Minnesota Housing Finance Agency

MEETINGS SCHEDULED FOR JANUARY

Location:

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

THURSDAY, JANUARY 28, 2016

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

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, January 28, 2016.

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

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

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Minnesota Housing Finance Agency
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Equal Opportunity Housing and Equal Opportunity Employment

AGENDA

Minnesota Housing Board Meeting

Thursday, January 28, 2016

1:00 p.m.

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
   A. Regular Meeting of December 17, 2015
5. **Reports**
   A. Chair
   B. Commissioner
   C. Committee
6. **Consent Agenda**
   A. Modification, Schedule of 2016 Board Meetings
7. **Action Items**
   A. Resolution Approving Issuance of Multifamily Housing Revenue Notes for the Grainwood Project in Prior Lake, Minnesota; and Approving the Execution of Related Documents
   B. Resolution Relating to Rental Housing Bonds; Authorizing the Issuance and Sale Thereof for a Multifamily Housing Development in Hopkins, Minnesota
   C. Selection and Commitment, Low- and Moderate-Income Rental (LMIR), Low- and Moderate-Income Rental Bridge Loan (LMIR-BL), and Preservation Affordable Housing Investment Fund (PARIF) Programs
   - Hopkins Village; Hopkins D2692
   D. Approval, Family Homeless Prevention and Assistance Program (FHPAP), Ratification of Contract and Approval of Commitment Extensions
   E. Approval, Interim Loan Pilot Program and Waiver of Challenge Rule
   F. Approval, Monthly Payment Loan and Deferred Payment Loan Programs, and Associated Modifications to Program Manuals and the Affordable Housing Plan
8. **Discussion Items**
   A. Draft Parameters for a Pilot to Fund a Senior Rental Development with Services
   B. 2016 Division Work Plans Summary
9. **Informational Items**
   A. Metropolitan Council - Minnesota Housing - Land Bank Twin Cities, Inc.
   - Strategic Acquisition Grant Agreement
10. **Other Business**
    A. Report on Commissioner's Evaluation (*there is no written report for this item*)
11. **Adjournment**

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MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING
Thursday, December 17, 2015
2:30 p.m.
State Street Conference Room – 1st Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
   Chair John DeCramer called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 2:35 p.m.
2. **Roll Call.**
   Members present: John DeCramer, Joe Johnson, Craig Klausing, Stephanie Klinzing, and Rebecca Otto. Mr. Garnett joined the meeting at 2:56 p.m.
   Minnesota Housing staff present: Gene Aho, Ryan Baumtrog, Wes Butler, Rachel Franco, Shannon Gerving, Krissi Hoffman, Ruth DuBose, Karen Johnson, Kasey Kier, Debbi Larson, Nira Ly, Carrie Marsh, Eric Mattson, Kirsten Partenheimer, John Patterson, Paula Rindels, Becky Schack, Terry Schwartz, Barb Sporlein, Will Thompson, Rob Tietz, Mary Tingerthal, Elaine Vollbrecht.
   Others present: Tom Caine, Ansel Caine, Bronson Martin, Patricia Ho, Caine Mitter and Associates; Tim Rittenhouse, Gene Slater, David Jones, CSG Advisors; Cory Hoeppner, RBC Capital Markets; Melanie Lien, Piper Jaffray; Libby Murphy, Minnesota Housing Partnership; Michelle Adams, Kutak Rock (by phone); Tom O'Hern, Assistant Attorney General; Jean Lee, APAHC/CHI/RRFC.
3. **Agenda Review**
   Chair DeCramer announced there were no changes to the agenda.
4. **Approval of the Minutes.**
   A. Regular Meeting of November 16, 2015
   Auditor Otto approved the minutes as written. Ms. Klinzing seconded the motion. Motion carries 6-0.
5. **Reports**
   A. Chair
   None.
   B. Commissioner
   Commissioner Tingerthal shared that there had been a presentation before board meeting regarding the activities through our supportive housing programs, outlining what has happened in the past year relative to our goals for homelessness. Cathy ten Broeke, State Director to Prevent and End Homelessness, also gave a presentation and shared that a new two-year Plan to Prevent and End Homelessness is ready for public review. Commissioner Tingerthal offered to have Ms. ten Broeke give a presentation of the new plan to the Board if they were interested.

   Next, Commissioner Tingerthal shared that this likely would be Gloria Bostrom's last meeting and the Agency is in the process of filling Gloria's seat. There would be a short recognition at the end of the meeting.

   Commissioner Tingerthal shared that the first incentive award within the Community Homeownership Impact Fund had been given to Three Rivers Community Action. Commissioner Tingerthal stated the incentive awards can be given to administrators who have made quick progress on their Impact Fund award and are able to complete additional activities with the incentive funding. A report on incentive awards will be provided to the board annually.

Commissioner Tingerthal drew the Board's attention to the schedule of meetings for 2016, noting that the December meeting is not being moved to the third Thursday as it has been in the past, due to the timing of the Christmas holiday.

Gene Aho introduced new employee Shannon Gerving, Single Family Home Improvement Programs Manager.

