small communities regularly create various plans that would qualify under this category, including downtown plans and regional plans.

Minnesota Housing will clarify that qualifying plans in small communities may encompass the entire geography of the community or region, although the targeted geographic area should be a subset of the local community.

- **Other types of support from local community development partners should qualify in this scoring category, such as contribution of City or County resources and the cost to produce plans.**
  City or County contributions toward development costs of a proposal would be eligible for points under the Federal/Local/Philanthropic Contributions scoring category. The costs associated with creating qualifying plans are too indirect to count as a contribution toward development costs in the Federal/Local/Philanthropic Contribution category, and in addition, most plan elements are unrelated or tangentially related to affordable housing, and it would be difficult to attribute plan costs to a particular affordable housing project.
- **It will be too difficult to secure the proposed evidence of a qualifying plan.**
  Staff does not believe it is unreasonable to expect representatives of a city or town to verify the proposed development contributes to an already existing qualifying plan, and regularly receives such documentation under the current QAP.

Proposed Change Resulting from Public Comment:

HTC Procedural Manual Definition

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

- The local community is ~~currently~~ actively working on implementation steps identified in the plan, or the plan includes a timeline of implementation activities that runs past the date when the Minnesota Housing Board of Directors would make its initial commitment decision regarding the funding request. Plans that have been superseded by more current plans do not qualify.~~engaged in the plan or initiative.~~
- Geographic boundaries of a targeted geographic area are identified by the plan or initiative. Qualifying plans in small communities may encompass the entire geography of the community or region, although the plan's targeted geographic area should be a subset of the community or region.
- The plan or initiative responds to a crisis or opportunity and pursues community, economic, or transit oriented development objectives for the target geography, aimed at creating a more vibrant, livable, sustainable and equitable communit~~ies~~y or~~,~~ reversing historic underinvestment or decline in the~~an~~ area. ~~, or responding to a crisis or opportunity.~~
- The plan or initiative includes the rehabilitation or production of affordable housing as a key~~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.~~

A qualifying plan can be created and approved by a wide variety of public and private local community development partners such as cities, counties, private foundations and public housing authorities. Plans local entities are required to produce, such as comprehensive plans in the Seven County Metropolitan Area, are not by themselves considered evidence of Planned Community Development. In addition to submission of evidence of Planned Community Development, evidence must be provided that a specific project contributes to the goals of the plan. The evidence must come from an appropriate representative of the city or town that represents the geographic area in which the project would be located. The evidence must be in the form of a letter or resolution which identifies the plan and its consistency with local goals.

6. Revise the Preservation scoring criterion. (# 11 on the Self-Scoring Worksheet)
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.

Public Comments Summary (*staff responses italicized*):

- **There is a need for balance between preservation and new construction developments in both points awarded and projects selected for funding. One commenter suggested the points should not be reduced by five, two commenters suggested the points should be reduced by more than five, and two commenters supported the five point reduction.**
  In preparing the 2017 QAP, Minnesota Housing staff completed an assessment of the points available to preservation and new construction with the goal of improving the balance between the two types of developments, as both meet critical needs. The resulting point reduction for preservation developments does not diminish the competitiveness of preservation applications, but does equalize the need for such developments to be "ready to proceed". The requirement that all preservation developments over 40 units must submit a dual application reflects the Agency's goal of leveraging 4% tax credits to preserve more affordable housing.
- **Release application materials and Community Profiles available further in advance of the application deadline, given that the QAP is released in the prior year.**
  All of the data used in scoring applications are available through the interactive Community Profiles tool. Minnesota Housing evaluates and makes available additional data elements for preservation applications during technical assistance sessions. The early release of the QAP is meant to allow for early identification of competitive developments. Given the close relationship to the RFP, it is not possible to release all application materials at the time the QAP is approved.
- **Preservation of housing affordable to households at 30% of income is important, regardless of whether the rents are federally subsidized.**
  Housing with a federal subsidy achieves a deeper level of affordability than units with unsubsidized rents at 30% of area median income, and provides a federal source to pay for this affordability. Given that the need for preservation of developments with federal subsidy is greater than the supply of such funding,

and given the enormous benefit provided to residents who receive federal rental assistance, Minnesota Housing will continue to prioritize the preservation of properties with federal rental assistance. However, points are also provided for having units affordable to 30% of area median income under Household Targeting and Serves Lowest Income Tenants/Rent Reduction, without requiring a federal subsidy.

- **Preservation developments in weaker markets should not be required to submit a Community Revitalization plan in order to receive points under Critical Affordable Units at Risk of Loss.**
  There is a greater demand for preservation funding, particularly for non-subsidized units eligible under this category, than can be met with current resources. Therefore, the requirement that non-subsidized units meet other strategic priorities is essential to prioritizing developments. Minnesota Housing has included QCT/Community Revitalization as one of the relevant locational priorities for this category, however the requirements for a community revitalization plan in the QCT/Community Revitalization scoring category are mandated by Section 42 of IRS Code.
- **Support the dual application requirement as long as developments financed as 4% tax credit/ tax exempt bonds deals are financially feasible.**
  Minnesota Housing takes into account the entire financial structure when assessing a development that has submitted a dual application. The need for deferred loans to take the place of 9% equity is a critical component of that assessment.
- **The Agency should further explore how the RAD program will work with Agency funding sources.**
  The Agency is currently in the process of assessing the RAD Component I (and possible expansion) and RAD Component II initiatives with local and national HUD staff. To date, the Agency has not received any applications under RAD. We would welcome a conversation with funding partners and the development community to explore how RAD might be used to leverage additional funding resources for preservation.

Proposed Change Resulting from Public Comment: No proposed change.

7. Revise the Permanent Supporting Housing for Individuals Experiencing Long Term Homelessness scoring criterion; retitle Permanent Supportive Housing for Households Experiencing Homelessness. (# 12 on the Self-Scoring Worksheet)

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.

Public Comments Summary (*staff responses italicized)*:

- **Three letters of support for the revisions were received.**
- **More clarification is needed around what proposals are eligible for bonus points, whether properties that will serve both families and single adults will be eligible, and why applicants must claim the bonus points.**
  The bonus points are available only for proposals setting aside at least 5%, but no fewer than 4 units, for 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. Applicants that will meet this criterion, and will additionally provide units serving single adults experiencing long-term homelessness, will be eligible for the bonus points. Receiving Bonus points under the Bonus section of the Permanent Supportive Housing for Households Experiencing Homelessness priority section obligates the project to specifically target youth or families with children, whereas the non-Bonus points do not. Applicants must determine whether they would like to claim these points and be obligated to the performance requirement of targeting youth or families.
- **More Clarification is necessary on how the Continuum of Care priorities will be incorporated into the QAP and what will be required of applicants claiming these points.**
  The Continuum of Care (COC) priorities were published with the QAP in February. The COCs determined their priorities based on their point in time counts and needs assessment. If the sponsor takes the points for the priority populations, the sponsor agrees to prioritize those populations for the units. For all projects, except for those in Ramsey and Hennepin Counties, the COC will fill out the Continuum of Care Confirmation form to verify consistency with priorities.

  The expectation is that the project will target those Priority 1 and Priority 2 populations as published by the COC for 2017 and as elected by the project's tax credit application. This election will be appropriately memorialized into the Declaration of Land Use Restrictive Covenants Agreement.

- **Will a different underwriting standard apply for families at significant risk of LTH than those that apply to households experiencing long-term homelessness, and can the rent limits increase during the length of residency?**
  The recommended underwriting rents will remain the same for households experiencing long-term homelessness as for families at significant risk of long-term homelessness or prioritized for permanent supportive housing by the Coordinated Entry System. These rents are for underwriting purposes. Applicants should refer to Minnesota Housing's Guidance on Rent Increase Policy for LTH Assisted Units with No Rent Subsidies that is incorporated in the Agency's Multifamily Underwriting Standards Guide.
- **The 100 bonus points should be deleted and replaced with 1 point per unit of permanent supportive housing to be developed in an application.**
  This would reward 100% supportive housing over more integrated models. The Bonus Points component of the LTH Priority is specifically structured to provide a substantial priority/incentive to those projects achieving the highest scores and that 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. The characteristics which this bonus section promotes are held to be of particularly high priority and incented as such up to the established funding ceilings.

  The Agency wants to incent owners to develop permanent supportive housing, but only to an amount that the development can support from both an operational and service standpoint. In addition, while there may be instances when a high absolute number of LTH units is an acceptable or preferable situation, current best practices consider how such volume impacts concentration and integration concerns. From a policy and economic feasibility standpoint we have found that smaller LTH components may also have certain benefits not found with larger numbers of absolute units.

Proposed Change Resulting from Public Comment:

The Consistency with Local Continuum of Care Priorities section of this category has been clarified on the attached 2017 Housing Tax Credit Program Self-Scoring Worksheet

8. Revise the Location Efficiency scoring criterion. (# 14 on the Self-Scoring Worksheet)

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 Walk Score to be a valid tool, this licensing agreement will ensure that any anomalies found can be handled in a fair, consistent, and neutral manner.

Public Comments Summary (*staff responses italicized*):

- **The Agency received two letters supporting some components of the category.**
- **Walk scores are not reliable and will bias the selections against small communities, which generally have lower scores. The Agency should not outsource the dispute process for this scoring criterion to an outside entity, and should go back to the process of having applicants submit a map showing the location of the development in relation to nearby amenities.**
  The Agency will keep the walk score criterion with one modification. The walk score thresholds for areas in Greater Minnesota without fixed route transit service will be reduced from 70 to 50 to receive 2 points and from 50 to 35 to receive 1 point. With these changes, the Agency supports the walk score process. When we first introduced the tool a year ago, we conducted a national literature review of walk score assessments. Overall, the tool was found to be useful and has improved over the years. Second, we have gone back and examined what the walk scores would have been for all applications submitted over the last two years and found that small town and rural applications were able to receive selection points under this criterion. In addition, the change in the walk score threshold outlined above will make these small town/rural applications even more competitive. Finally, we have entered into a contract with Walk Score under which applicants can contest a location's walk score with supporting evidence. Walk Score will then assess the new information and provide a revised score within 45 days if supported, which staff expects to be a fair, objective, and efficient process.
- **The emphasis on public transportation and walkability unfairly bias the scoring toward larger communities.**
  Transportation costs can be a significant burden on lower-income households. In recent years, the housing industry has started talking about combining housing and transportation costs when assessing affordability because the two are related. Where you live determines your transportation costs. Emphasizing walkability and access to reliable and frequent public transportation increases the overall affordability of the housing. Minnesota Housing does recognize differences in urban versus rural living and the need to support affordable housing in small towns and rural areas. Thus, the location efficiency scoring criterion has included dial-a-ride service (not just fixed-route transit) as a transit option. In addition, the Agency is now proposing to change the walk score thresholds for areas in Greater Minnesota without fixed transit service from 70 to 50 to receive 2 points and from 50 to 35 to receive 1 point, as noted above. In addition, as described in detail under the Economic Integration scoring category below, we are now adding a new Rural/Tribal scoring category to help ensure that rural applications are competitive.
- **The distance requirements for transit should be increased as this is a significant limitation.**
  The distances to transit outlined in the current selection criterion prioritize housing developments that are the most accessible, which is the purpose of the criterion.

Proposed Change Resulting from Public Comment:
Revise the Location Efficiency Selection Priority in the 2017 Housing Tax Credit Program Self-Scoring Worksheet, and revise the Location Efficiency methodology memo (See Methodologies attachment), to indicate that lower walk score thresholds apply to areas in Greater Minnesota without fixed transit service.

9. Revise the Universal Design scoring criterion. (# 15 on the Self-Scoring Worksheet)
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.

Public Comments Summary (*staff responses italicized*):

- **The Agency received two letters in support of the proposed revisions**.
- **This criterion could increase construction costs and more analysis is needed**.
  In developing the criteria Minnesota Housing attempted to include as many low cost or cost neutral options as possible. The Agency has seen some developers beginning to include many of these elements due to market demand, and has examined the cost impacts. In recognition that universal design will be more difficult to incorporate into non-elevator buildings, Universal Design points are provided for projects in non-elevator buildings where 10% of the HTC units meet the definition of universally designed units, rather than 100%, as required for elevator buildings. While the expectation is that it may not be feasible for all applicants to include these design elements, the number of available points has been sized appropriately to ensure a project can still be competitive without the points. Since the criterion was added in the 2016 QAP, the Agency does not yet have experience with the category and will re-evaluate once it has been implemented. However, while there may be some cost impact, this is true of many of the policy priorities included in the QAP, and if many applicants begin to incorporate Universal Design, the Cost Containment thresholds will rise accordingly.
- **Allow points for other measures taken to aid with implementation of Olmstead, rather than only for universal design**.
  The Special Populations category under Household Targeting will aid with implementation of the Olmstead Plan, and we've increased points for this from 5 to 10.
- **Agency should review whether existing accessible units are consistently occupied by households who need them**
  The goal of incenting universal design isn't solely to make units accessible for people permanently in wheelchairs, but to make units more usable for everyone, with or without disabilities, including people who wish to age in place. Beyond these benefits, producing housing that is 100% universally-designed will allow for a more disability-blind approach than would carving out a set few specially designated units.
- **These criteria will be more difficult for rehab projects to meet.**
  Minnesota Housing proposed a number of modified criteria for rehab projects to make the design standards more feasible while still meaningful. In addition, the Agency is requiring rehab project to meet only 4 Optional Features rather than the 8 required for new construction or adaptive re-use. The Agency will re-evaluate once this category has been implemented.

- **Clarify whether the 42" hallway criteria applies to common hallways or hallways within a unit.** *The 42" hallway criterion applies to hallways within a unit for new construction or adaptive re-use projects, and staff will clarify the relevant language.*

Proposed Change Resulting from Public Comment:
Clarify on the 2017 Housing Tax Credit Program Self-Scoring Worksheet that the 42" minimum hallways criteria applies to hallways within a unit.

10. Revise the Rental Assistance scoring criterion. (# 2 on the Preference Priorities in the Self-Scoring Worksheet)
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.

Public Comments Summary (*staff responses italicized)*:
- **The Agency received three letters in support of the proposed revisions**.
- **The list of acceptable federal programs that qualify for Rental Assistance points should be expanded.** *The rental assistance funding sources of 811 and 202 PRAC both meet the definition of rental assistance set out in the Rental Assistance criteria, therefore a development with either source of assistance at the time of application would be eligible to receive the points.*

Proposed Change Resulting from Public Comment: No proposed change

11. Revise the QCT/Community Revitalization scoring criterion; retitle QCT/Community Revitalization & Tribal Equivalent Areas. (# 3 on the Preference Priorities in the Self-Scoring worksheet)
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.

Public Comments Summary (*staff responses italicized)*:

- No public comments received.

Proposed Change Resulting from Public Comment: No proposed change

12. Revise Cost Containment methodology. (# 4 on the Preference Priorities in the Self-Scoring worksheet)
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.

Public Comments Summary (*staff responses italicized)*:

- **The Agency should investigate cost drivers in previous rounds and look to other states for alternatives** .
  Minnesota Housing is continually looking for ways to incent and encourage cost containment. In 2013, the Agency issued a report on cost trends in Multifamily Housing. In 2014, the Agency co-sponsored an idea competition (MN Challenge to Lower the Cost of Affordable Housing Initiative) for innovative ways to address system-level cost drivers. In 2015, two ideas are being pursued as a result of the Cost Challenge: (1) strategies for addressing the costs of local regulations, and (2) the creation of consolidated legal documents. Finally, a 2014 national report by Enterprise Community Partners and the Terwilliger Center for Housing at the Urban Land Institute (Bending the Cost Curve: Solutions to Expand the Supply of Affordable Housing) highlights Minnesota Housing's cost containment process (the blind competition for cost containment points) as a potential model for other states to incorporate cost into their QAP processes.
- **The cost containment scoring criteria puts Duluth at a competitive disadvantage.**
  The purpose of the cost containment criterion is to encourage developers to develop housing with the lowest possible costs while maintaining quality and durability and meeting other policy objective reflected in the selection criteria. If one location has a cost advantage over another, that should be a factor in the selection process. However, cost containment is also balanced by other policy objectives and criteria. Duluth should compete very well on these other criteria, including workforce housing and location efficiency. Both of those criteria provide more potential points than cost containment. Overall, the selection process does not put Duluth at a competitive disadvantage.
- **The cost containment scoring criteria puts Tribal applications at a competitive disadvantage.**
  Minnesota Housing has assessed the costs of Tribal projects that have been submitted to us over the last few years compared with other projects. Based on that assessment, the 15% cost adjustment for Tribal projects is appropriate. This selection criterion was created so that 50% of projects would not receive the points. Thus, we would expect many projects to have higher costs than the thresholds that are established in the scoring process.

Proposed Change Resulting from Public Comment: No proposed change

13. Public comments received not directly related to the proposed changes.

Economic Integration

Public Comments Summary (*staff responses italicized*):

- **In smaller communities in Greater Minnesota, tracts meeting economic integration tend to be on the fringes of developed areas, around lakes, farms or newly developed areas which do not allow for smart growth or access to services for residents. In addition, smaller communities do not exhibit the same internal patterns of economic integration as major metropolitan areas.**
  Incenting development on the fringes of smaller communities in Greater Minnesota was not the intended purpose of the Economic Integration criterion. Minnesota Housing agrees that the goal of this category is to incent economic integration, which is primarily a need in larger communities. Thus, the Economic Integration Strategic Policy Priority Threshold and scoring criterion will now only apply to communities within the Twin Cities 7 County Metropolitan Area, and outside of the Twin Cities 7 County Metro, in cities with a population over 50,000. Census tracts with the Metro and census tracts that make up cities with population greater than 50,000 will receive points if they meet the Economic Integration Criterion. The economic integration criterion will also not apply to Tribal census tracts. To counteract the reduction in available points for Rural/Tribal areas, Minnesota Housing will add a Rural/Tribal scoring criterion that provides seven points for these communities.
- **Polk County Census Tract 206 appears to have been omitted from the list of tracts qualifying for Economic Integration points.**
  Economic Integration for this Polk County census tract is now irrelevant given the Rural/Tribal Designated Areas being recommended. This census tract will now be eligible for points under the Rural/Tribal criterion.
- **A priority for mixed-income housing should be provided to incent a mix of incomes for workforce housing, or to promote families with incomes at least 30% above the neighborhood average household income.**
  Minnesota Housing does provide points for mixed income housing, under the Economic Integration scoring criterion rather than the Workforce Housing criterion. These points are available for mixed income housing in communities of all kind, including higher income communities where it may be more difficult to develop affordable housing due to cost or political opposition, and lower income communities where mixed income projects may provide units for families with incomes above the neighborhood average. Because projects in communities with median family incomes above the 40th percentile will receive more points for community economic integration than for providing mixed income housing, the mixed income incentive is likely to be used for projects in communities that are below the 40th percentile for income.
- **Minnesota Housing should not abandon the needs of low-income communities and must balance the needs of these communities with the goal of promoting access to high opportunity communities. In particular, preservation of existing affordable housing should not be required to be in strong markets, as these projects can catalyze investment in weaker markets.**
  Under the market conversion risk preservation threshold, Minnesota Housing is specifically interested in preserving properties that are in strong markets that would support the ability for the owner to convert the units to market rate. For the other two preservation thresholds, Risk of Loss Due to Critical Physical Needs and Risk of Loss Due to Ownership Capacity, Minnesota Housing is targeting

properties that are either in strong markets, or in communities with a large need for affordable housing, regardless of market strength. Equivalent points are provided for all three Preservation risk thresholds. While Minnesota Housing does provide points for Economic Integration, the overlay of all QAP locational criteria combined (See Combined Geographic Priority Point Potential, 2017 QAP: Twin Cities attachment) picks up both strong and weak markets, as does the Planned Community Development scoring criteria.

- **Points aren't high enough, especially in consideration of points proposed for Planned Community Development, given applications won't likely be able to receive points under both categories.**
  Minnesota Housing is proposing just 3 points for Planned Community Development as an acknowledgement of the relative importance of this factor, compared to other factors, including economic integration which has a maximum of 9 points. However, Minnesota Housing disagrees with the assertion that stakeholders in higher income communities do not undertake community development planning activities that would meet the proposed criteria for Planned Community Development. In addition, points for Economic Integration were increased in the 2016 QAP from a maximum of 5 to 9, and we have not yet received applications under this QAP to analyze the effect of this increase.
- **The two point difference between sites in communities at the 40th percentile and those at the 80th percentile isn't enough to incentivize taking on the political and practical difficulties of building in a truly affluent community.**
  Developers take every point opportunity very seriously as one or two points often means the difference between selection and non-selection. However, Minnesota Housing will evaluate the effect of the 7 and 9 point options under this category after they have been implemented with the 2016 QAP.

Proposed Change Resulting from Public Comment:

- A new Rural/Tribal scoring criterion has been added to the 2017 Housing Tax Credit Program Self-Scoring Worksheet.
- The attached Methodology memo titled Rural/Tribal Designated Areas has been created indicating which communities indicated which communities are eligible for points under the Rural/Tribal scoring criterion.
- The Community Economic Integration Methodology memo and 2017 Housing Tax Credit Self-Scoring Worksheet now indicates that Community Economic Integration points are now only available for projects located in communities outside of Rural/Tribal areas, as defined in the Rural/Tribal Designated Areas Methodology memo .
- Clarify language for the HTC Procedural Manual for the Economic Integration Strategic Priority Policy Threshold:
  Economic Integration: Projects located in higher income communities outside of Rural/Tribal Designated Areas 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.

Other General Comments

- **Received two letters of general support for the revisions proposed.**
- **The QAP should reward increased energy efficiency through benchmarking. Minnesota Housing should partner with utilities to expand and increase the utilization of energy efficiency programs.** *The Agency is currently exploring ways to incorporate energy benchmarking into the 2016 RFP/2017 HTC Round, which would apply to all Minnesota Housing funded developments, not just to developments receiving 9% tax credits. With respect to partnerships with utilities, Minnesota Housing is currently part of a task force with utility companies, as well as affordable housing and energy efficiency stakeholders, to look at ways to better integrate utility rebates with our funding process. In the 2015 RFP/2016 HTC Round 1, Minnesota Housing will require developments selected for funding to work with their utilities to access any rebates that may be available to them. Further, Minnesota Housing is* engaged with the two largest utilities in the state - *CenterPoint and Xcel – as they create rebate programs specific to low income multifamily housing. Minnesota Housing has been providing technical assistance on program design and notifying our developers about the availability of programs.*
- **Received one letter of support for inclusion of Enterprise Green Community Standards in the QAP threshold criteria.**
- **Requiring Compliance with Enterprise Green Community Standards reduces project feasibility for Multifamily High Rise projects with underground parking, and in 4% tax credit projects.** *Minnesota Housing strongly believes in the importance of sustainable design in all housing projects, and as such requires compliance with Agency Sustainable Housing Standards for all proposals we select to receive Agency resources, including 4% tax credits. The Agency encourages applicants to discuss waivers where unique circumstances warrant them, and to discuss the availability of the resources necessary to make a project feasible. However, according to a national report from Enterprise (Enterprise Green Communities Criteria: Incremental Costs, Measurable Savings Update) the incremental cost to comply with Enterprise Green Communities Criteria is approximately $3,500 per dwelling unit.*

  Minnesota Housing believes it has addressed all of the feasibility issues for Multifamily High Rise projects with underground parking with the new 2015 MN Overlay. Heated garages will be allowed with this overlay, and the concerns with the cost of an unheated garage should no longer be an issue. The new state building code will reduce energy associated with heated garages by 75% compared to previous code. Although projects 4 stories or more are required to be designed to meet Energy Star Multifamily High Rise requirements, Minnesota Housing no longer requires Energy Star Certification for buildings 4 stories or more with garages. The MN Overlay will simply require energy efficiency to be 15% better than code regardless of whether or not a heated garage is present.
- **Minnesota Housing should provide additional opportunities when considering a supplemental housing tax credit and/or gap financing if a suballocator's top tax credit selection is a senior development serving low income seniors at 30%.** *Minnesota Housing provides priority for supplemental requests in Round 2, regardless of whether Minnesota Housing or a suballocator was the initial tax credit allocator. Senior projects are eligible to apply and receive points under many categories, though a change in threshold requirements would require the Legislature to revise the governing statutes. In Round 2, projects targeting seniors are eligible to compete without regard to the statutory threshold. If a senior project is a suballocator*

priority it will be eligible to receive supplemental priority in Round 2 for already having received credits. Minnesota Housing has funded numerous developments targeting seniors in recent funding rounds, and seniors and households wishing to age in place are anticipated to be well served by housing incorporating the proposed Universal Design criteria.

- **The Agency should re-establish the Regional Housing Group meetings and should consider opening for public comment earlier in the QAP process to allow stakeholders to better understand proposed changes, to develop criteria that are reasonable and equitable for rural communities, to provide a more thorough opportunity to vet proposed data sources, and to allow Agency staff time to make broader changes based on community input.**
  Minnesota Housing has many channels for engagement, one of which is the approximately six Regional Housing Dialogue sessions held each year. While the Regional Housing Dialogues are not directly related to the QAP, they do provide a valuable channel for input, some of which may relate to the QAP.

  Minnesota Housing values community input and regularly makes modifications to proposed priorities based on public comments, including the current QAP. Major changes are being made in response to public comments in a number of areas, particularly in response to concerns from stakeholders working in rural communities. Feedback from stakeholders is crucial to ensuring optimal and equitable outcomes. In addition to the modifications resulting from the current public comment process, Minnesota Housing regularly revisits areas of concern raised by commenters in future QAPs to re-evaluate the need for change. Further, while the formal QAP process lasts from February through April, staff gathers feedback all year long through various channels, formal and informal, in forums both directly and indirectly associated with the QAP, all of which informs Minnesota Housing's proposed changes.

  Staff agrees however that more dedicated time for information sharing, discussion, and feedback on the QAP will be valuable, and will consider ways to incorporate additional engagement opportunities in the QAP schedule for the upcoming year.
- **The Agency should shorten the application review period as it is difficult to maintain site control for the timeframe between application submittal and board approval, given the strong economy and tight housing markets.**
  Minnesota Housing has been engaged in examining our application process over the last year and a half and has made a number of efficiency improvements. While these process reengineering recommendations are not complete, the goal is to shorten the application review phase by 30 days. In addition, staff is planning to provide earlier notification of non-selection for the lowest ranking developments, allowing these applicants to maintain site control for a much shorter period of time.
- **An earlier application deadline provides less time to prepare applications and conflicts with spring closings which development teams are busy working toward.**
  In close consultation with our funding and collaborating partners, Minnesota Housing has removed approximately one week of working days from the time of RFP publication until the application deadline. Given that the QAP, Self-Scoring Worksheet, Housing Tax Credit Procedural Manual, and Community Profiles are now available for applicants more than a year in advance of the application deadline, applicants are able to proactively work on the scoring elements of their proposals throughout the year. In addition, over the last year, staff has made efficiency improvements to the application submission requirements after gathering feedback from developers and processing agents. Staff has streamlined the submission requirements, eliminating or shortening forms, and reorganizing for greater clarity. Starting with the 2016 HTC Round 1, application submissions will also be uploaded and received electronically. With these efficiency improvements we anticipate the timeline will be feasible.

It is hoped that the slightly earlier deadline proposed, along with other internal efficiency improvements that will be implemented over the next several rounds, will allow Agency staff to bring the selection recommendations to the Agency Board one month earlier than in the past. This will provide applicants an additional month to prepare for closings prior to spring.

While staff understands that some developers are busy in the spring working toward closing, we find that closings on Minnesota Housing funded projects occur steadily all year round, with no particular spike occurring in the spring. The Agency has attempted to propose a timeline that works best for the most stakeholders, and will re-evaluate over the next several rounds.

- **Small towns and rural areas are at a competitive disadvantage**.
  To ensure that applications from small towns and rural areas are able to compete, as noted above we are adding a new Rural/Tribal scoring criterion that will ensure a balanced competition.
- **There are limits to using data-driven criteria given that some of the data is backward looking and lacking precision.**
  To have an objective, consistent, and transparent scoring process, Minnesota Housing uses the most accurate, objective, and consistent statewide data that is available. While much of the data in the scoring is based on the Census Bureau's American Community Survey (based on survey data with a margin of error), it is the best data available. We primarily establish precise break points so that applicants will see if they achieve the points with no ambiguity in a very transparent process. If we allow a community to receive economic integration points if it is within $1,000 dollars of the 40th percentile, someone will miss that precise threshold and request that the flexibility should be increased up to $1,500. When reliable data is available to measure consistency with a policy goal, we avoid scoring based on subjective factors.
- **The scoring system is more complex which adds uncertainty, and prevents policymakers from predictably pursuing any given set of policy goals.**
  While Minnesota Housing's policy analysis has become more sophisticated, the data-driven criteria have become more objective, with less room for interpretation. This increased use of data reduces the uncertainty associated with more subjective criteria. Further, the intent of moving the QAP publication date to over a year in advance of when applications are due, was to provide applicants the time necessary to plan for and respond to the proposed QAP scoring criteria, providing additional certainty of how a project will fare far in advance of when applications are due.

  Minnesota Housing's scoring system is very comparable to that of many states. Particularly with the addition of the Strategic Priority Policy Thresholds in the 2017 QAP, the Agency will have a QAP that ensures selection of projects that meet the Agency's strategic priorities, and that also incorporate other elements the Agency has determined to be important.
- **Minnesota Housing should clearly define the new policy being discussed that will require cash flow repayments on subordinate deferred loans, and the new policy should account for many financial structuring considerations, and should not be required when the owner provides social services or is a nonprofit.**
  Cash flow notes will apply only to Agency deferred loans, and as such will not be addressed in the QAP. This policy will be communicated separately.
- **Minnesota Housing should make more data available.**
  Minnesota Housing makes public information on its processes and projects readily available through a variety of vehicles including Board Reports, postings to its web site pages and by response to requests for the release of public information under the Minnesota Data Practices Act, including all of the specific data fields requested.

- **Minnesota Housing needs to update the formula for distributing tax credits to suballocators as it is dated and too much is going to Minneapolis and St. Paul given their share of population and concentrated areas of poverty.**
  In February, Minnesota Housing initiated a public process for updating the distribution formula.
- **Project Location – comments submitted through the 2013 QAP public comment process were received claiming that the QAP does not locate projects in pro-integrative locations/areas of opportunity.**
  Since the 2013 QAP, Minnesota Housing has made significant changes to the QAP. Thus, it is difficult to provide a meaningful response to comments that refer to the 2013 QAP. As explained in Agency responses to the comments submitted to the 2013 QAP, the data did not support this claim.

Proposed Change Resulting from Public Comment:

Staff will provide additional engagement opportunities in development of the 2018 QAP.

Self-Scoring Worksheet
2017 Housing Tax Credit Program

Development Name: _______

Development Number: __________(D Number)

Application Number: __________(M Number)

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. <u>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.</u>

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 **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* – ***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,
b) The Supportive Housing 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.

2. 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 outside of rural/tribal designated areas 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 .

Rural/Tribal Designated areas maps and census tract listing are found on Minnesota Housing's website:

[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.

[insert link].

Additionally, find economic integration and rural/tribal designation 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~~)~~.

3. Rural/Tribal 7 Points _____ _____

Points are awarded for projects located in rural/tribal areas outside of the Twin Cities Seven County Metropolitan Area.

☐ The proposed housing is located in a census tract eligible as a Rural/Tribal Designated Area ***– 7 points***

Rural/Tribal Designated areas maps and census tract listing are found on Minnesota Housing's website: [insert link].

Additionally, find rural/tribal designation 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)

~~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. 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)

~~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 1) nonprofit charitable organizations pursuant to a funding competition; 2) local units of government; or 3) tribal governments or tribally designated housing entities.

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.

~~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***

~~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 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

~~9~~10. Community Recovery – Planned Community Development 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.

~~10~~11. Preservation 9 to 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 2, 2016 for HTC Round 1 and prior to 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**

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.- **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

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, **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.

~~11~~12. 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 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. Set aside and rented to households experiencing long-term homelessness targeted to single adults, OR

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

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

☐ 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 $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 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 2017 Housing Tax Credit competitions. Once this maximum amount is reached, the 100 points ("bonus" points) will no longer be awarded for the remaining 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:
   ☐ 5% or more, but no fewer than 4 units, ~~Number of units, representing at least 5% of units,~~ targeted to Continuum of Care Household Type Priority One **– *3 points*, OR**
   ☐ 5% or more, but no fewer than 4 units, ~~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:
   ☐ 5% or more, but no fewer than 4 units, ~~Number of units, representing at least 5% of units,~~ targeted to Continuum of Care Subpopulation Type Priority One **– *2 points*, OR**
   ☐ 5% or more, but no fewer than 4 units, ~~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 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 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 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.

~~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.

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

☐ **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***;

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~~ 50 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~~ 35 and ~~69~~ 49** 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~~ 50 or more** according to www.walkscore.com**

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

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

☐ 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~~ 35 and ~~69~~ 49** 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.

~~14~~15. Universal Design **3 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***

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 within a unit 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

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

- 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
- 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).

2. Rental Assistance **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 5 percent but under 20 percent of the total units, representing at least 4 units, for 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.

Preference Priorities	Developer Claimed		Minnesota Housing Awarded

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 provide **other** Rental Assistance (e.g. Section 8, portable tenant based, an award of McKinney Vento 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) as evidenced at application by documentation of commitment of assistance. – ***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.

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.

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.

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

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

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.

Methodologies

- Workforce Housing Communities
- Preservation Geographic Priority Areas
- Location Efficiency
- Qualified Census Tracts, Tribal Equivalent Areas
- Community Economic Integration
- Cost Containment
- Combined Geographic Priority Point Potential, 2017 QAP
- Rural/Tribal Designated Areas

Workforce Housing Communities Methodology

Communities with a need for workforce housing are identified through total jobs in 2013, five- 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**. A community is eligible if it 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.** A community is 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.** A community is eligible if it 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.

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[1] The five-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] Data from LEHD are current to 2011. Minnesota Housing will also add eligible communities with more current data available by application release of the 2017 QAP. Data source: http://lehd.did.census.gov/data/.

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.