C. Finance and Audit Committee Meeting of December 17, 2015.

Chair DeCramer reported the Committee met to interview two candidates for the financial advisor position. Chair DeCramer stated both Caine Mitter and CSG Advisors gave excellent presentations and the committee recommended the selection of CSG Advisors as the financial advisor for a four-year term beginning January 1, 2016. **MOTION:** Mr. Joe Johnson moved to approve the report of the committee and select CSG Advisors as the Agency's financial advisor. Ms. Gloria Bostrom seconded the motion. Motion carries 6-0.

6. Consent Agenda

A. Initiative Renewal, Community Fix Up Fund

B. Amendment of Exhibit A of Resolution No. MHFA 15-059, Amending and Supplementing Resolution No. MHFA 88-12

MOTION: Ms. Klinzing moved approval of the consent agenda. Auditor Otto seconded the motion. Motion carries 6-0.

7. Action Items

A. Selection / Commitment, Bridges Rental Assistance Program

Ms. Carrie Marsh presented this request for approval of five new grants and expansion of two existing grants under the Bridges Rental Assistance Program. Ms. Marsh stated the Agency received $2.5 million in additional appropriations above the program base funding. Ms. Marsh stated the Bridges program provides rental assistance to persons with serious mental illness and helps to meet the objectives within the state's Olmstead Plan and the Plan to Prevent and End Homelessness. **MOTION:** Auditor Otto moved approval of this request and adoption of Resolution No. MHFA 15-063. Mr. Johnson seconded the motion. Motion carries 6-0.

B. Modification / Selection / Commitment, Housing Trust Fund (HTF) Rental Assistance for Highly Mobile Students Initiative

Ms. Elaine Vollbrecht presented this request to approve funding recommendations for the pilot program. Ms. Vollbrecht stated that, in 2013, the legislature awarded $2 million from the Housing Trust Fund for an initiative to demonstrate the relationship between housing stability and school attendance. Ms. Vollbrecht stated the funding would serve up to 130 families statewide and a full evaluation report would be made to the 2017 legislature.

In response to a question from Mr. Klausing, Ms. Vollbrecht stated participating families are primarily referred by the homeless liaisons in the schools and the coordinated entry system is used as well.

Commissioner Tingerthal added that program is built on connecting homeless liaisons with the world of affordable housing. Commissioner Tingerthal stated, for the program in the Northside Achievement Zone, wraparound services are available to participating families that help ensure families are engaged in the child's education and meeting certain goals before they are offered housing.

In response to question from Chair DeCramer, Ms. Vollbrecht stated there were $2.2 million in funding requests and $2 million in available resources. Ms. Vollbrecht added that the hope is to show the effectiveness of the program so that it can be expanded in the future.

Ms. Vollbrecht stated that the report to the legislature will use data from the Homeless Management Information System (HMIS) as well as other data to report on the outcomes of the pilot. Mr. John Patterson added that the pilot will look at outcomes and that the Minnesota Department of Education has sample data and is creating a quasi control group. **MOTION:** Auditor Otto moved approval of this request and the adoption of Resolutions No. MHFA 15-064 and MHFA 15-065. Ms. Klinzing seconded the motion. Motion carries 7-0.

C. Affordable Housing Plan (AHP) Amendment and Mortgage Credit Certificate (MCC) Program Change

Ms. Kirsten Partenheimer requested two changes to the Mortgage Credit Certificate: an increase in the Affordable Housing Plan budgeted amount from $40 million to $50 million and to change the credit rate from 35% to 25%. Ms. Partenheimer stated that, without the changes, the Agency is at risk of running out of MCC authority prior to the planned end of the program. The MCC program accounts for approximately 7% of production and these changes will impact future borrowers only. Ms. Partenheimer stated that, because of the higher cost of housing, borrowers will still receive the maximum tax benefit at the lower rate and the Agency will be able to assist more borrowers. **MOTION:** Ms. Gloria Bostrom moved approval of these requests. Mr. Johnson seconded the motion. Motion carries 7-0.

8. Discussion Items

A. Status Report, Enhanced Homeownership Capacity Initiative

Ms. Ruth DuBose provided an update on the Enhanced Homeownership Capacity Program for the period of August 1, 2014 through September 30, 2015. Ms. DuBose stated the program had 551 entrants, with 92% of entrants being persons or households of color or Hispanic ethnicity. A total of 76% of program participants were at or below 80% of area median income and 71% of participants identified credit as the primary barrier to homeownership. Ms. DuBose stated 194 participants have exited the program and 43% of those exiting have purchased a home.

Ms. DuBose stated the new program year began in October, 2015 with nine agencies participating and it is expected that 580 households will served. Program updates will be provided to the Board as information items in March, June, and September. Staff will continue to track outcomes and will include those in future updates.

In response to a question from Mr. Garnett regarding those who have exited the program, Ms. DuBose stated 3% are actively pursuing homeownership, 16% are interested in homeownership in the future, 13% are no longer interested in homeownership, and 25% have stopped communicating with their counselors. Discussion item. No action.

B. 2015 Agency Risk Profile

Mr. Will Thompson presented the Agency Risk Profile to the Board, noting that this is the fifth year the profile has been created. Mr. Thompson stated the Agency's risk management committee and selected staff identifies and rank sources of risk. Mr. Thompson reviewed the primary sources of risk with the Board, noting that there has been movement but stated that, overall, risks are similar to previous years.