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~~ based on updated data~~,~~ will be added in 2016; however ~~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

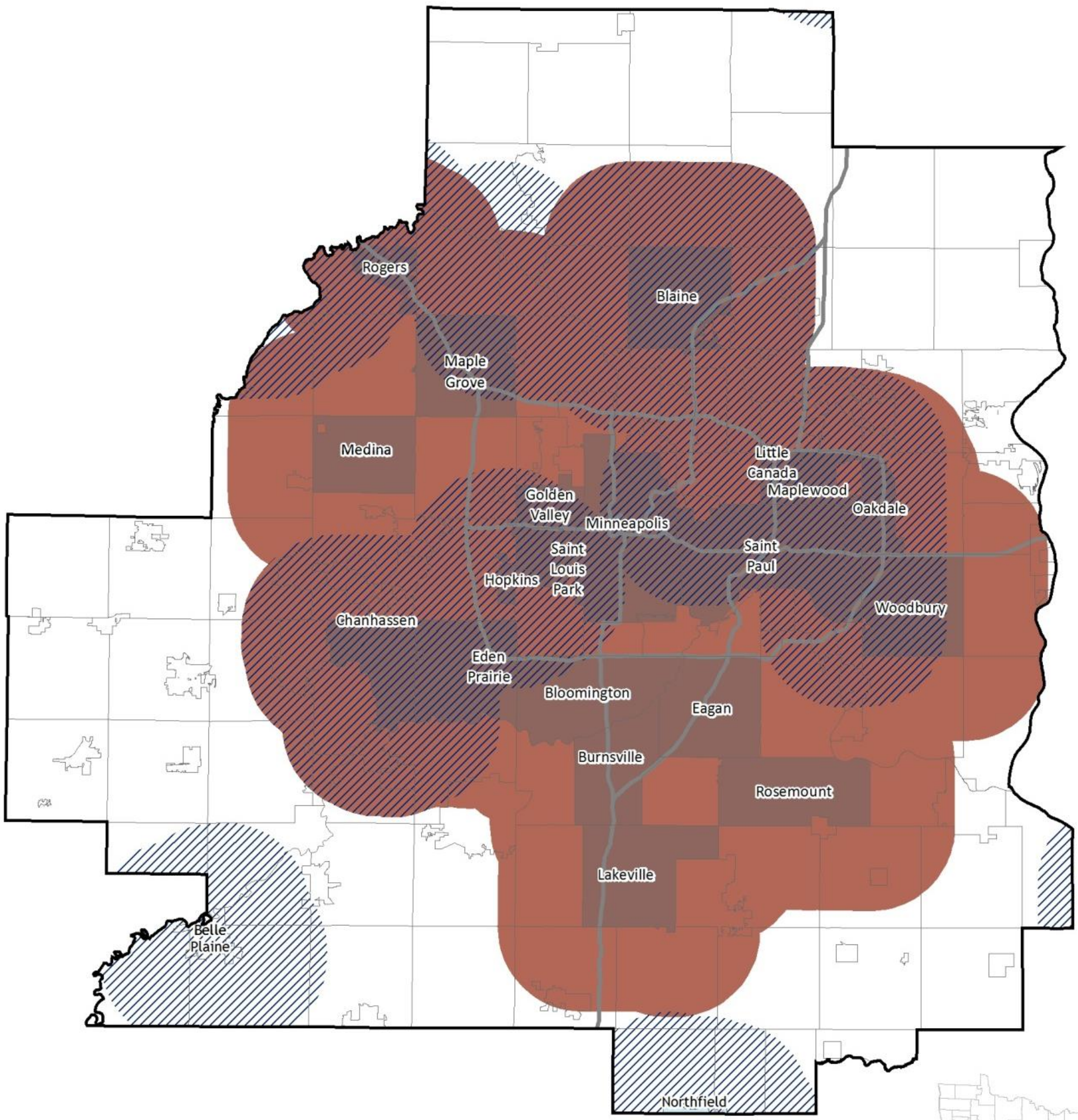
Source: Minnesota Housing analysis of Minnesota Dept. of Employment and Economic Development Quarterly Census of Employment and Wages. (2008-2013).

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	

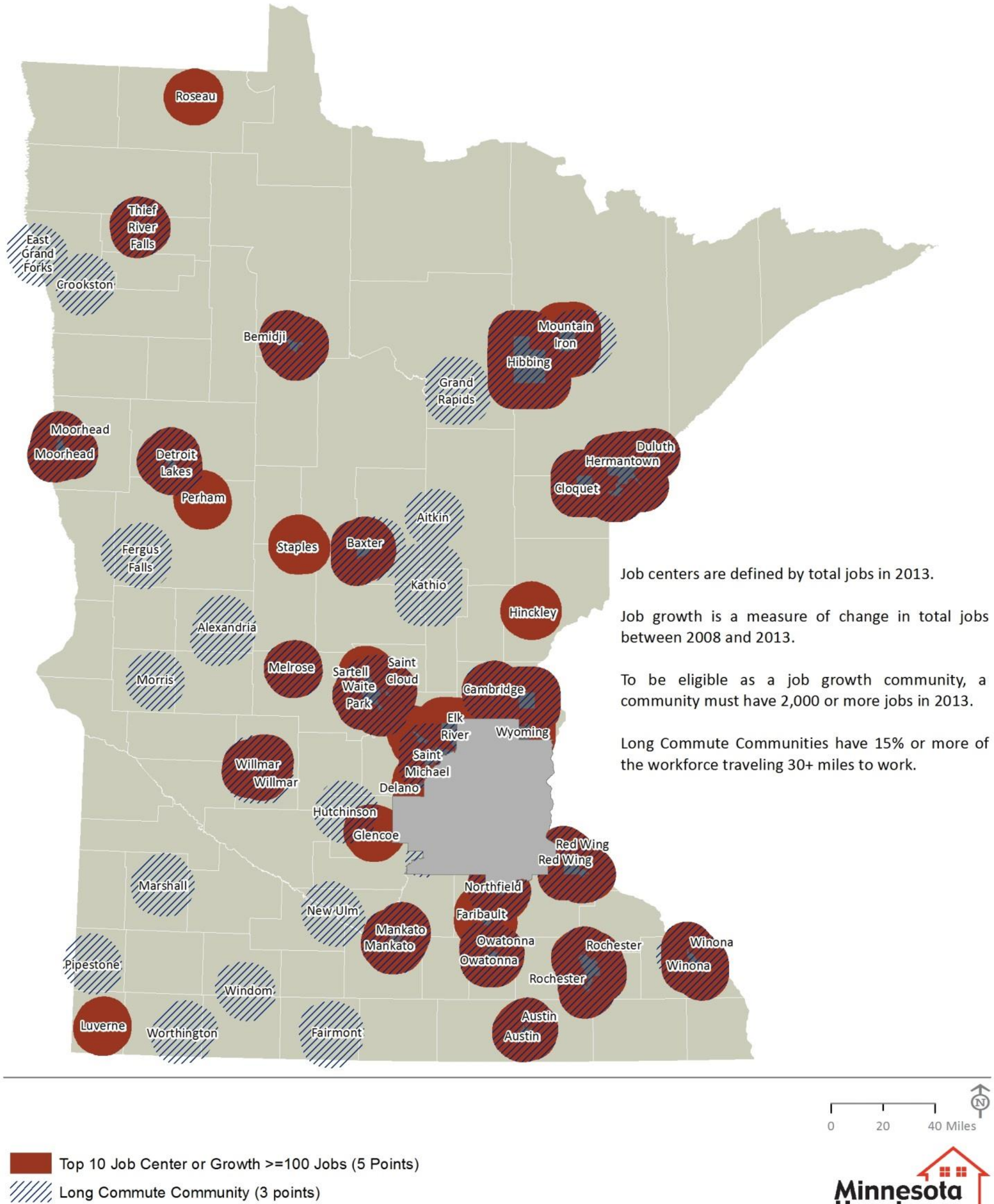
Source: Minnesota Housing analysis of Minnesota Dept. of Employment and Economic Development Quarterly Census of Employment and Wages.

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



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

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 divided 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 2009 and 2013, 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 2013, 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.

Communities will be identified as job growth if they are 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 in the Twin Cities Metro with a net job growth of 500 or more in the past 5 years. Minnesota Housing is publishing the most current available data from the Dept. of Employment and Economic Development (2008-2013); but will add additional communities using the most current data available when the application is released for the 2017 QAP in April 2016. 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 identify 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.

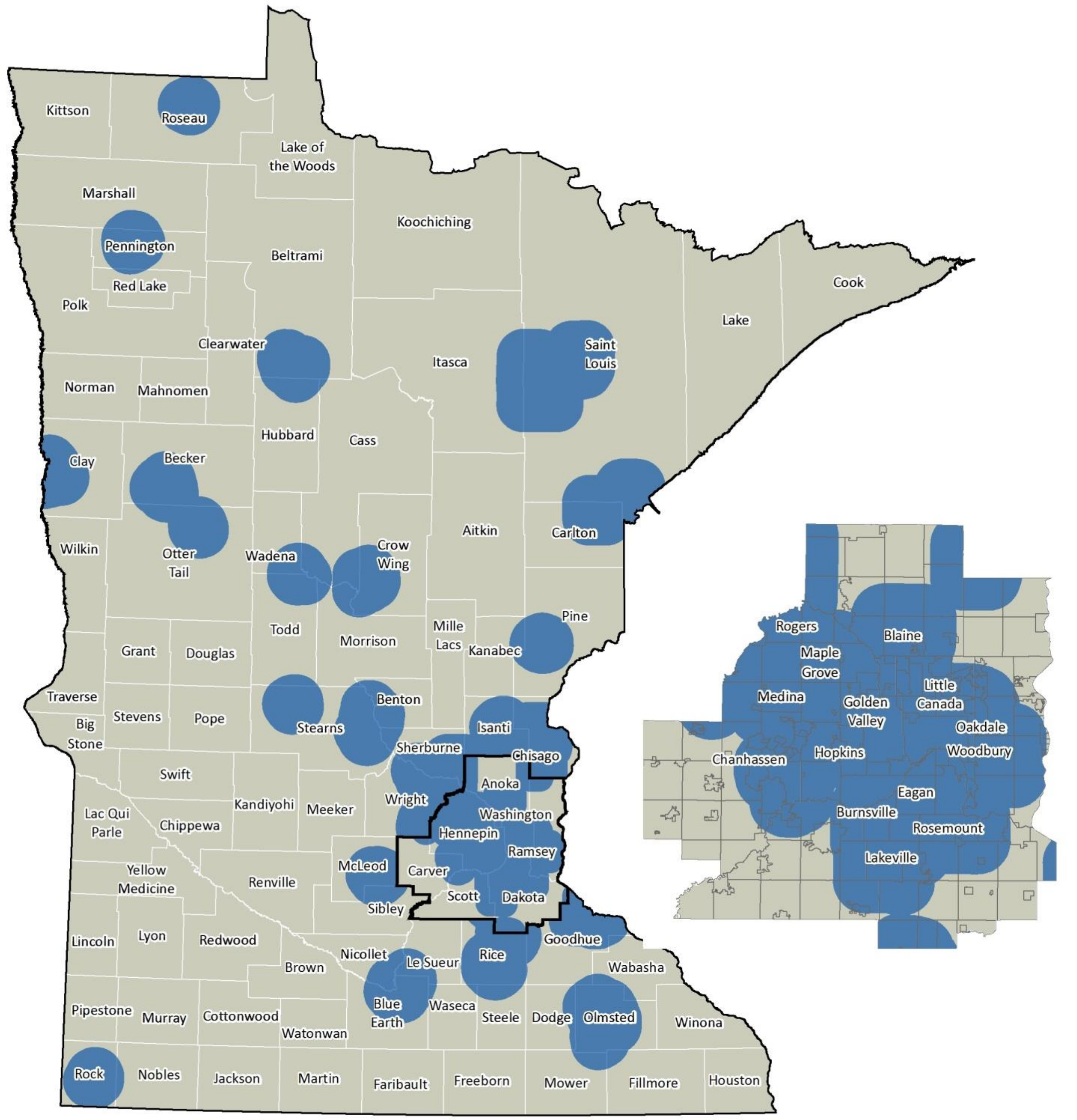
[1] http://mn.gov/deed/data/data-tools/qcew.jsp

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 MN Communities With Net Growth of 100 Jobs or More (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.

Source: MN Dept. of Employment and Economic Development Quarterly Census of Employment and Wages (2008 and 2013), 4/14/2015

Minnesota Housing Finance Agency

2.2 Household Growth

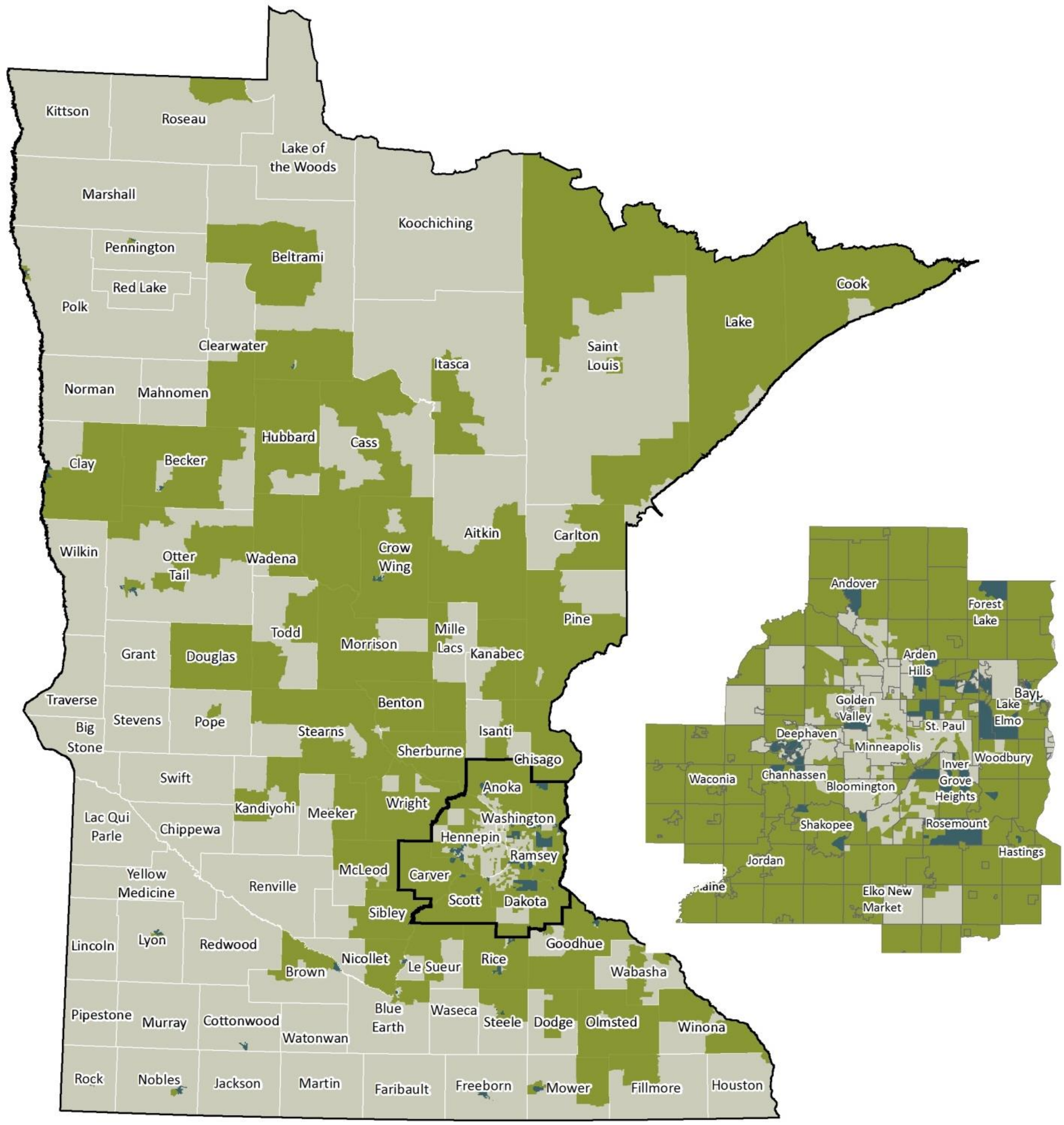
To be identified as a community with household growth, an area may be eligible in two ways. First, census tracts with total household growth of 100 or more between 2000 and 2013 are eligible. An increase of 100 households represents the 60th percentile of household change statewide. (60% of census tracts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

Minnesota Housing Finance Agency

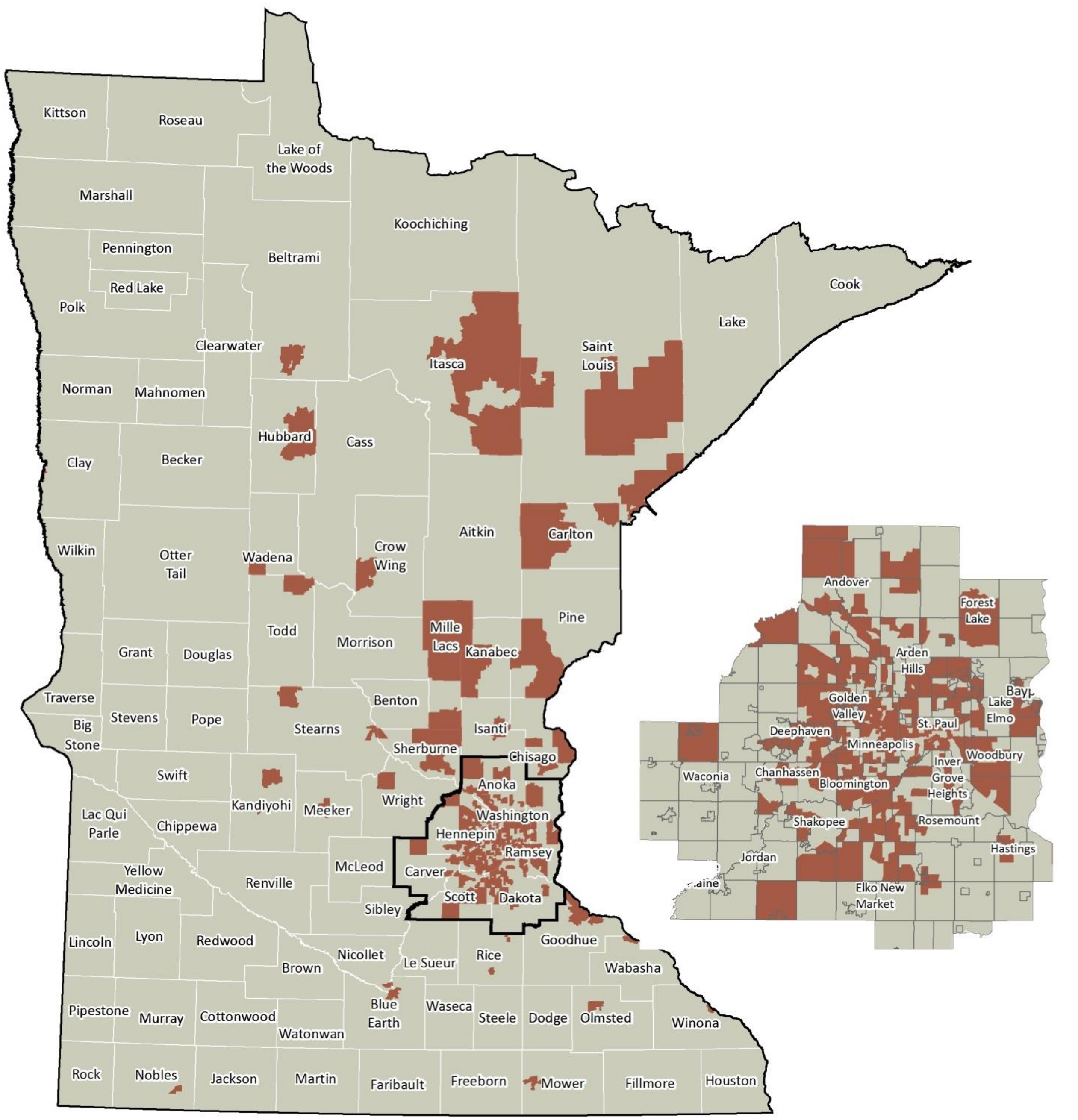
Source: Minnesota Housing analysis of 2000 Census and American Community Survey 2009-2013 data, Date printed: 4/14/2015

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 60^{th} 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: 4/14/2015

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

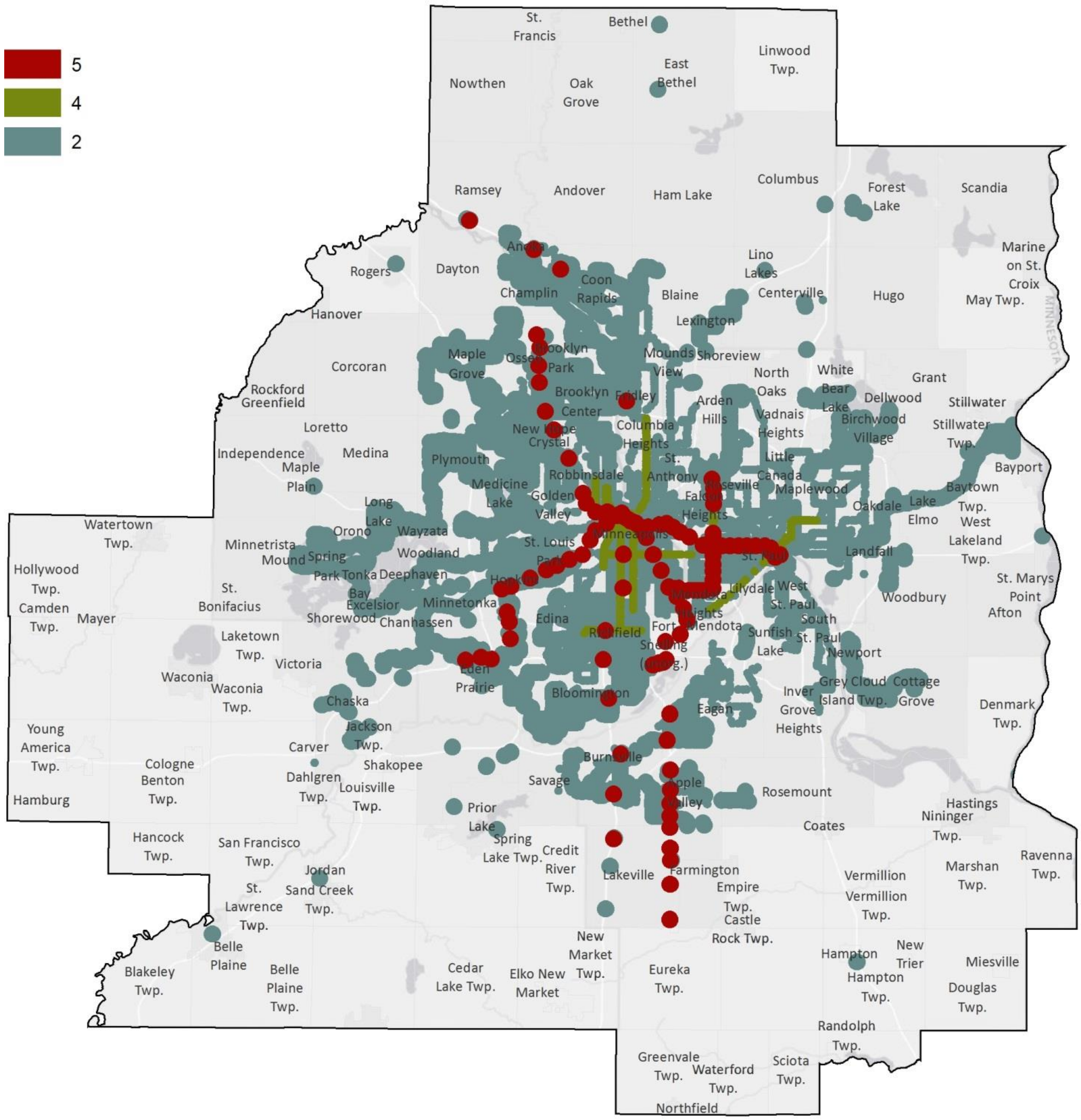
[1] If applicants would like to request revisions of a location’s walk score, they may contact walkscore directly with details of the request to ~~XXXX@walkscore.com (email forthcoming)~~mhfa-request@walkscore.com. Walkscore staff will review the request and make necessary adjustments to scoring within ~~5~~ 45 ~~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 MetroTransit 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 of locations' walk score from the walk score tool.[3]	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 and dial-a-ride and walk score of ~~70~~ 50+	4
Close to jobs and dial-a-ride and walk score of ~~50-69~~ 35-49	3
Close to jobs and (dial-a-ride or walk score of ~~70~~ 50+)	2
Close to jobs and (dial-a-ride or walk score of ~~50-69~~ 35-49)	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.

[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)~~mhfa-request@walkscore.com. Walkscore staff will review the request and make necessary adjustments to scoring within 45 ~~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 6 display fixed route stops and ¼ and ½ mile buffers in Duluth, Rochester, Moorhead, , and St. Cloud.
- The map on page 7 displays the census tracts that are close to low and moderate wage jobs for 2011.
- Table 1 beginning on page 8 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

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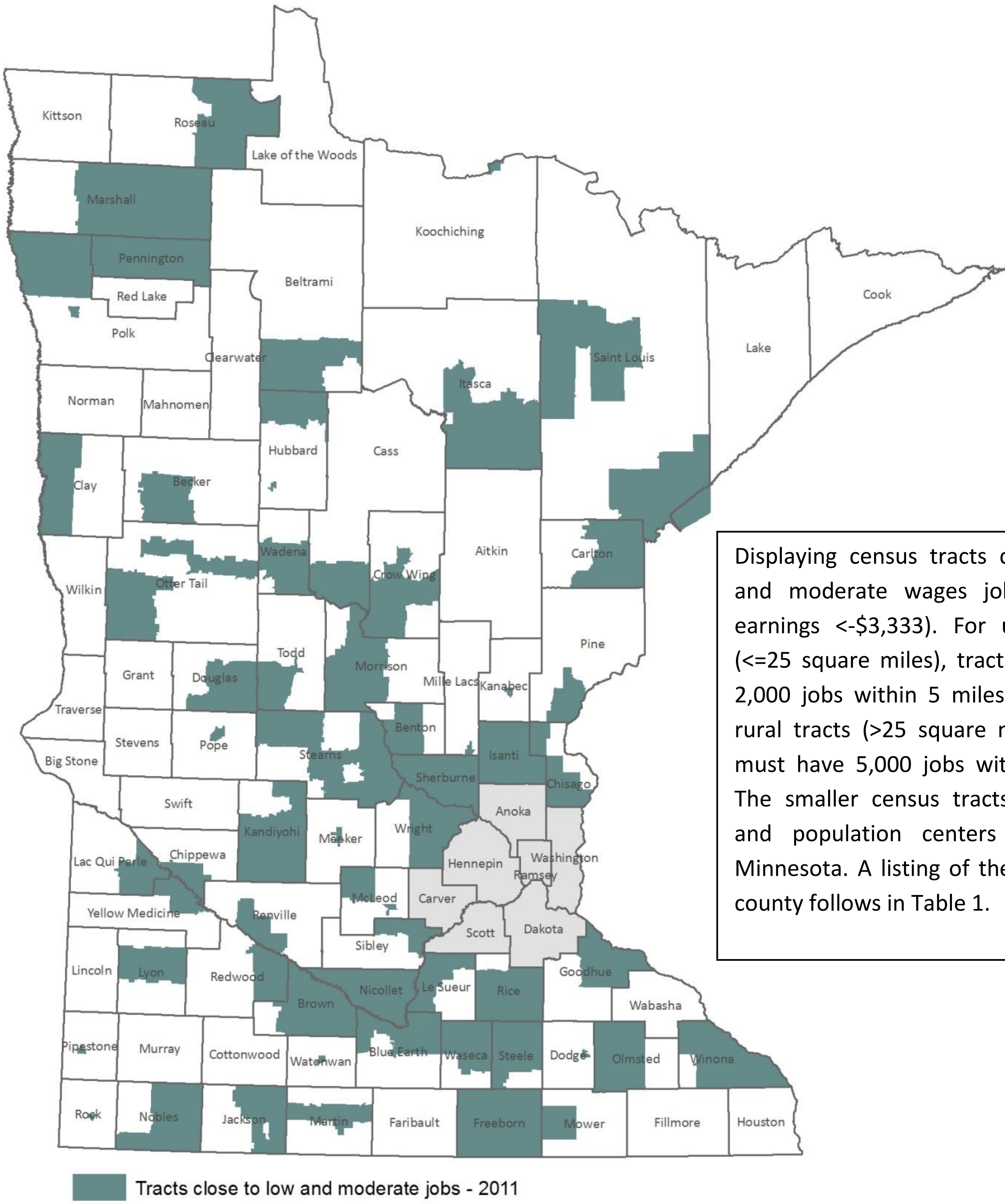
Figure 2: Transit Access Point Levels in Greater Minnesota

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
4805.01
4805.02
4806

Nobles

1051
1053
1054
1055
1056

Olmsted

1
2
3
4
5
6
9.01
9.02
9.03
10
11
12.01
12.02
12.03
13.01
13.02
14.01
14.02
15.01
15.02
15.03
16.01
16.02
16.03
17.01
17.02
17.03
18
19
21
22
23

Otter Tail

9604
9606
9608
9609
9610
9611
9617

Pennington

901
902
903
904
905

Pine

9506
9507

Pipestone

4602
4603

Polk

201
202
203
204
206
207

Pope

9704

Redwood

7501
7502
7503

Renville

7904

Rice

702
703
704
705.01
705.03
705.04
706.01
706.02
707
708
709.01
709.02

Rock

5702

Roseau

9701
9704

Saint Louis

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16
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105
106
111
121
122
123
124
125
126
128
130
131
132
133
134
135
151
152
156
157
158
9901

Sherburne

301.01
301.02
302
303
304.02
304.03
304.04
305.02
305.03
305.04
315

Sibley

1701.98

Stearns

3.01
3.02
4.01
4.02
5
6.01
6.02
7.01
8.01
9.01
10.01
101.01
101.02
102
105
106
111
112

113.01
113.04
114
115
116
Steele
9601
9602
9603
9604
9605
9606
9607
Todd
7906
7907
Wadena
4802
Waseca
7901
7903
7904
7905
Watonwan
9502
Winona
6701
6702
6703
6704
6705
6706
6707
6708
6709
Wright
1001
1002.02
1002.03
1002.04
1003
1007.01
1007.02
1007.03
1008.01
1008.02
1009
1010
1011
Yellow Medicine
9701

Endnotes:

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[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 based on income thresholds if 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

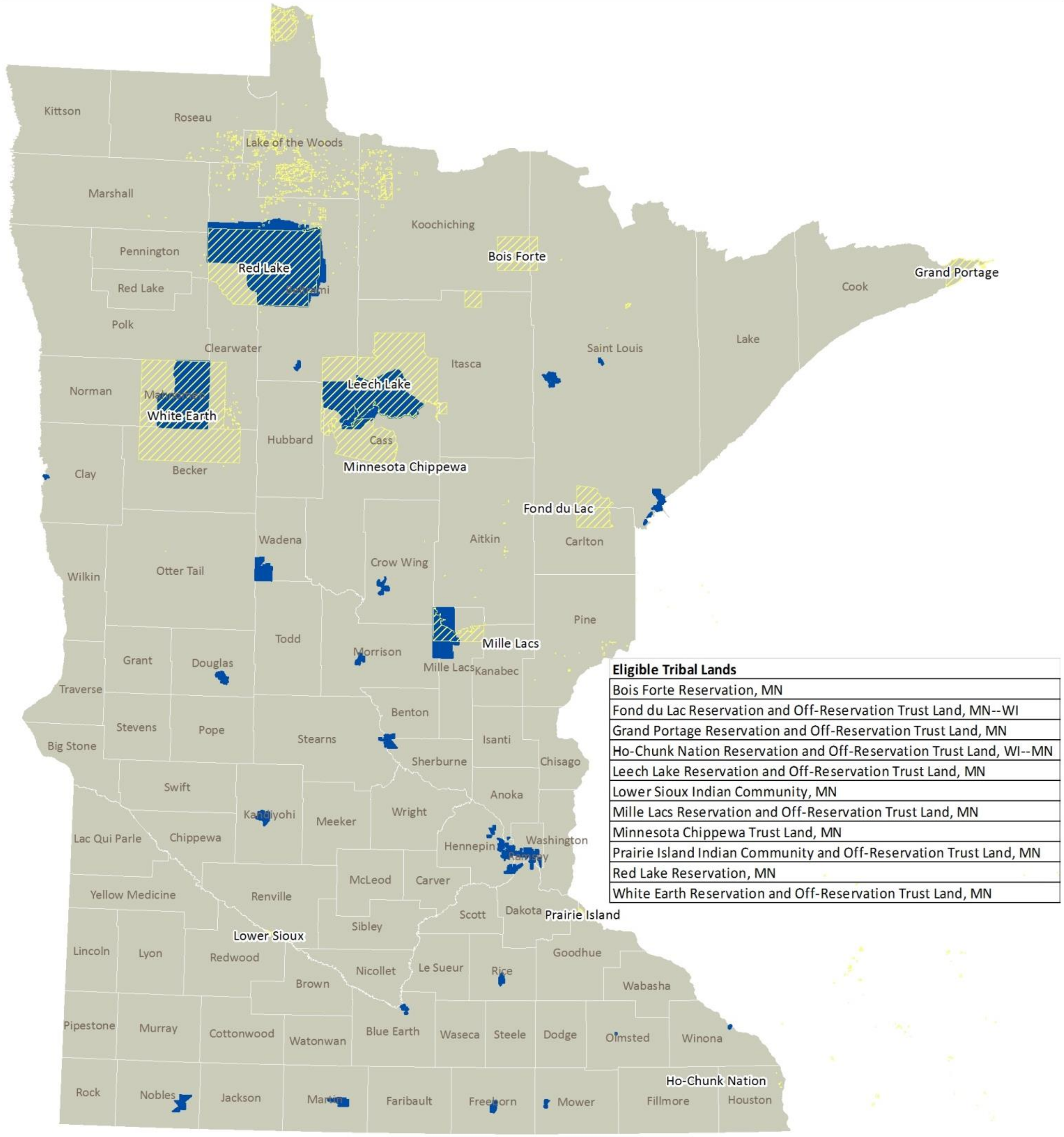
Indian Reservation	Years Eligible Based on Income	Years Eligible based on Poverty
Bois Forte Reservation, MN	2	0
Grand Portage Reservation and Off-Reservation Trust Land, MN	3	0
Ho-Chunk Nation Reservation and Off-Reservation Trust Land, WI--MN	3	2
Leech Lake Reservation and Off-Reservation Trust Land, 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

0 20 40 Miles

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

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

Economic integration points are available for communities outside of rural areas as defined in the new rural/tribal designated areas category.

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.

[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.~~

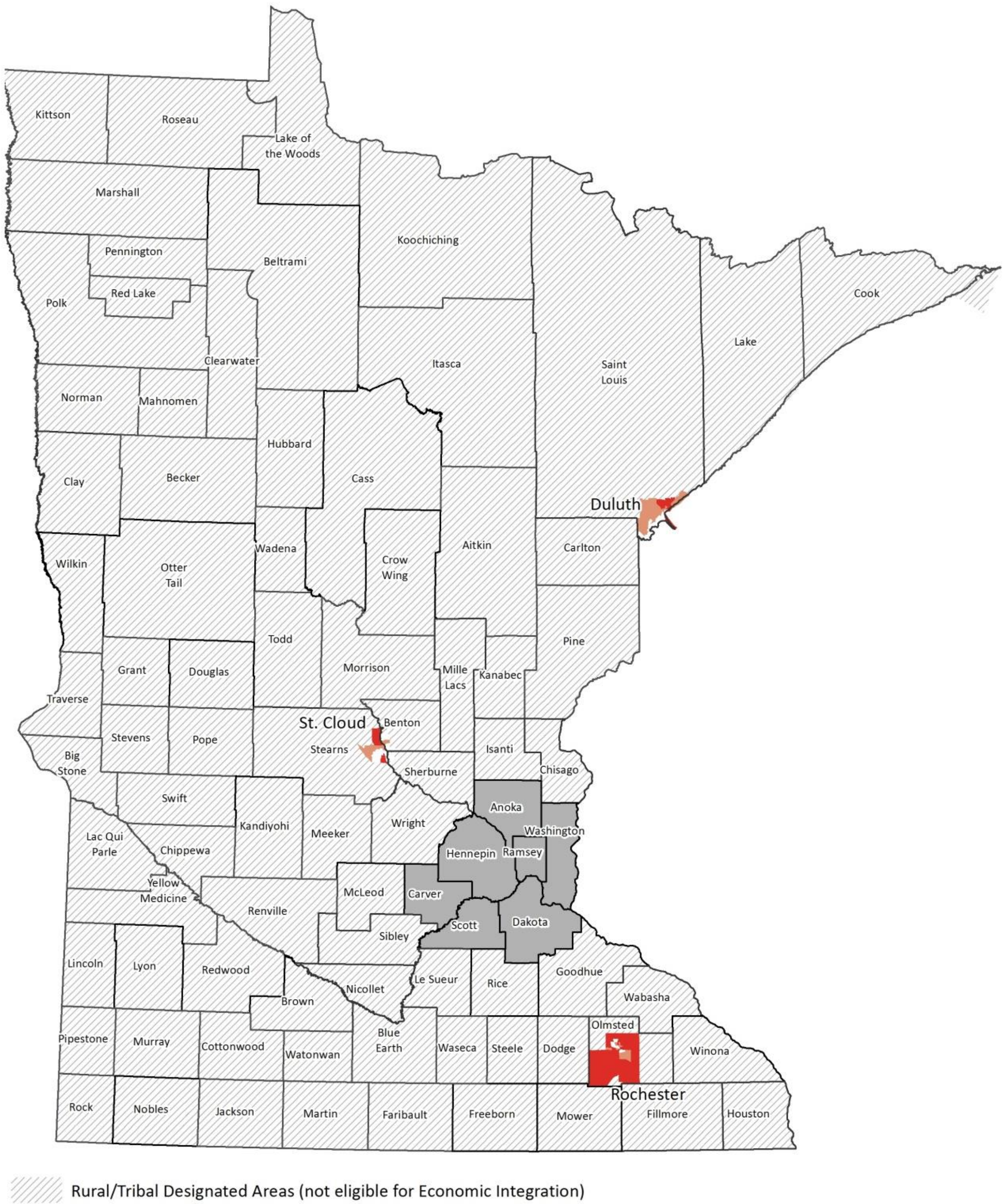
First Tier Community Economic Integration – 9 Points
Meet or exceed the 80th percentile of median family income and meet or exceed the 20th percentile of low and moderate wage jobs within 5 miles in Greater Minnesota and the 10th percentile of low and moderate wage jobs within 5 miles in the Twin Cities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