Auditor Otto commented that she always appreciates the report on the risk profile and thinks it is great that the Agency looks at and mitigates risk to keep its financial strength.

Ms. Bostrom asked for Commissioner Tingerthal's thoughts on the report. Commissioner Tingerthal shared that the Senior Leadership Team meets each year to determine the approach and decide which areas are ranked by whom. Commissioner Tingerthal stated that Mr. Thompson compiles the results of the rankings and then the Risk Management Committee discusses the findings, asks questions, and discusses changes to determine if sufficient steps are being taking to mitigate risk. Commissioner Tingerthal shared that counterparty risk is a concern because there is some turmoil in the Single Family servicing area because of many new compliance requirements. Commissioner Tingerthal reiterated that the conversations among the team are very helpful.

Mr. Garnett asked for more information about interest rate risk and how actions by the Federal Reserve may impact the Agency. Commissioner Tingerthal responded that she believes there are multiple facets to this area of risk and provided rate management as an example. Commissioner Tingerthal stated that the decision to hedge mitigates interest rate risk, but acknowledged that monthly principal and interest will go up as rates go up and if there is not a corresponding rise in income, that will impact our ability to make new loans and earn income, but acknowledged that financial institutions make more money when rates are higher. Mr. Tietz stated he agreed with Commissioner Tingerthal's comments and added that he did not believe the recent actions of the Federal Reserve will have any negative impact on the Agency.

C. Conduit Bonds Discussion

Commissioner Tingerthal shared with the board information about the use of tax exempt bonds in combination with 4% tax credits. Commissioner Tingerthal stated there are some developers in the metropolitan area who are using this financing structure who do not require Agency funding for these projects, whose rents tend to be affordable at 60% of area median income. Commissioner Tingerthal added that there is a statewide bonding pool that cities can use to issue tax exempt bonds for these types of transactions and unused authority from that pool is transferred to Minnesota Housing each year.

Commissioner Tingerthal shared that a developer had requested $30 million in authority from that pool, but the issuing city did not complete the paperwork on time. The developer has now requested that the Agency issue the bonds in what is known as a conduit bond transaction. Commissioner Tingerthal stated that, in a conduit bond transaction, the Agency is not putting any of its own resources in the deal so there is no exposure on the real estate, but there is reputational risk. The Agency's investment policy sets a high bar for the conditions that must be in place for the Agency to consider issuing conduit bonds. Staff has been looking at this particular transaction and believes it to be a worthy transaction and, with the agreement of the Board, would like to come forward in January to request a waiver of portions of the investment policy, or a revision to the policy, that would allow the issuance of bonds for this development.

Mr. Rob Tietz added that the Agency has issued conduit bonds in the past, but those transactions also included Agency resources, so compliance monitoring is already being conducted. A modest fee is charged to cover costs, but the activity does not produce any real income for the Agency.

Ms. Paula Rindels stated that the project in question could still have bonds issued by the city, but it would be delayed until May, when bonding from the unified pool would again be available to cities. Ms. Rindels added that this particular project does not meet the provisions within the debt management policy because the proceeds will fund a new construction project and the transaction would be a private placement.

In response to a question from Mr. Garnett, it was stated that Multifamily would perform due diligence on the project to ensure financial feasibility. Mr. Garnett suggested a higher fee be in place as compensation for the due diligence and for the reputational risk involved. Mr. Tietz responded that those risks need to be quantified and the fees determined. Commissioner Tingerthal clarified that the conduit structure does not expose the Agency to repayment risk and there is no financial exposure if the project fails. Chair DeCramer suggested that staff request a waiver first and if the transaction goes satisfactorily, staff could ask for an amendment in the future. Commissioner Tingerthal and Mr. Tietz agreed that the waiver would be a good first step and shared that there are other developers interested in pursuing this structure as well. Mr. Garnett suggested the Board have a discussion about the relative public benefit of participating in conduit transactions compared to other activities on which that capacity would be expended. Mr. Garnett requested this be addressed in any report by staff on these activities. Commissioner Tingerthal agreed that staff would bring that analysis and stated that there are programmatic reasons the transaction at hand is of interest, including that it is a senior designated project that does not use 9% credits. Commissioner Tingerthal stated that this is the developers second project using this structure, which includes a new product from Freddie Mac that eliminates the need for construction financing that is paid off with permanent financing. The Agency will have the opportunity to learn how this structure works without financial exposure, which will be helpful in determining what other types of products may work in the Agency's own transactions.

Ms. Bostrom stated she was proud that staff was able to find creative ways to bring the transaction together so that it can be financially stable by reducing construction cost risk and interest rate risk. Ms. Bostrom stated she was in support of issuing the conduit bonds, if there is good rationale for departing from the debt management policy. Chair DeCramer added that the project was originally intended to receive the bonding from a city and cities typically mitigate their risks very well. Discussion item. No action.

9. Informational Items

A. Post-Sale Report, Residential Housing Finance Bonds, 2015 Series E, F, and G

B. Schedule of 2016 Board Meetings

Informational items. No presentation or discussion.