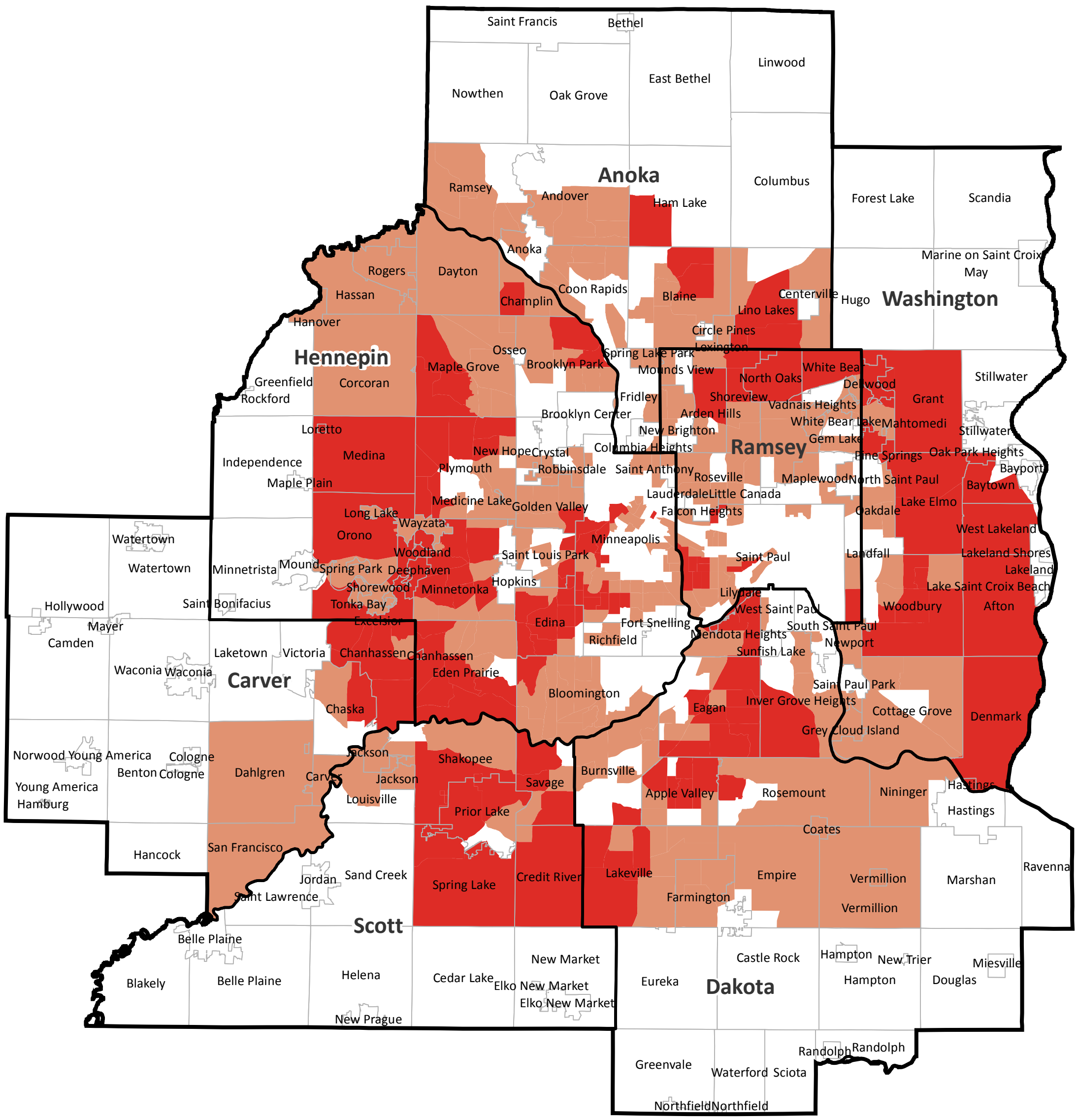
Table 1 – Jobs and Median Family Income Thresholds by Region.

Community Economic Integration *(Twin Cities Metro on next page)*	Non Metro MSAs
Jobs within 5 miles / 20th percentile	3,839
Med Family Income / 40th percentile	$65,077
Med Family Income / 80th percentile	$81,279

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 (OUTSIDE OF RURAL/TRIBAL AREAS)



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)*

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	
Benton	
211.01	
Carver	

906.01	
906.02	*
907.01	*
907.02	*
911	
908	
909	*
905.03	*
905.02	*
905.01	*
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	
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	
259.05	*
259.06	
259.07	
260.05	
260.06	
260.07	
260.13	*
260.14	*
260.15	*
260.16	*
260.18	*
260.21	*
260.22	*
261.01	
261.03	*
261.04	
262.01	*
262.02	*
262.05	*
262.06	*
262.07	
262.08	
263.01	*
263.02	*
264.03	
264.04	*
265.05	
265.07	
265.08	*
265.09	*
265.1	
265.12	
266.05	*
266.06	*
266.09	
266.1	*
266.12	*
266.13	*
267.06	
267.07	

267.08	
267.1	
267.11	
267.12	
267.13	
267.14	*
267.15	*
267.16	*
268.11	
268.12	
268.2	*
268.22	*
268.23	
269.03	
269.06	
269.07	*
269.08	
269.1	
271.01	*
271.02	
272.01	*
272.02	
272.03	
273	
274	*
275.01	
275.04	*
1012	
1031	
1036	
1037	
1039	*
1051	*
1052.01	
1054	
1055	*
1065	*
1066	*
1075	
1076	
1080	*

1089	
1090	
1091	
1098	*
1099	
1105	
1108	
1109	
1111	
1112	*
1113	*
1114	*
1115	*
1116	*
1226	
1256	
1261	
1262	*
269.09	
275.03	*
212	
214	
224	
268.14	
268.15	
268.16	
210.01	
260.19	
6.01	
258.03	
Olmsted	
1	*
4	*
5	
9.01	
9.02	
9.03	*
10	
11	*
12.01	*
12.02	*

12.03	*
13.01	*
13.02	
14.02	*
15.01	
15.02	
15.03	*
16.01	
16.02	*
16.03	*
17.03	*
22	*
23	*
Ramsey	
301	
302.01	*
303	
306.02	
322	
332	
333	
342.02	
349	*
350	*
351	*
352	
353	
355	
357	*
358	*
360	
363	*
364	*
365	
366	
367	
375	
376.01	
401	*
402	
403.01	

404.02	
405.03	
406.01	*
406.03	
407.03	
407.04	
407.05	
407.06	*
407.07	*
408.01	*
408.03	
410.01	
411.04	
411.05	
411.06	
413.01	
413.02	
415	
416.01	
417	
418	
419	
421.02	
423.01	
424.02	
425.03	*
425.04	
426.01	
429	
430	*
321	
406.04	
323	

410.02	
Saint Louis	
1	*
2	
3	
4	*
5	*
6	
7	*
9	
10	*
11	*
22	*
23	
30	
101	
102	
103	
157	
Scott	
802.01	*
802.02	*
802.03	
802.05	*
803.01	
803.02	*
810	*
802.04	
806	
809.06	
807	
809.03	*
809.05	*

Stearns	
4.02	*
9.01	
10.01	
101.01	*
101.02	*
113.01	
8.01	
Washington	
703.01	*
703.03	*
703.04	
704.03	*
704.05	*
704.06	*
709.06	
709.09	
709.11	
710.18	*
710.06	
712.06	
714	
712.07	
710.13	
710.1	*
710.17	
710.14	*
710.15	*
710.16	*
707.01	*
710.11	*
711.02	*
710.03	

704.05	*
704.06	*
709.06	
709.09	
709.11	
710.18	*
710.06	
712.06	
714	
712.07	
710.13	
710.1	*
710.17	
710.14	*
710.15	*
710.16	*
707.01	*
710.11	*
711.02	*
710.03	
Winona	
6702	
6703	*
6704	
6706	
6705	
Wright	
1001	
1008.01	*
1008.02	*

Cost Containment Methodology

Background

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
      Rounded down 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 50^{th} 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.

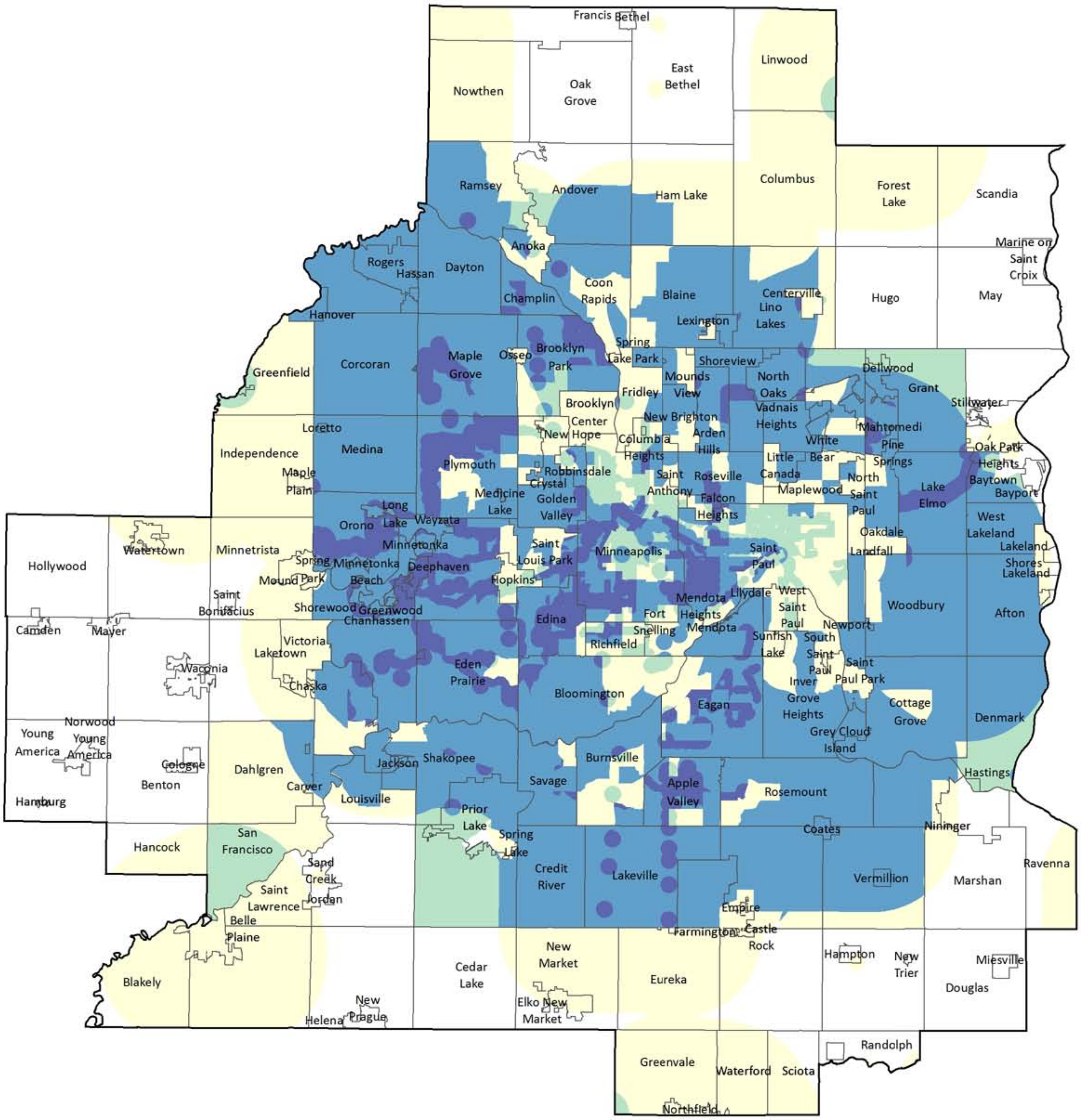
If developers are concerned about their costs and keeping them within the "applicable cost threshold", they should not claim the cost-containment points in the self-scoring worksheet.

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.

NOTE: This methodology memo is new since approval of the proposed 2017 QAP in February.
For ease of reading track changes has not been used.

Combined Geographic Priority Point Potential, 2017 QAP: Metro



Combined Points

- 1 - 7
- 8 - 10
- 11 - 15
- >15

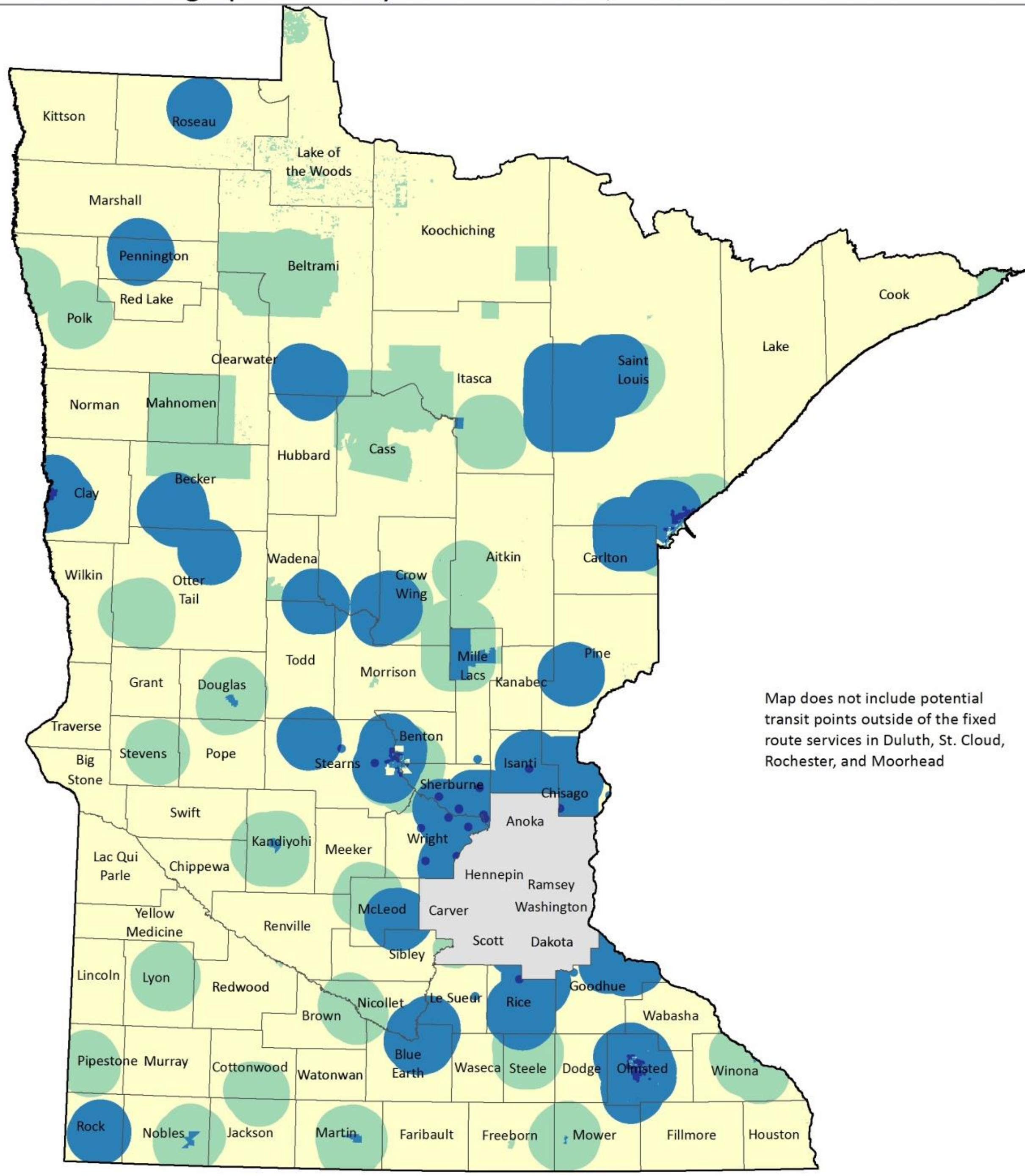
Point point potential based on:
* workforce housing cities, 3 or 5 points,
* economic integration tracts, 7 or 9 points,
* location efficiency transit areas, 2 to 5 points, and
* qualified census tracts, 1 point. (max of 20, highest achieved 20)
(note, does not include additional 2 points possible for walk score).

0 3.5 7 Miles

Minnesota Housing Finance Agency

Source: Minnesota Housing analysis Date: 4/09/2015

Combined Geographic Priority Point Potential, 2017 QAP: Greater Minnesota



Map does not include potential transit points outside of the fixed route services in Duluth, St. Cloud, Rochester, and Moorhead

Combined Points
- 1 - 7
- 8 - 10
- 11 - 15
- >15

Point point potential based on:
* workforce housing cities, 3 or 5 points,
* economic integration tracts, 7 or 9 points,
* location efficiency transit areas, 4 to 7 points,
* rural designation areas, 7 points, and
* qualified census tracts, 1 point. (max of 22, highest achieved 20)

0 20 40 Miles

Minnesota Housing Finance Agency

Source: Minnesota Housing analysis Date: 4/09/2015

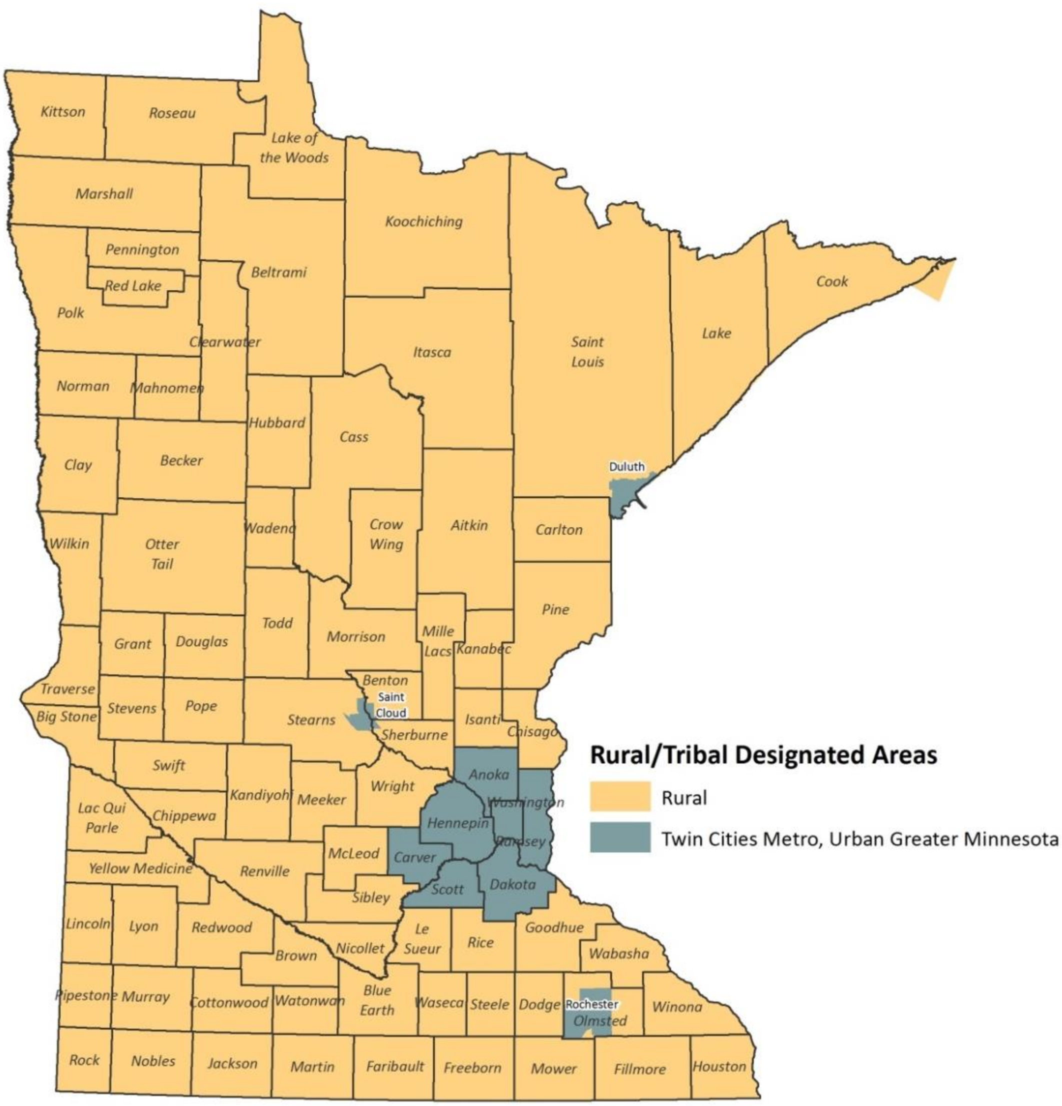
NOTE: This methodology memo is new since approval of the proposed 2017 QAP in February. For ease of reading track changes has not been used.

Rural/Tribal Designated Areas

Because communities in rural parts of Minnesota will no longer compete for economic integration priority points, the selection process will now have a new 7 point criterion for rural communities.

Minnesota Housing defines rural communities using tracts outside of the Twin Cities 7 County Metropolitan Area and communities in Greater Minnesota with populations over 50,000. These areas include tracts in, Duluth, Rochester, and St Cloud.

The map below shows areas receiving the rural/tribal designation points in orange. The following pages list the tracts eligible by county.



Tracts Eligible for Rural/Tribal Designation Points

Aitkin
7701
7702
7703
7704
7905.01
7905.02
Becker
4501
4502
4503
4504
4505
4506
4507
4508
4509
9400
Beltrami
4501
4502
4503
4504
4505
4506
4507.01
4507.02
9400.01
9400.02
Benton
201
202.02
202.03
202.05
203
Big Stone
9501
9502
9503
Blue Earth

1701
1702
1703
1704
1705
1706
1707
1709
1710
1713
1714
1715
1708
1712.02
1716
1711.01
Brown
9601.01
9601.02
9602
9603
9604
9605
9606
9607
Carlton
701
702
703
704
705
706
9400
Cass
9400.01
9400.02
9601
9602
9603.01
9603.02

9606
9607
9608.01
9608.02
Chippewa
9503
9504
9505
9506
Chisago
1101
1102
1103.01
1103.02
1104.02
1105.01
1105.02
1106
1107
1104.01
Clay
201
202.02
203
204
205
206
301.02
301.07
302.01
302.02
301.06
301.03
301.04
Clearwater
1
2
3
Cook
4801

4802
Cottonwood
2701
2702
2703
2704
Crow Wing
9501
9502.04
9504
9505.01
9505.02
9507
9508
9509
9510
9511
9512
9513.01
9513.02
9514
9516
9517
Dodge
9501
9502
9503
9504
9505
Douglas
4501
4502
4505
4506
4507.01
4507.02
4508
4509
4510
Faribault

4601
4602
4603
4604
4605
4606
Fillmore
9601
9602
9603
9604
9605
9606
Freeborn
1801
1802
1803
1804
1805
1806
1807
1808
1809
1810
Goodhue
801.01
801.02
802
803
804
805
806
807
808
809
Grant
701
702
Houston
201

202
203
205
209
Hubbard
701
702
703
704
705
706
707
Isanti
1301
1302
1303.01
1303.02
1304
1305.01
1305.02
1306
Itasca
4801
4803
4804
4805
4806
4807
4808.01
4808.02
4809
4810
9400
Jackson
4801
4802
4803
4804
Kanabec
4801
4802

4803
4804
Kandiyohi
7709
7801
7802
7803
7804
7805
7806
7807
7808
7810
7811
7812
Kittson
901
902
Koochiching
7901
7902
7903
7905
Lac Qui Parle
1801
1802
1803
Lake
3701
3703
3704
Lake of the Woods
4603
4604
Le Sueur
9501
9502
9503
9504
9505

9506
Lincoln
2010.01
2010.02
Lyon
3601
3602
3603
3604
3605
3606
3607
Mahnomen
9401
9403
Marshall
801
802
803
804
Martin
7901
7902
7903
7904
7905
7906
McLeod
9501
9502
9503
9504
9505
9506
9507
Meeker
5601
5602
5603
5604
5605

5606
Mille Lacs
1704
1705
1706
1707
9701
9702
9703
Morrison
7801
7802
7803
7804
7805
7806
7807
7808
Mower
1
2
3
10
12
13
14
4.1
6
8
9
Murray
9001
9002
9003
Nicollet
4801
4802
4803
4804
4806
4805.01

4805.02
Nobles
1051
1052
1053
1054
1055
1056
Norman
9601
9602
9603
Olmsted
18
19
20
21
Otter Tail
9601.02
9601.03
9603
9604
9605
9606
9607
9608
9609
9610
9611
9612
9613
9614
9615
9616
9617
Pennington
901
902
903
904
905

Pine
9501
9502
9503
9504
9505
9506
9507
9508
Pipestone
4601
4602
4603
4604
4605
Polk
201
202
203
204
205
206
207
208
209
210
Pope
9701
9702
9703
9704
Red Lake
101
102
Redwood

7501
7502
7503
7504
7505
7506
Renville
7901
7902
7903
7904
7905
7906
Rice
701
702
703
704
705.01
705.03
705.04
706.01
706.02
707
708
709.01
709.02
Rock
5701
5702
5703
Roseau
9701
9702
9703

9704
9705
Saint Louis
104
105
106
111
112
113
114
126
127
128
130
131
132
133
134
135
136
138
139
140
141
151
152
153
154
155
121
122
123
124
125
Sherburne

301.01
301.02
302
303
304.02
304.03
304.04
305.02
305.03
305.04
Sibley
1701.98
1702
1703
1704
Stearns
102
104.01
104.02
104.03
105
106
109
110
111
112
113.02
113.04
114
115
Steele
9601
9602
9603
9604

9605
9606
9607
9608
Stevens
4801
4802
4803
Swift
9601
9602
9603
9604
Todd
7901
7902
7903
7904
7905
7906
7907
7908
Traverse
4601
4602
Wabasha
4901
4902
4903
4904
4905
4906

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

AGENDA ITEM: 9.A
MINNESOTA HOUSING BOARD MEETING
April 24, 2015

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

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

Paula Beck, 651-296-9806 paula.beck@state.mn.us

REQUEST:

☐ Approval ☐ Discussion ☑ Information

TYPE(S):

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

☐ Other: ______________________________

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
The Agency and the Chief Risk Officer have developed procedures for the receipt, retention and treatment of complaints received by the Agency or the Chief Risk Officer regarding conflict of interest, misuse of funds and fraud that have been submitted by any person external or internal to the Agency.

Update from the Chief Risk Officer regarding complaints of potential conflict of interest, alleged misuse of funds and alleged fraud that have been reported to the Agency or the Chief Risk Officer since the board adopted Reporting Non-Compliance with Agency Policy and Procedures on January 27, 2011.

FISCAL IMPACT:
There were 41 instances of potential conflicts of interests, alleged misused funds and alleged fraudulent activity for the 52-month period beginning December 2010 and ending March 2015. A total of $391,409 has not been recovered: $313,866 in misused funds (an increase of $19,289 from last quarter), and $77,543 in fraudulent activity (unchanged from last quarter).

MEETING AGENCY PRIORITIES:

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

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

☐ Prevent foreclosures and support community recovery ☑ Strengthening Organizational Capacity

ATTACHMENT:
- Reporting Non-Compliance with Agency Policy and Procedures.

Reporting Non-Compliance with Agency Policy and Procedures

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

An updated report will be delivered to the board quarterly, with the next report due July 23, 2015.

Complaints Received by Agency or Chief Risk Officer

Complaint	Status		
Resolution	Closed	In Process	Grand Total
Conflict of Interest	**5**		**5**
External Employment Approved	1		1
Insufficient Evidence	3		3
Issue Cured	1		1
Fraud / Embezzlement	**5**	**1**	**6**
Funding Transferred to Different Entity	1		1
Insufficient Evidence	3		3
FBI Investigation Initiated	1		1
Provided Requested Loan Information		1	1
Misuse of Funds	**25**	**9**	**34**
All Funds Returned to Agency	2		2
Insufficient Evidence	3		3
Issue Cured	4		4
Negotiated Settlement	8		8
None – Nonviable Counterparty	1		1
OLA Forwarded Complaint to County	1		1
Revenue Recapture	4		4
Entry of Judgment	2		2
None Yet		7	7
Settlement offer Proposed		2	2
Grand Total	**35**	**10**	**45**

Key Trends:

- Three new alleged misuse of funds cases and one alleged conflict of interest case opened from January 2015 through March 2015
- Five cases closed from January 2015 through March 2015

Report Legend:

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

AGENDA ITEM: 9.B
MINNESOTA HOUSING BOARD MEETING
April 23, 2015

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

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 $54,530,172 of Homeownership Finance Bonds, 2015 Series A (Non-AMT) on March 10, 2015 which settled on March 24, 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

CSG advisors

Via Email Delivery

MEMORANDUM

Date: **March 23, 2015**

To: **Minnesota Housing Finance Agency**

From: **Gene Slater, Tim Rittenhouse, Eric Olson**

Re: **Post-Sale Report**
$ 54,530,172 Homeownership Finance Bonds (HFB)
2015 Series B (Non-AMT)

BOND CRITERIA

The 2015 Series B Housing Finance Bonds were issued under last fall's Board authorization for additional single-family monthly pass-through bonds. As with all of Minnesota Housing's bond issues to finance single-family new production, there are four key criteria for issuing the debt.

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 B 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 1.107%, close to the maximum IRS limit of 1.125%.

- ***Attractive Bond Yield.*** Bond yield was 3.0% versus a yield of approximately 3.4% 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.*** To accommodate demand from purchasers, Minnesota Housing slightly increased the size by approximately $4.5 million or 9%, thus financing 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 and including service release premiums from U.S. Bank is projected to be approximately 3% of the issue size at 137% prepayment speed.

    - The breakeven speed on 2015 B was approximately 137% compared to an MBS sale. The comparable figure was approximately 160% on 2015 Series A, 165% on 2014 Series D, 130% on 2014 Series B/C and 144% on 2014 Series A.

- ***Zero Participations.*** The issue used approximately $2.2 million of zero participations to help toward getting very close to full spread. Minnesota Housing has approximately 24 million in zeros remaining for future transactions.

- ***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 $169 million for Series B, the underwriters continue to re-establish the market and liquidity for future tax-exempt pass-through bond issues. Orders represented about 3.4 times the amount of bonds initially offered and 3.1 times the final issue size.

Implications. All of Minnesota Housing's pass-through issues 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 $40 to $50 million in bonds and then upsizing if there is sufficient demand from investors.

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 Tuesday, March 10th with a closing on March 24th.

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 continued to increase. Series B financed approximately 54% Fannie Mae and 46% Ginnie Mae MBS.
- Schedule the closing for on or before March 24th to allow losses on hedges that terminated on March 10th 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). With the unexpected but continuing drop in interest rates over the last 6 months, the benefits from selling bonds at a lower yield have been 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 about $169 million of orders.

2. ***Timing.*** Treasury yields increased dramatically from mid-January to early March, with the high for the 10-year reached on March 6th as investors feared that the Federal Reserve might begin to raise interest rates sooner. Yields dropped slightly by the time of the sale. Municipal yields rose even faster due to increased supply, investor fear of prices dropping when the Fed raises rates and of having locked in such low absolute yields. MBS yields, on the other hand, have moved hardly at all since mid-January.

2. ***Generally Successful Sale***. The sale was well-subscribed for, with approximately twice as many orders as bonds. With investors looking to changes in the treasury and municipal markets, they were reluctant to accept a yield below the benchmark of 3%.

   Comparison to GNMA Yields: Investors compare yields on pass-through issues to current-coupon GNMAs. Minnesota's transactions have generally yielded about 20 basis points lower. Compared to GNMAs, Minnesota bonds provide much less liquidity in the global markets but do offer tax-exemption. The spread on Series B was narrower by about 8 basis points.

	2014 A Tax-Exempt	**2014 B Tax-Exempt Series**	**2014 C Tax-Exempt**	**2015 A Tax-Exempt**	**2015 B Tax-Exempt**
	June 2014	August 2014	October 2014	January 2015	March 2015
Minnesota Housing bond yield	**3.0%**	**2.95%**	**2.875%**	**2.80%**	**3.00%**
Yield on GNMA 4.0 current coupon, at 150% prepayment speed	3.18%	3.16%	3.12%	3.05%	3.08%
Minnesota Housing compared to GNMA yield	**18 basis points lower**	**21 basis points lower**	**24.5 basis points lower**	**25 basis points lower**	**8 basis points lower**

Comparable Single-Family Pass-Through Bond Transactions: Other than Minnesota's own prior pass-through issues, there have been few single-family pass-through bond issues sold this year. The only other tax-exempt new money transactions in 2015 were an Ohio issue in early February and before that Minnesota's own issue in January.

All in all, Series B 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.

****

ISSUE DETAILS

Key Dates: 2015B Bond Pricing under HFB Indenture

Institutional Order Period:	Tuesday, March 10, 2015
Closing Date:	Tuesday, March 24, 2015

Economic Calendar. Economic signals had been moderately positive with unemployment dipping to 5.5% for February. Market watchers have been anticipating the Fed would begin to tighten rates in mid-year, with each economic report closely watched for its potential impact on the timing of Fed action. In the week before the sale, the unemployment rate came in 0.1% lower than expected and non-farm payrolls grew more than anticipated. Increases in hourly earnings remained weak, however, at 0.1%. The only significant economic news affecting the issue was the wholesale inventory report that came in higher than expected, indicating more weakness than expected.

Treasuries**.** Treasury yields increased significantly since the sale of 2015 Series A in mid-January. The 10-year treasury increased in yield from 1.92% to 2.14%, a rise of 22 basis points. This largely reversed the 35 basis point drop in yields from Christmas to mid-January. The major reason for higher yields is increased anticipation of the Federal Reserve finally beginning to raise interest rates for the first time in 6 years as the economy stabilizes.

The 10-year yield reached its high for the year of 2.24% on Thursday March 6th; at these levels – especially compared to the very low yields on Eurozone bonds and negative yields on Swiss bonds – the market began to rally and yields dropped to 2.14% on the date of pricing. This provided a positive supporting environment for the issue after weeks of very weak markets.

Municipals**.** Since 2015 Series A, Munis have weakened much more than treasuries. The 10-year MMD rose 34 basis points compared to a 22 basis point increase in the 10-year treasury, with similar differential in the 30-year range as well. Part of what drove the deterioration was (a) increased supply as issuers sought to refund old issues before rates rose further from historic lows and (b) investor reluctance to lock in prices on long-term bonds that might deteriorate significantly when Fed action leads to rising interest rates. Overall factors include:

- Visible supply has risen to about $12 billion from approximately $9 to $10 billion in February.
- Credit spreads have remained relatively wide and gotten wider, especially compared to the low absolute level of rates, with 50 basis points between AAA and A levels for 10-year MMD and 60 basis points for 30-year MMD (up from about 45 basis points at the time of Series A).