10. Other Business

A. Ms. Bostrom was recognized for her service on the Board.

11. Adjournment.

The meeting was adjourned at 3:52 p.m.

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Board Agenda Item: 6.A
Date: 1/28/2016

Item: Modification, Schedule of 2016 Board Meetings

Staff Contact(s):

Mary Tingerthal, 651.296.5738, mary.tingerthal@state.mn.us
Becky Schack, 651.296.2172, becky.schack@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:

Staff requests the October board meeting be held on Wednesday, October 19, one week and one day earlier than currently scheduled. This change will maintain for 2016 the same number of days between the RFP application deadline and selections as we were able to achieve in 2015, maintaining a higher level of customer service.

Fiscal Impact:

None.

Meeting Agency Priorities:

☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):

- None

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Minnesota Housing Finance Agency

Board Agenda Item: 7.A
Date: 1/28/2016

Item: Resolution Approving Issuance of Multifamily Housing Revenue Notes for the Grainwood Project in Prior Lake, Minnesota; and Approving the Execution of Related Documents

Staff Contact(s):
Terry Schwartz, 651.296.2404, terry.schwartz@state.mn.us
Paula Rindels, 651-296-2293, paula.rindels@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Agency staff is working with Kennedy & Graven, special bond counsel appointed by the Attorney General for the Agency, to issue a tax-exempt Multifamily Note (the "Multifamily Note"), in an amount not to exceed $28,000,000, to fund a mortgage loan to pay for a portion of the costs of the acquisition, construction, and equipping of an approximately 168-unit multifamily senior rental housing development located in Prior Lake, Minnesota. It is proposed that the Multifamily Note to be issued will be purchased by Freddie Mac under their Tax Exempt Loan Program, with the proceeds of the sale to be loaned to the Borrower. The Multifamily Note will be a special, limited obligation of the Agency payable solely from and secured by the development and the loan repayments to be made by the Borrower. The board will be asked to adopt a resolution approving the terms of the Multifamily Note on a not-to-exceed basis. By approving the Resolution the Board will be waiving the highlighted provisions of the Debt Management Policy related to conduit bonds. Staff discussed these issues with the Board at the December meeting.

Fiscal Impact:
The transaction will result in the Agency earning an upfront fee of 1.25% on the principal amount of the Multifamily Note.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Resolution (sent under separate cover)
- Applicable Portion of Debt Management Policy

Excerpt of Policy 1 – Debt Management

1.09 Conduit Debt

For purposes of this section, a "conduit bond issue" is a bond issue in which the obligation of the Agency as issuer to pay principal of and interest on the bonds is limited to the payments it receives from a private third-party borrower under a loan or lease agreement relating to revenues derived from the facilities financed or other assets of the third-party borrower.

Tax-exempt bonding authority is a valuable means of producing revenue because it enables the Agency to operate lending programs of a size far in excess of its own resources. It is therefore acknowledged that the use of bonding authority for conduit debt issuance is generally not in the best financial interest of the Agency. From time to time and under certain conditions, use of tax-exempt bonding authority for conduit issuance may be desirable to meet state housing needs and may be considered. The following threshold conditions should be present in order for staff to recommend a conduit bond issue:

- Bonding authority used for conduit issues does not cause a significant loss of authority available to operate priority programs, in the sole judgment of the Agency.
- The issuance is for preservation of affordable rental units the Agency determines are important units to preserve under its strategic plan.
- Significant barriers to issuance by a different government issuer exist, such as properties located in multiple jurisdictions, making public notice and authorization requirements difficult.
- The Agency has determined not to issue bonds secured by the Agency's general or limited obligation for the project to be financed.
- The Agency assumes no initial or continuing disclosure obligations in connection with the conduit issue.
- The Agency assumes no financial obligation in connection with the conduit issue.
- If publicly offered, the debt is expected to be rated in one of the two highest long-term rating categories by at least one nationally recognized rating agency acceptable to the Agency and, if applicable, the highest short-term rating category by at least one nationally recognized rating agency.
- If privately placed, repayment of the debt must, in the judgment of the Agency and based on information from the Agency's financial consultant, be financially feasible.
- The Agency's bond counsel must be utilized.
- All costs of issuance, maintenance and payment of the bond issue, including all Agency out-of-pocket expenses and fees and disbursements of bond counsel and the Agency's financial consultant, if any, must be paid by the borrower or, if available therefore, may be paid from proceeds of the bonds.

- Administrative fees to be paid to the Agency as issuer will not be less than, subject to arbitrage restrictions, the sum of (1) an upfront fee of 50 basis points times the original principal amount of the bonds, plus (2) an on-going fee payable semiannually equal to the greater of (a) one-half of 10 basis points applied to the then outstanding principal amount of the bonds or (b) a minimum amount to be established for the bond issue.

Additional Guidelines. Investment bankers and/or placement agents other than the Agency's bankers and financial advisors may be utilized without implying any appointment to the Agency's board-selected banking and financial advisory team. The Agency's investment bankers or financial advisors may act as financial consultant to the Agency or perform other functions for the Agency in connection with the conduit bond issue.

Results of marketing conduit bond issues are not subject to Sections 1.03, 1.04 or 1.05 of this Debt Management Policy, including requirements for formal post-sale analysis by the Agency's financial advisor, nor are they includable in the biannual investment banker review required in Section VII even if the conduit issue's investment banker is currently appointed to the Agency's banking team.

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Board Agenda Item: 7.B
Date: 1/28/2016

Item: Resolution Relating to Rental Housing Bonds; Authorizing the Issuance and Sale Thereof for a Multifamily Housing Development in Hopkins, Minnesota

Staff Contact(s):
Terry Schwartz, 651.296.2404, terry.schwartz@state.mn.us
Paula Rindels, 651-296-2293, paula.rindels@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Agency staff is preparing to issue bonds, in an amount not to exceed $10,000,000, to fund a short-term first lien mortgage loan, to a private owner, that will finance a portion of the costs of the rehabilitation of a multifamily housing development in Hopkins, Minnesota. In addition to the issuance of the short term tax exempt bonds, the Agency will be asked to provide permanent funding to the project with a LMIR first mortgage and a PARIF loan in a separate board action. The board will be asked to adopt a resolution approving the terms of the bond issue on a not-to-exceed basis.

Fiscal Impact:
The transaction will result in the Agency earning approximately a 1% spread on the bonds.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Preliminary Official Statement (sent under separate cover)
- Resolution (sent under separate cover)

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Board Agenda Item: 7.C
Date: 1/28/2016

Item: Selection and Commitment, Low- and Moderate-Income Rental (LMIR), Low- and Moderate-Income Rental Bridge Loan (LMIR-BL), and Preservation Affordable Housing Investment Fund (PARIF) Programs
- Hopkins Village; Hopkins D2692

Staff Contact(s):
Dan Walsh, 651-296-3797, dan.walsh@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Minnesota Housing Finance Agency (Agency) staff has completed the underwriting and technical review of the 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 $5,000,000, a Low- and Moderate-Income Rental Bridge Loan (LMIRBL) program commitment in an amount not to exceed $10,000,000 and a deferred funding commitment in the amount of $945,000 under the Preservation Affordable Rental Investment Fund (PARIF) program, subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment.

Fiscal Impact:
In the 2016 Affordable Housing Plan (AHP), the Board allocated $70 million in new activity for the LMIR program that includes $30 million from the Housing Investment Fund (Pool 2) and $40 million for LMIR and LMIRBL activity through tax-exempt bonding. Funding for this loan falls within the approved budget, and the loan will be made at an interest rate and terms consistent with what is described in the AHP. Additionally, this loan should generate $111,000 in fee income (origination fee and construction oversight fee) as well as interest earnings, which will help offset Agency operating costs. The new PARIF loan will have a positive fiscal impact on the Agency's financial condition because the development's existing $1,078,666 PARIF loan will be repaid in the transaction.

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☒ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Development Summary
- Resolution

Background
Minnesota Housing staff received this request as a pipeline application in June 2015. This project will be fully funded and ready to start construction in the first quarter of 2016 with the recommended funding approval for the LMIR first mortgage, the LMIR Bridge Loan and the PARIF loan.

Development Summary

DEVELOPMENT:

D2692

Name: Hopkins Village — App#: M17275

Address: 9 7th Avenue South

City: Hopkins — County: Hennepin — Region: Metro

MORTGAGOR:

Ownership Entity: Hopkins Village Limited Partnership

General Partner/Principals: CHDC Hopkins Village GP LLC / Community Housing Development Corporation (CHDC)

DEVELOPMENT TEAM:

General Contractor: Flannery Construction

Architect: Blumentals/Architecture, Inc.

Attorney: Winthrop and Weinstine

Management Company: BDC Management Co.

Service Provider: Not Applicable

<u>CURRENT FUNDING REQUEST/ PROGRAM and TERMS: Hopkins Village</u>

$5,000,000	LMIR First Mortgage		
	Funding Source:	Housing Investment Fund (Pool 2)	
	Interest Rate:	4.75%	
	MIP Rate:	0.25%	
	Term (Years):	30	
	Amortization (Years):	30	
$10,000,000	LMIR Bridge Loan		
(not to exceed)	Funding Source:	Tax Exempt Future Bond Sale	
	Interest Rate:	2.0%	(Estimated*)
	Term (Years):	1.5	
$945,000	PARIF		
	Funding Source:	PARIF Program	
	Interest Rate:	0.00%	
	Term (Years):	30	

* The interest rate on the LMIR Bridge Loan will be based on the market rate at the time of the bond sale.

RENT GRID: Hopkins Village

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORD-ABILITY
1BR (HAP)*	44	549	$880	$880	$35,200
1BR	18	522, 549	$730	$812	$29,200
1BR	65	516, 522, 549	$650	$812	$26,000
1BR	3	516, 522, 549	$650	Mkt Rate	N/A
2BR (HAP)*	20	845	$1,065	$1,065	$42,600
2BR	5	833, 845	$878	$975	$35,120
2BR	4	804, 833, 845	$750	$975	$30,000
2BR	2	804, 833, 845	$750	Mkt Rate	N/A
TOTAL	161				

* 64 units will have the benefit of project based Section 8 rental assistance ensuring that residents pay no more than 30% of their income toward rent.