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%
2015 B	3/10/15	**2.14%**	**2.18%**	**102.0%**	**2.73%**	**3.0%**	**110.0%**
Change from 2015 B		**+22 bp**	**+ 34 bp**	**6.2%**	**+24 bp**	**+ 37 bp**	**4.4%**

Municipal Calendar. The Minnesota competitive sale calendar for the week included several small school issues.

The last pass-through issues were New Mexico taxable refundings on Feb. 25th and Feb. 18th, an Ohio new money tax-exempt issue on Feb. 5th, and before that, Minnesota's 2015 Series A tax-exempt new money issue on October 14th. The most comparable recent issue was Ohio's.

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 hardly changed since Series A (GNMA yields increased by 3 basis points and FNMAs dropped by 3 basis points. This compares with the 22 basis point increase in the 10-year treasury and the 34 basis point increase in 10-year MMD. GNMAs are no longer trading at almost 160% of treasuries but have dropped to about 145%; this is still very wide compared to historic ratios (e.g. about 120% last summer). The yields have been computed at the 150% prepayment speed, similar to the breakeven speed in using bonds rather than 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	As of March 10, 2015
GNMA	Current	4.0	Price	105.98	105.80	106.23	106.38	106.70	107.27	106.97
			Yield*	3.22%	3.24%	**3.18%**	**3.16%**	**3.12%**	**3.05%**	**3.08%**
FNMA	Current	4.5	Price	107.44	107.06	107.72	107.73	108.33	108.38	108.59
			Yield*	3.50%	3.55%	**3.47%**	**3.46%**	**3.39%**	**3.38%**	**3.35%**
10-Year Treasury	n/a	n/a	Yield	2.75%	2.65%	2.64%	2.46%	2.31%	1.92%	2.14%
GNMA to 10-Year Treasury	n/a	n/a	Yield*	117.09%	122.26%	**120.45%**	**128.58%**	**135.06%**	**158.61%**	**144.13%**
GNMA to 10-Year MMD	n/a	n/a	Yield*	127.78%	140.87%	**136.48%**	**146.44%**	**155.19%**	**165.50%**	**141.48%**

*at 150% PSA

Comparables

PASS-THROUGH BOND PRICING COMPARABLES

Pricing Date	3/10/15		2/25/15		2/18/15		2/5/15	
Amount	$54,530,172		$25,740,000		$7,229,858		$30,450,738	
Issuer	Minnesota HFA		New Mexico MFA		New Mexico MFA		Ohio HFA	
Series	2015 Series B		2015 Series C		2015 Series B		2015 Series A	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -	
Tax Status	Tax Exempt, Non-AMT		Taxable		Taxable		Tax Exempt, Non-AMT	
Use of Funds	New Money		Refunding		Refunding		New Money	
Maturity	2045		2041		2035		2044	
Price	100.000		100.000		100.000		102.200	
Coupon/Yield	3.000		3.000		2.750		2.780	
Indicator	Indicative Yield 3/10/15	Spread	Indicative Yield 2/25/15	Spread	Indicative Yield 2/18/15	Spread	Indicative Yield 2/5/15	Spread
5-Year US Treasury	1.620	+138	1.470	+153	1.520	+123	1.300	+148
10-Year US Treasury	2.140	+86	1.960	+104	2.070	+68	1.830	+95
GNMA I @ 100% PSA	2.755	+24	2.721	+28	2.789	-4	2.650	+13
GNMA I @ Dlr Forecast	2.663	+34	2.617	+38	2.709	+4	2.521	+26
10-Year MMD	2.180	+82	2.040	+96	2.080	+67	1.860	+92
MBS PREPAY HISTORY (%PSA)								
Past 3 months	-		-		172%		-	
Past 6 months	-		-		205%		-	
Past 12 months	-		148%		176%		-	
Since issuance	-		209%		272%		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)								
At 100% PSA	10.7		10.6		7.8		10.0	
At 150% PSA	8.6		-		6.7		8.0	
At 200% PSA	7.2		6.6		5.5		6.6	
At 300% PSA	5.4		4.5		4.1		4.7	
WEIGHTED AVERAGE MORTGAGE RATE	4.35%		4.84%		5.97%		4.27%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	3.63%		4.34%		5.47%		3.74%	
Notes							3.05% coupon priced at 102.2 to yield 2.78%	
Sr Manager	RBC Capital Markets		JP Morgan		RBC Capital Markets		George K Baum	

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CSG | advisors

PASS-THROUGH BOND PRICING COMPARABLES

Pricing Date	1/12/15		11/20/14		11/19/14		10/14/14	
Amount	$60,013,152		$120,389,857		$40,578,855		$39,934,464	
Issuer	Minnesota HFA		Virginia HDA		Missouri HDC		Minnesota HFA	
Series	2015 Series A		2014 Series A		2014 Series C		2014 Series D	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / AAA / -		- / AA+ / -		Aaa / - / -	
Tax Status	Tax Exempt, Non-AMT		Taxable		Taxable		Tax Exempt, Non-AMT	
Use of Funds	New Money		Refunding		Refunding		New Money	
Maturity	2045		2037		2036		2044	
Price	100.000		100.000		100.000		100.000	
Coupon/Yield	2.800		3.500		2.970		2.875	
Indicator	Indicative Yield 1/12/15	Spread	Indicative Yield 11/20/14	Spread	Indicative Yield 11/19/14	Spread	Indicative Yield 10/10/14	Spread
5-Year US Treasury	1.390	+141	1.640	+186	1.660	+131	1.550	+133
10-Year US Treasury	1.920	+88	2.340	+116	2.360	+61	2.310	+57
GNMA I @ 100% PSA	2.647	+15	2.824	+68	2.827	+14	2.782	+9
GNMA I @ Dlr Forecast	2.516	+28	2.755	+74	2.760	+21	2.699	+18
10-Year MMD	1.840	+96	2.150	+135	2.180	+79	1.990	+89
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		8.0		7.9		10.8	
At 150% PSA	8.7		6.7		6.6		8.7	
At 200% PSA	7.2		5.6		5.6		7.3	
At 300% PSA	5.4		4.2		4.2		5.5	
WEIGHTED AVERAGE MORTGAGE RATE	4.47%		5.10%		6.02%		-	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	3.85%		-		5.52%		3.81%	
Notes								
Sr Manager	RBC Capital Markets		BofA Merrill		Stifel, Nicolaus		RBC Capital Markets	

PASS-THROUGH BOND PRICING COMPARABLES

Pricing Date	9/16/14		9/10/14		8/19/14		8/12/14	
Amount	$45,176,941		A1: $12,300,000; A2: $5,990,307		$4,335,000		B: $18,868,172; C: $13,663,159	
Issuer	Massachusetts HFA		Pinellas Co., Florida HFA		Escambia Co., Florida HFA		Minnesota HFA	
Series	2014 Series B		2014 Series A1,A2		Series 2014B		2014 Series B,C	
Program	Multifamily / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / AA+ / -		Aaa / - / -		Aaa / - / -		Aaa / - / -	
Tax Status	Taxable		A1: TE Non-AMT; A2: Taxable		Tax Exempt, Non-AMT		B: TE Non-AMT; C: Taxable	
Use of Funds	New Money		A1: New Money; A2: Refunding		New Money		New Money	
Maturity	2045		A1: 2044; A2: 2036		2044		2044	
Price	100.000		A1: 102; A2: 100		100.000		100.000	
Coupon/Yield	4.500		A1: 3.18%; A2: 2.9%		3.125		B: 2.950; C: 3.250	
Indicator	Indicative Yield 9/16/14	Spread	Indicative Yield 9/10/14	Spread	Indicative Yield 8/19/14	Spread	Indicative Yield 8/12/14	Spread
5-Year US Treasury	1.780	+272	1.790	+139/+111	1.590	+154	1.630	+132/+162
10-Year US Treasury	2.600	+190	2.540	+64/+36	2.400	+73	2.460	+49/+79
GNMA I @ 100% PSA	2.996	+150	2.978	+20/-8	2.906	+22	2.945	+0/+30
GNMA I @ Dlr Forecast	2.989	+151	2.963	+22/-6	2.866	+26	2.918	+3/+33
10-Year MMD	2.250	+225	2.230	+95/+67	2.120	+101	2.160	+79/+109
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	20.6 at 5% CPR		10.4 / 7.2		10.7		10.7	
At 150% PSA	17.8 at 10% CPR		8.4 / 6.1		8.7		8.7	
At 200% PSA	16.3 at 15% CPR		7.0 / 5.2		7.2		7.3	
At 300% PSA	15.3 at 20% CPR		5.2 / 4.0		5.4		5.4	
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	Barclays		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	

PASS-THROUGH BOND PRICING COMPARABLES

Pricing Date	6/19/14		6/12/14		6/11/14		6/10/14	
Amount	$34,561,047		$12,646,801		$28,666,756		$38,526,925	
Issuer	New York City HDC		New Mexico MFA		Indiana HCD		Minnesota HFA	
Series	2014 Series A		2014 Series B		2014 Series 1		2014 Series A	
Program	Multifamily / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aa2 / AA / -		- / AA+ / -		- / - / AAA		Aaa / - / -	
Tax Status	Taxable		Taxable		Taxable		Tax Exempt, Non-AMT	
Use of Funds	Refunding		Refunding		Refunding		New Money	
Maturity	2036		2035		2038		2044	
Price	100.000		100.000		104.250		100.000	
Coupon/Yield	3.050		2.750		3.090		3.000	
Indicator	Indicative Yield 6/19/14	Spread	Indicative Yield 6/12/14	Spread	Indicative Yield 6/11/14	Spread	Indicative Yield 6/10/14	Spread
5-Year US Treasury	1.710	+134	1.660	+109	1.700	+139	1.710	+129
10-Year US Treasury	2.640	+41	2.580	+17	2.650	+44	2.640	+36
GNMA I @ 100% PSA	3.032	+2	2.998	-25	3.039	+5	3.043	-4
GNMA I @ Dlr Forecast	3.036	+1	2.991	-24	3.047	+4	3.052	-5
10-Year MMD	2.320	+73	2.330	+42	2.330	+76	2.330	+67
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	9.3 at 5% CPR		7.9		-		10.8	
At 150% PSA	7.4 at 10% CPR		6.6		-		8.8	
At 200% PSA	6.1 at 15% CPR		5.6		-		7.3	
At 300% PSA	5.3 at 20% CPR		4.2		-		5.5	
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	Barclays		RBC Capital Markets		JP Morgan		RBC Capital Markets	

PASS-THROUGH BOND PRICING COMPARABLES

Pricing Date	5/16/14		4/23/14		4/15/14		4/2/14	
Amount	$42,615,830		$21,070,000		$23,741,983		$67,824,608	
Issuer	District of Columbia HFA		Florida HFC		Missouri HDC		Massachusetts HFA	
Series	2014 Series A		2014 Series A		2014 Series 1		2014 Series A	
Program	Multifamily / Negotiated		Single Family / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated	
Rating(s)	Aaa / AA+ / -		Aaa / - / -		- / AA+ / -		Aaa / AA+ / -	
Tax Status	Taxable		Taxable		Taxable		Taxable	
Use of Funds	Refunding		Refunding		Refunding		Refunding	
Maturity	2045		2036		2040		2046	
Price	100.000		100.000		100.000		100.000	
Coupon/Yield	3.875		3.000		4.200		4.375	
Indicator	Indicative Yield 5/16/14	Spread	Indicative Yield 4/23/14	Spread	Indicative Yield 4/15/14	Spread	Indicative Yield 4/2/14	Spread
5-Year US Treasury	1.560	+232	1.730	+127	1.630	+257	1.800	+258
10-Year US Treasury	2.520	+136	2.700	+30	2.640	+156	2.820	+156
GNMA I @ 100% PSA	2.989	+89	3.162	-16	3.120	+108	3.306	+107
GNMA I @ Dlr Forecast	2.979	+90	3.212	-21	3.156	+104	3.408	+97
10-Year MMD	2.160	+172	2.280	+72	2.300	+190	2.540	+184
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	10.5 at 5% CPR		6.2		-		14.9 at 5% CPR	
At 150% PSA	6.9 at 10% CPR		5.4		-		12.0 at 10% CPR	
At 200% PSA	5.0 at 15% CPR		4.7		-		10.2 at 15% CPR	
At 300% PSA	3.8 at 20% CPR		3.6		-		9.1 at 20% CPR	
WEIGHTED AVERAGE MORTGAGE RATE	-		5.55%		-		-	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	-		5.02%		-		-	
Notes								
Sr Manager	Barclays		RBC Capital Markets		George K. Baum		Barclays	

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AGENDA ITEM: 9.C
MINNESOTA HOUSING BOARD MEETING
April 24, 2014

ITEM: Post-Sale Report, State Appropriation Bonds (Housing Infrastructure) 2015 Series A and B

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

Paula Rindels, 651-296-2293
paula.rindels@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 $37,570,000 State Appropriation Bonds (Housing Infrastructure) on February 24, 2015, the third issuance under the program. 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

CSG | advisors

Board Agenda Item: 9.C
Attachment: Post-Sale Report

Via Email Delivery

M E M O R A N D U M

Date: **March 10, 2015**

To: **Minnesota Housing Finance Agency**

From: **Gene Slater, Eric Olson, Tim Rittenhouse**

Re: **Post-Sale Report**
$37,570,000 State Appropriation Bonds (Housing Infrastructure)
2015 Series A / B

KEY RESULTS FOR MINNESOTA HOUSING

Third Housing Infrastructure Financing. The 2015 Series A / B bonds represent the third financing under this indenture. The prior issues were 2013 Series A / B and 2014 Series A / B, which totaled $30 million. While the 2015 A / B bonds are secured on parity with the prior issues, they were authorized under a separate appropriations limit that allows the lesser of up to $80 million of additional bonds (after the 2013 and 2014 bonds) or up to $6.4 million of additional annual debt service through July 15, 2037. As a result of the 2015 Series A / B bonds, the remaining capacity under this separate appropriations limit is the lesser of $42,430,000 of issuance or approximately $3.9 million of annual debt service between 2017 and July 15, 2037.

Purpose. Minnesota Housing issued the 2015 Series A / B State Appropriations Bonds to provide gap financing soft loans for 12 separate projects and to pay costs of issuance related to the bonds. Eleven of the loans are for multifamily housing developments and the twelfth is for one or more community land trusts. The loans do not provide the security for or help repay the bonds, which are paid solely from the State's general fund appropriation. Under the relevant authorizing legislation, Minnesota Housing may use bond proceeds to make loans to finance:

- all or a portion of the costs of the construction, acquisition and rehabilitation of supportive housing for individuals and families who are without a permanent residence with a preference to be given for developments serving certain individuals and families,
- all or a portion of the costs of the acquisition and rehabilitation of abandoned or foreclosed property to be used for affordable rental housing and the construction of rental housing on that property where the existing structures will be demolished or removed,
- that portion of the costs of the acquisition of abandoned or foreclosed property that is attributable to the land to be leased by community land trusts to low and moderate income homebuyers, and
- all or a portion of the costs of the acquisition and rehabilitation or refinancing of federally assisted rental housing, including refunding outstanding bonds issued by the Agency or another governmental unit.

Use of Two Series to Facilitate Access to Low Income Housing Tax Credits. The bonds are divided into two series to meet Tax Code provisions. The 2015 Series A bonds are private activity bonds using volume cap. As such, the Series A proceeds can help assisted developments qualify for 4% low income housing tax credits that can help further leverage the state appropriation. The 2015 Series B bonds are not private activity bonds.

KEY FEATURES OF THE BONDS

Limited Obligations of Minnesota Housing. The bonds are not secured or guaranteed by Minnesota Housing and are payable solely from the State Appropriations.

Appropriations Risk. The Housing Infrastructure State Appropriations constitute a standing appropriation that does not require any further action by the Legislature for payments to be made in future years. As provided by Minnesota law, a standing appropriation may be reduced or repealed entirely by the Legislature; this would have significant credit consequences for the State. The bonds are rated slightly below the state General Obligation bonds because of this possible appropriation risk.

Ratings. The bonds are rated Aa2 by Moody's and AA by Standard & Poor's.

Serial/Term Bond Structure. The Series A bonds were structured with serial maturities from 2020 through 2035. The Series B bonds were structured as serial maturities from 2015 through 2020.

Original Issue Discounts and Premiums: The bonds were structured with a mix of original issue discounts and premiums. Overall, there was a net reoffering premium of $4,410,086.95.

MINNESOTA HOUSING's LOANS

Housing Infrastructure Loans. The Housing Infrastructure Loans funded by bond proceeds will be 0% interest, non-amortizing, nonrecourse deferred loans. Certain of the loans may be forgivable, if the conditions for use are met.

Additional Minnesota Housing Financing. In addition to the anticipated Housing Infrastructure Loans funded by the bonds, Minnesota Housing may make other loans to one or more of the developments.

UNDERWRITING

RBC Capital Markets served as the senior managing underwriter, and Piper Jaffray & Co. and Wells Fargo Securities served as co-managers.

The bonds were sold on Wednesday, February 18th, with a single order period from 9:30 to 11:30 Eastern time. During the pricing period, $59,510,000 of orders was received, representing an oversubscription factor of approximately 1.6 times. There was little demand for the near-term maturities; no orders were received for the 2016, 2017, 2018 and 2020 maturities and very few orders were received for the 2017 and 2021 maturities. In contrast, the 2029-2035 maturities were oversubscribed by factors ranging from two to four times. RBC proposed yield adjustments of 2-5 basis points higher on the early maturities and 2-4 basis points lower on the later maturities. On a net basis, the true interest cost of the final agreed-upon scale was approximately 1 basis point lower than the scale on the original pricing wire.

Minnesota retail received first priority (for individuals only and with a maximum order size of $250,000), and $2,355,000 of retail orders were received during the pricing period with $2,055,000 through RBC and $300,000 through the syndicate. In the final allocations, $2,900,000 of bonds were allocated to retail orders.