Purpose:
Hopkins Village Apartments (Hopkins Village) is the acquisition and rehabilitation of a high rise building with a total of 161 units. The 11 story building with an elevator contains 130 one-bedroom apartments and 31 two-bedroom apartments. The development meets the preservation strategic priority and repositions the property for the long term. Hopkins Village serves an important policy goal of preserving federally assisted housing.

Target Population:
The development will primarily provide housing for seniors 55 years and older and will target individuals and households of color. A total of 156 households will have incomes equal to or less than 60% AMI with rents affordable to households earning up to 50% AMI. The remaining five households do not have rent or income restrictions. The target population includes very low income populations, and the proposal includes the continuation of the project-based Section 8 assistance.

Project Feasibility:
The project is fully funded and feasible as proposed. The LMIR mortgage is conservatively underwritten and will provide a 1.34 debt coverage ratio (DCR) in year one declining to 1.10 in year 15. The LMIR Bridge Loan will be funded from tax-exempt bonds issued by the Agency with interest based on current market rates at the time of the bond sale, currently estimated at 2.0%. The Bridge Loan will be repaid from the LMIR loan, PARIF loan and tax credit equity proceeds after construction completion. The Agency financing will leverage nearly $5 million of tax credit equity proceeds (from US Bank at $1.00 per credit). The current, related owner will provide a seller loan of approximately $7.1 million in addition to $680,000 in existing reserves. The projected $139,000 sales tax rebate and $900,000 in deferred developer fee will fully fund the development.

Development Team Capacity:
All members of the team have the capacity to successfully develop, own and manage this development.

CHDC is the developer and the general partner of the new ownership entity. CHDC owns more than 4,300 units of affordable housing, several of which are of similar size and scope to the proposed development. CHDC has three developments in process with the Agency and has a sufficient plan to complete the development on time and within budget.

BDC Management will continue as the management company. BDC currently manages 50 developments with a total of 3,272 units. A total of 537 units are targeted towards seniors. Its current portfolio includes affordable and market rate developments and units assisted with Section 8 and financed with LMIR mortgages.

Blumentals is the architect and Flannery is the contractor for the development. Both firms have successfully completed similar developments in a timely manner and have experience in affordable housing projects with Minnesota Housing.

Physical and Technical Review:
The total estimated hard construction cost per unit is approximately $31,000, which is adequate given the approved capital needs assessment. The contractor will repaint the building and refurbish the windows. Common areas and the management office will receive new finishes. Apartment unit work includes kitchen and bathroom renovations, new finishes, accessibility upgrades and new lighting. The building's heating system will be upgraded with new high efficiency boilers and pumps. The contractor will replace the electrical and fire alarm panels and install a new emergency backup generator. The main entrance drive will be made accessible.

Market Feasibility:
Based on the market study submitted with the application, the area's senior population will annually increase more than the overall population will increase for at least the next ten years. The average vacancy rate at the property has been 2.3% over the past three years. This development is an existing property so the supply of available units in the area will not be affected. The proposed rents are less than the maximum allowed at 50% AMI, and utilities will be paid by the owner.

Supportive Housing:
Not Applicable

DEVELOPMENT COST SUMMARY:

	Total		Per Unit
Total Development Cost	$19,988,000		$124,000
Acquisition or Refinance Cost	$11,240,000		$70,000
Gross Construction Cost	$4,950,000		$31,000
Soft Costs (excluding Reserves)	$2,891,000		$18,000
Reserves	$907,000		$6,000
Total LMIR Mortgage	$5,000,000		$31,000
Total Loan-to-Cost Ratio		25%	
Agency Bridge Loan Source			
LMIR Bridge Loan (not to exceed)	$10,000,000		$62,000
Agency Deferred Loan Source			
PARIF	$945,000		$6,000
Total Agency Sources	$15,945,000		$99,000
Total Loan-to-Cost Ratio		80%	
Other Non-Agency Sources			
Seller Loan	$7,123,000		$44,000
Tax Credit Investment Proceeds	$4,902,000		$30,000
Existing Reserves	$680,000		$4,000
Interim Income	$300,000		$2,000
Sales Tax Rebate	$139,000		$1,000
Deferred Developer Fee	$900,000		$6,000
Total Non-Agency Sources	$14,044,000		$87,000

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

RESOLUTION NO. MHFA 16-

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM
LOW AND MODERATE INCOME RENTAL BRIDGE LOAN (LMIRBL) PROGRAM
AND PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) PROGRAM

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

Name of Development:	Hopkins Village
Sponsors:	Community Housing Development Corporation (CHDC)
Guarantors:	CHDC
Location of Development:	Hopkins
Number of Units:	161
General Contractor:	Flannery Construction
Architect:	Blumentals/Architecture, Inc.
Amount of Development Cost:	$19,988,000
Amount of LMIR Mortgage:	$5,000,000
Amount of LMIR Bridge Loan (BL) (not to exceed):	$10,000,000
Amount of PARIF Loan:	$945,000

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 construction and permanent mortgage loans to said applicant from Housing Investment Fund (Pool 2 under the LMIR

Program), the sale of new tax-exempt bonds (under the LMIRBL Program) and from PARIF program funds for the indicated development, upon the following terms and conditions:

1. The amount of the permanent LMIR loan shall not exceed $5,000,000; and

2. The interest rate on the permanent LMIR loan shall be 4.75 percent per annum plus 0.25 percent per annum HUD Risk Share Mortgage Insurance Premium, with monthly payments based on a 30 year amortization; and

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

4. The amount of the PARIF loan shall be up to $945,000; and

5. Repayment of the PARIF loan shall be through cash flow, with interest at 0 percent, and the loan term shall be co-terminus with the LMIR loan; and

6. The Combined permanent LMIR and PARIF End Loan Commitment shall be entered into on or before July 31, 2016 and shall have an 18 month term (which shall also be the LMIR and PARIF Commitment Expiration Date); and

7. The amount of the LMIR Bridge Loan is not to exceed $10,000,000; and

8. The LMIR Bridge Loan transaction will be financed with the proceeds of tax-exempt bonds of the Agency, and the commitment is subject to the ability of the Agency to sell bonds on terms and conditions, and in a time and manner acceptable to the Agency; and

9. The interest rate pursuant to the Bridge Loan will be based on the interest rate on the series of bonds issued to finance the Bridge Loan plus up to the maximum allowable spread, and is estimated to be 2.0 percent per annum payable in a balloon payment no more than 18 months after closing; and

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

11. 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

12. In accordance with subd. 39 of Minn. Stat. § 462A.05, and the rider to the appropriation providing funds to the program, the Mortgagor will enter into a covenant running with the land requiring owner to renew the Section 8 HAP contract for the term of the PARIF loan, and to agree to accept renewals of such assistance for so long as it is made available to the development, and providing the right of first refusal to a non-profit or local unit of government should the Owner receive a viable purchase offer during the term of the loan; and

13. CHDC (or an affiliate entity approved by the Agency) shall guarantee the mortgagor's construction completion and payment obligations 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

14. CHDC (or an affiliate entity approved by the Agency) shall guarantee the mortgagor's payment under LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

15. 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 28th day of January, 2016.

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CHAIRMAN

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Board Agenda Item: 7.D
Date: 1/28/2016

Item: Family Homeless Prevention and Assistance Program (FHPAP), Ratification of Contract and Approval of Commitment Extensions

Staff Contact(s):
Diane Elias, 651-284-3176, diane.elias@state.mn.us
Kim Bailey, 651-296-9833, kim.bailey@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests approval of the modification of Resolutions No. MHFA 15-017 and 15-037 approving selections and commitments under the FHPAP program to extend the date by which individual grants must close.

Staff also requests the board ratify the FHPAP Grant Agreement (the Agreement) with Ramsey County, which was fully executed on December 4, 2015. Resolution No. MHFA 15-017 granted staff authority to enter into this grant agreement, but that authority expired on November 28, 2015.

Fiscal Impact:
FHPAP funds are state appropriations and therefore do not adversely impact the Agency's financial position. This request is to extend the date by which individual grants must close and to ratify an existing contract. These actions do not change funding amounts.

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Resolutions

Background

On May 28, 2015, the board approved Resolution No. MHFA 15-017 awarding FHPAP funds to twenty grantees and the funding of three FHPAP Initiative Projects: 1) the leveraging of mainstream resources project, 2) the administrative capacity enhancement project, and 3) the HMIS data collection and reporting project with Wilder Foundation. The resolution required the completion of grant agreements within six months of the adoption date of the resolution.

On August 27, 2105, the board amended Resolution No. MHFA 15-017 by adoption of Resolution MHFA 15-034, which substituted Lutheran Social Service as the FHPAP grantee for Central Minnesota in place of Catholic Charities. The deadline to complete grant agreements was unchanged by this amendment.

The commitment deadline set by the board expired on November 28, 2015. Four grant agreements have yet to be executed and one grant agreement was not fully executed until after the expiration date. Staff is requesting the board extend the commitment deadline for FHPAP grant execution for the following reasons:

- The change from Catholic Charities to Lutheran Social Service as FHPAP administrator for Central Minnesota has resulted in a delay to grant execution due to the need to secure new county board resolutions and conduct due diligence on the grantee. Staff anticipates the county board resolution will be secured no later than February 28, 2016 and a grant agreement will be executed no later than April 30, 2016.

- The three initiative funding awards have been found to require additional planning time for implementation than expected. Staff anticipates the grant agreement for HMIS support will be ready for execution by February 28, 2016 and agreements for the remaining initiative projects to be executed by June 30, 2016.

Staff is also requesting the board ratify the grant agreement with Ramsey County, which was delayed in order to collect due diligence from the grantee and multiple sub-grantees. As part of the due diligence, staff required additional clarification regarding specific budget items. These activities resulted in delayed execution of the agreement, which was not fully executed until December 12, 2015. Resolution No. MHFA 15-017, which authorized staff to enter into grant agreements, expired on November 28, 2015. Staff would like the board to be aware that program participants have continued to receive FHPAP services from Ramsey County during the agreement negotiations.

In the future, staff will request a one- year commitment deadline for initiative projects. Staff has also identified a program expenditure report that can be utilized to track the commitment of funds to ensure all funds are committed within a six month timeframe.