ORDERS AND ALLOTMENTS

	Retail		Priority		Member		Total	
Firm	Orders	Allot-ments	Orders	Allot-ments	Orders	Allot-Ments	Orders	Allot-ments
RBC Capital Markets	2,730	2,600	56,105	26,400	2,630	2,630	61,465	31,630
Piper Jaffray	0	0	0	0	6,015	0	6,015	0
Wells Fargo Securities	300	300	20	20	13,616	5,620	13,935	5,940
Total	3,030	2,900	56,125	26,420	22,260	8,250	81,415	37,570

The total underwriter's discount was $245,915.57 or approximately 0.65% of the $37,570,000 bond par amount. Takedowns were $3.75 for the 2015-2025 bonds and $5.00 for all other bonds. Management fees and takedowns were appropriate, consistent with industry standards, and in the same range as fees reported for other issues of similar credit, size and structure.

MARKET CONDITIONS

Economic Calendar. Economic signals have continued to be mixed as to the pace of economic recovery. During the week prior to the sale, initial unemployment claims came in slightly higher than expected and retail sales dropped by -0.8% compared to a briefing forecast of -0.2%. On the day of the sale, the Producer Price Index came in at -0.8% compared to briefing forecast of -0.4% and capacity utilization remained at 79.4% compared to a briefing forecast of 79.7%.

Treasuries. Long-term Treasury bond yields had dropped dramatically during December and January, partly based on weaker international growth, concerns about the Eurozone, conflict in Ukraine, and lower interest rates from other central banks. The 10-year Treasury yield had dropped from 3.00% in January of 2014 to 2.12% at the beginning of 2015, and reached a low of 1.68% at the beginning of February. Concern that the Federal Reserve might begin increasing interest rates as soon as June led to higher yields during February, reaching 2.14% on the day before Minnesota Housing's pricing. On the day of the pricing, yields dropped back slightly to 2.07%.

The volatility of the market has been extraordinary, with the average daily movement in Treasury bond prices approximately two to three times higher than in recent years.

Municipals. While municipal bond yields closely track the movements in Treasury yields, in recent years this close relationship has been stretched by high profile municipal credit problems and international investment flows. In addition, the increased supply of new municipal issues in 2015 put added pressure on municipals relative to treasuries. General factors include:

- Compared to historical issuance levels, 2015 bond sales started with a sharp increase in volume, spurred by a 225.8% jump in refundings. The 30-day visible supply was $9.6 billion during the week of the sale, down from the relatively strong $11.1 billion average for the fourth quarter of 2014 and January 2015.

- Positive net mutual fund inflows have helped to absorb new issue supplies and keep muni yields from deteriorating further relative to treasuries.

- Reflecting the willingness of investors to reach for higher yielding bonds, credit spreads have narrowed to 0.58% between the AAA 30-year G.O. MMD index and A-rated G.O.s (down from 0.81% at the beginning of 2014).

COMPARABLES

The attached chart shows recent comparable bond pricings. Note however that most are general obligation bonds, without the appropriation risk of Minnesota Housing's State Appropriation Bonds and without the added complications of being housing bonds (e.g. as on other housing bonds, non-compliance with affordability requirements can affect the tax-exempt status of the bonds). These critical differences explain why the Minnesota Housing bonds had generally higher spreads to MMD than the attached comparables.

The attached comparables also include Minnesota Housing's prior State Appropriation Bond issues, from August 2013 and February 2014. Spreads to MMD for the ten-year to twenty-year maturities were smaller for the 2015 issue than the 2013 and 2014 issues – generally in the range of 40-45 basis points over MMD for the 2015 issue as compared to 60-70 basis points over MMD for the 2013 and 2014 issues. This is due in part to the significant original issue premiums on all but one of the longer-term 2015 bonds, with the bonds being priced to their first optional call date rather than to maturity.

Pricing Comparables: MHFA State Appropriation Bonds (Housing Infrastructure)

SALE DATE	February 18, 2015			February 10, 2015			February 3, 2015			February 3, 2015		
ISSUER	Minnesota HFA			State of Washington			State of Mississippi			State of Oregon		
AMOUNT	$37,570,000			$113,315,000			$154,685,000			$151,185,000		
SERIES	2015 Series A & B			Series R-2015G			Series 2015A			2015 Series A (Higher Ed)		
PROGRAM	Approp'n / Negotiated			GO / Competitive			GO / Negotiated			GO / Negotiated		
RATING(S)	Aa2 / AA / -			Aa1 / AA+ / AA+			Aa2 / AA / AA+			Aa1 / AA+ / AA+		
TAX STATUS	Non-AMT			Non-AMT			Non-AMT			Non-AMT		
MATURITY (for '15 Pricings)	Coupon	Yield	Spread to MMD	Coupon	Yield	Spread to MMD	Coupon	Yield	Spread to MMD	Coupon	Yield	Spread to MMD
2015	2.00	0.13		3.00	0.15							
2016	3.00	0.34	+20									
2017	4.00	0.67	+23									
2018	4.00	1.01	+27	4.00	0.96	+33				5.00	0.72	+14
2019	4.00	1.26	+32	4.00	1.17	+33				5.00	0.96	+19
2020	4.00	1.53	+37	4.00	1.47	+43				5.00	1.18	+20
2021	5.00	1.74	+38	4.00	1.65	+37				5.00	1.37	+21
2022	5.00	2.00	+39	4.00	1.89	+36				5.00	1.57	+20
2023	2.15	2.18	+39	4.00	2.07	+34				5.00	1.71	+18
2024	2.30	2.34	+39	4.00	2.24	+35				5.00	1.86	+17
2025	5.00	2.50*	+42	5.00	2.37*	+35				5.00	1.96	+16
2026	5.00	2.64*	+44	5.00	2.47*	+34	5.00	2.33*	+43	5.00	2.06*	+16
2027	5.00	2.75*	+44	5.00	2.57*	+33	5.00	2.43*	+43	5.00	2.16*	+16
2028	3.00	3.15**	+75	5.00	2.68*	+35	5.00	2.50*	+41	5.00	2.23*	+14
2029	5.00	2.88*	+41				5.00	2.54*	+38	5.00	2.28*	+12
2030	5.00	2.93*	+41				4.00	2.93*	+72	4.00	2.58*	+37
2031	5.00	2.97*	+40				4.00	2.98*	+72	4.00	2.63*	+37
2032	5.00	3.02*	+41				4.00	3.03*	+72	4.00	2.73*	+42
2033	5.00	3.06*	+41				4.00	3.07*	+72	5.00	2.47*	+12
2034	5.00	3.09*	+40				4.00	3.11*	+72	5.00	2.51*	+12
2035	5.00	3.13*	+40				4.00	3.15*	+72	5.00	2.55*	+12
2036										5.00	2.58*	+12
2037										5.00	2.60*	+12
2038										5.00	2.62*	+12
2039												
2040												
2041												
2042												
2043												
2044												
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2050												
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2053												
2054												
2055												
2056												
2057												
	* Yields to first optional call date ** 2028 is yield to maturity given low coupon, and is lower than 2027 YTM			* Yields to first optional call date			* Yields to first optional call date			* Yields to first optional call date		
MKT INDEX	BBI / RBI 3.60% / 4.23%			BBI / RBI 3.49% / 4.16%			BBI / RBI 3.36% / 4.06%			BBI / RBI 3.36% / 4.06%		
SEN MGR	RBC Capital Markets			BofA Merrill			Raymond James			Citigroup		

CSG advisors

SALE DATE	February 3, 2015	February 3, 2015	January 22, 2015	January 21, 2015	December 11, 2014
ISSUER	State of Wisconsin	Commonwealth of Pennsylvania	State of West Virginia	State of Washington	State of New Hampshire
AMOUNT	$274,620,000	$1,000,000,000	$65,965,000	$199,920,000	$55,005,000
SERIES	2015 Series A	First Series of 2015	2015 Series A	Series 2015C	2014 Series B
PROGRAM	GO / Competitive	GO / Competitive	GO / Competitive	GO / Competitive	GO / Competitive
RATING(S)	Aa2 / AA / AA	Aa3 / AA- / AA-	Aa1 / AA / AA+	Aa1 / AA+ / AA+	Aa1 / AA / AA+
TAX STATUS	**Non-AMT**	**Non-AMT**	**Non-AMT**	**Non-AMT**	**Non-AMT**

MATURITY (for '15 Pricings)	Coupon	Yield	Spread to MMD	Coupon	Yield	Spread to MMD	Coupon	Yield	Spread to MMD	Coupon	Yield	Spread to MMD	Coupon	Yield	Spread to MMD
2015															
2016				5.00	0.22	+8				5.00	0.15	+1	3.00	0.14	0
2017				5.00	0.60	+19	4.00	0.62	+20	5.00	0.53	+11	4.00	0.39	0
2018				5.00	0.78	+20	5.00	0.83	+21	5.00	0.77	+15	2.50	0.66	-1
2019				5.00	1.03	+28	5.00	1.03	+22	5.00	0.97	+16	5.00	0.93	-2
2020				5.00	1.25	+27	5.00	1.24	+24	5.00	1.15	+17	5.00	1.20	-2
2021	5.00	1.24	+8	5.00	1.46	+30	5.00	1.44	+21	5.00	1.39	+19	5.00	1.44	-2
2022	5.00	1.44	+7	5.00	1.69	+32	5.00	1.62	+20	5.00	1.57	+18	5.00	1.66	-1
2023	5.00	1.62	+9	5.00	1.97	+44	5.00	1.76	+17	5.00	1.73	+17	5.00	1.85	+2
2024	5.00	1.75*	+6	5.00	2.15	+46	3.00	1.96	+23	5.00	1.86	+16	5.00	1.96	+5
2025	5.00	1.90*	+10	5.00	2.26	+46	3.00	2.05	+22	5.00	1.96	+16	5.00	2.06*	+5
2026	5.00	2.01*	+11	5.00	2.38*	+48	5.00	2.11	+17	5.00	2.10*	+20	5.00	2.19*	+7
2027	5.00	2.10*	+10	5.00	2.49*	+49				5.00	2.24*	+24	5.00	2.30*	+10
2028	5.00	2.16*	+7	5.00	2.55*	+46				5.00	2.38*	+29	5.00	2.38*	+10
2029	5.00	2.22*	+6	5.00	2.58*	+42				5.00	2.45*	+29	5.00	2.41*	+10
2030	5.00	2.29*	+8	3.00	3.08	+87				5.00	2.50*	+29	5.00	2.46*	+10
2031	5.00	2.34*	+8	5.00	2.68*	+42				5.00	2.55*	+29	5.00	2.51*	+10
2032	5.00	2.39*	+8	5.00	2.73*	+42				5.00	2.60*	+29	5.00	2.56*	+10
2033	5.00	2.43*	+8	5.00	2.77*	+42				5.00	2.65*	+29	5.00	2.61*	+10
2034	5.00	2.47*	+8	4.00	3.31*	+92				5.00	2.69*	+29	5.00	2.66*	+10
2035	5.00	2.51*	+8	4.00	3.35*	+92				5.00	2.73*	+29	5.00	2.71*	+10
2036										5.00	2.77*	+31			
2037										5.00	2.79*	+31			
2038										5.00	2.81*	+31			
2039										5.00	2.83*	+31			
2040										5.00	2.85*	+31			
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MKT INDEX	BBI / RBI		3.36% / 4.06%	BBI / RBI		3.36% / 4.06%	BBI / RBI		3.36% / 4.08%	BBI / RBI		3.29% / 4.06%	BBI / RBI		3.65% / 4.41%
SEN MGR	Jefferies			BofA Merrill			JP Morgan			BofA Merrill			Citigroup		

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SALE DATE	December 9, 2014	December 3, 2014	February 6, 2014	January 28, 2014
ISSUER	State of Wisconsin	State of New Jersey	Minnesota HFA	State of Minnesota
AMOUNT	$257,930,000	$525,000,000	$14,540,000	$391,785,000
SERIES	2014 Series 4	2014 Series 4	2014 Series A & B	Series 2014A
PROGRAM	GO / Negotiated	GO / Competitive	Approp'n / Negotiated	Approp'n / Negotiated
RATING(S)	Aa2 / AA / AA	A1 / A / A	AA2 / AA / -	- / AA / AA
TAX STATUS	Non-AMT	Non-AMT	Non-AMT	Non-AMT

MATURITY (for '15 Pricings)	Coupon	Yield	Spread to MMD	Coupon	Yield	Spread to MMD	Coupon	Yield	Spread to MMD	Coupon	Yield	Spread to MMD
2015												
2016							3.00	0.33	+15	2.00	0.20	+3
2017				5.00	0.38	+1	3.00	0.51	+20	3.00 / 4.00	0.37	+7
2018				5.00	0.85	+22	4.00	0.82	+31	2.00 / 5.00	0.61	+12
2019				5.00	1.13	+25	4.00	1.22	+39	3.00 / 4.00	1.00	+20
2020	5.00	1.22	+2	5.00	1.50	+35	4.00	1.56	+45	4.00 / 5.00	1.32	+24
2021	5.00	1.47	+3	5.00	1.84	+42	2.00	2.02	+50	4.00 / 5.00	1.76	+26
2022				5.00	2.12	+44	2.375	2.39	+53	5.00	2.12	+27
2023				5.00	2.31	+45	4.00	2.74	+57	4.00 / 5.00	2.44	+31
2024				5.00	2.48	+50	2.90	2.95	+57	5.00	2.66	+31
2025				5.00	2.58	+50	3.125	3.13	+61	5.00	2.85*	+35
2026	5.00	2.30*	+16	5.00	2.75*	+55	3.25	3.25	+58	3.00 / 5.00	3.04 / 3.02*	+39
2027	5.00	2.41*	+19	5.00	2.89*	+60	5.00	3.45*	+65	5.00	3.16*	+38
2028	5.00	2.47*	+18	5.00	2.96*	+60	3.50	3.65	+72	5.00	3.29*	+37
2029	5.00	2.52*	+18	5.00	3.02*	+60	3.625	3.75	+70	5.00	3.39*	+35
2030				5.00	3.08*	+60	3.75	3.84	+70	5.00	3.49*	+35
2031				3.25	3.42	+89	3.75	3.93	+70	5.00	3.58*	+35
2032				5.00	3.18*	+60	4.00	4.00	+68	5.00	3.67*	+35
2033				5.00	3.23*	+60	4.00	4.05	+65	5.00	3.75*	+35
2034				4.00	3.63*	+95	4.00	4.10	+62	4.00 / 5.00	4.00 / 3.81*	+52
2035				4.00	3.68*	+95	4.75	4.08*	+55			
2036				4.00	3.73*	+95	5.00	4.08*	+50			
2037												
2038												
2039										4.125 / 5.00	4.125 / 4.02*	+43
2040												
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2044										5.00	4.12*	+30
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MKT INDEX	BBI / RBI		3.83% / 4.50%	BBI / RBI		3.83% / 4.50%	BBI / RBI		4.46% / 5.32%	BBI / RBI		4.50% / 5.28%
SEN MGR	Morgan Stanley			BofA Merrill			Morgan Stanley			Citigroup		

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SALE DATE	October 25, 2013			October 24, 2013			August 14, 2013			August 6, 2013		
ISSUER	State of Minnesota			State of Minnesota			Minnesota HFA			State of Minnesota		
AMOUNT	$373,940,000			$112,000,000			$15,460,000			$273,350,000		
SERIES	Series 2013F			Series 2013E			2013 Series A & B			Series 2013A		
PROGRAM	GO / Competitive			GO / Competitive			Approp'n / Negotiated			GO / Negotiated		
RATING(S)	Aa1 / AA+ / AA+			Aa1 / AA+ / AA+			Aa2 / AA / -			Aa1 / AA / AA+		
TAX STATUS	**Non-AMT**			**Non-AMT**			**Non-AMT**			**Non-AMT**		
MATURITY (for '15 Pricings)	Coupon	Yield	Spread to MMD	Coupon	Yield	Spread to MMD	Coupon	Yield	Spread to MMD	Coupon	Yield	Spread to MMD
2015												
2016				2.00	0.17	-1	2.00	0.43	+25	5.00	0.18	+0
2017				4.00	0.34	-1	3.00	0.73	+30	5.00	0.43	+0
2018	5.00	0.55*	+0	5.00	0.57	+2	3.00	1.12	+40	5.00	0.72	+0
2019	5.00	0.85*	+0	5.00	0.88	+3	3.00	1.46	+43	5.00	1.01	+0
2020	5.00	1.18*	+5	5.00	1.19	+4	3.00	1.80	+43	5.00	1.31	+0
2021	5.00	1.55*	+2	5.00	1.56	+3	2.00	2.15	+45	5.00	1.62	+1
2022	5.00	1.88*	+2	5.00	1.89	+3	2.55	2.55	+48	5.00	2.02	+4
2023	5.00	2.18*	+2	5.00	2.19	+3	4.00	2.92	+54	5.00	2.35	+5
2024	5.00	2.35*	+3	5.00	2.36	+3	3.00	3.18	+54	5.00	2.61	+4
2025	5.00	2.50*	+1	5.00	2.53	+3	3.25	3.39	+59	5.00	2.77	+4
2026	4.00	2.74**	+9	5.00	2.70	+4	3.50	3.61	+64	5.00	2.94*	+4
2027	4.00	2.91**	+10	5.00	2.85	+3	3.75	3.84	+69	5.00	3.12*	+4
2028	3.125	3.25***	+28	5.00	3.02	+4	5.00	3.92*	+59	5.00	3.30*	+4
2029				4.00	3.42	+29	4.00	4.19	+69	4.00	3.72*	+29
2030				4.00	3.52	+25				4.00	3.86*	+29
2031				4.00	3.66	+27	5.00	4.34*	+59	4.00	4.03	+34
2032				4.00	3.78	+27				4.00	4.11	+33
2033				4.00	3.89	+30	4.50	4.61	+69	4.125	4.26	+41
2034				4.00	3.98	+30				4.25	4.32	+41
2035				4.00	4.04	+30	4.75	4.75	+72	4.25	4.38	+41
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MKT INDEX	BBI / RBI		4.56% / 5.16%	BBI / RBI		4.68% / 5.25%	BBI / RBI		4.73% / 5.05%	BBI / RBI		4.70% / 5.05%
SEN MGR	Morgan Stanley			Morgan Stanley			Morgan Stanley					

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