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

RESOLUTION NO. MHFA – 16-

RESOLUTION RATIFYING GRANT AGREEMENT WITH RAMSEY COUNTY
FAMILY HOMELESS PREVENTION AND ASSISTANCE PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has heretofore adopted Resolutions No. MHFA 15-017 and MHFA 15-034 authorizing and modifying selections and commitments under the Family Homeless Prevention and Assistance Program (FHPAP); and

WHEREAS, Ramsey County was selected to receive an FHPAP award in the amount of $3,494,759 for the period of July 1, 2015 through June 30, 2017; and

WHEREAS, commitment for said award expired on November 28, 2015; and

WHEREAS, Agency staff erroneously executed a grant agreement with Ramsey County after the expiration of the commitment; and

WHEREAS, it is the desire of the Board to ratify the agreement with Ramsey County to ensure FHPAP funds be committed for programs and initiatives to prevention and end homelessness; and

WHEREAS, the Ramsey County program continue to be in compliance with Minnesota Statutes Chapter 462A and the MHFA's rules, regulations, and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT the Board hereby ratifies the Ramsey County FHPAP grant agreement dated December 4, 2015.

Adopted this 28th day of January, 2016.

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CHAIR

Agenda Item: 7.D
Resolution

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

RESOLUTION NO. MHFA – 16-
MODIFING RESOLUTIONS NO. 15-017 AND 15-037

RESOLUTION EXTENDING COMMITMENTS
FAMILY HOMELESS PREVENTION AND ASSISTANCE PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has heretofore adopted Resolutions No. MHFA 15-017 and MHFA 15-037 authorizing and modifying selections and commitments under the Family Homeless Prevention and Assistance Program (FHPAP); and

WHEREAS, the commitments expired on November 28, 2015; and

WHEREAS, it is the desire of the Board to re-establish and further extend the period in which individual FHPAP grants can be closed;

WHEREAS, the initiatives and programs continue to be in compliance with Minnesota Statutes Chapter 462A and the Minnesota Housing Finance Agency's rules, regulations, and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT the Board hereby modifies Resolutions No. MHFA 15-017 and MHFA 15-037 as follows:

1. The Agency staff shall review and approve the recommended Grantees and initiative funding activities for up to the amounts listed below for the grant period of July 1, 2015 through June 30, 2017.

Applicant	2016-17 Award
Lutheran Social Services	$ 1,164,666

Initiative Funding	2016-17 Award
Leverage Incentive	$ 63,114
Administrative Capacity	$ 149,500
HMIS Support	$ 150,000

2. The closing of individual grant agreements in form and substance acceptable to the Agency staff shall occur no later than six months from the adoption date of this Resolution; and

3. All other terms of Resolutions No. MHFA 15-017 and MHFA 15-037 remain in effect.

Adopted this 28th day of January, 2016.

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CHAIR

Board Agenda Item: 7.E
Date: 1/28/2016

Item: Interim Loan Pilot Program and Waiver of Challenge Rule

Staff Contact(s):
Nira Ly, 651.296.6345, nira.ly@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff recommends the approval of the Interim Loan Pilot Program and waiver of Challenge Program Administrative Rule 4900.3634 Subp. 2.A. The Interim Loan Pilot Program will provide interim construction loans for the development of single family homes under the Impact Fund. A waiver of the administrative rule is required to allow interim construction loans under the pilot program to be provided at interest rates other than zero or two percent and for loan terms longer than 20 months.

Fiscal Impact:
None.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Exhibit A – Interim Loan Pilot Program Summary
- Exhibit B – Waiver of Challenge Rule for the Interim Loan Pilot Program

BACKGROUND

The Interim Loan Pilot Program will provide interim construction loans under the Community Homeownership Impact Fund (Impact Fund) to administrators to acquire, demolish, rehabilitate, or construct single family, owner-occupied homes. The goal of the Interim Loan Pilot Program is to allow Minnesota Housing to stretch its resources further by reducing the amount of Pool 3 and Challenge funds needed for interim loans while still providing loans at interest rates below the market rate.

Interim construction loans for single family housing development have been provided through the Impact Fund which is governed by the Challenge statute and administrative rules. Under the administrative rule, interim construction loans must be provided at only zero or two percent interest.

Previously, interim construction loans were funded at zero percent or two percent interest through Pool 3 and Challenge funds or a combination of both. During Affordable Housing Plan discussions, it was determined that interim construction loans for single family development could be funded out of Pool 2 rather than Pool 3 or Challenge funds. Program staff worked with the Chief Financial Officer to determine that interim construction loans could be funded out of Pool 2 at an interest rate of 3.99%. This meets the investment policy guidelines for funding from Pool 2. Reducing the need to use Pool 3 and Challenge funds for interim loans would allow Minnesota Housing to invest the limited Pool 3 and Challenge funds in more programs and in more communities.

Additionally, the administrative rule sets the loan term of interim loans at 20 months. Administrators have expressed a need for a loan term longer than 20 months to provide continuity in construction financing and sufficient time to complete construction. The Interim Loan Pilot Program will allow Minnesota Housing to provide interim construction loans at a loan term up to 36 months.

Staff expects that the demand for interim construction loans will increase due to increases in new construction development and construction costs in the past year and expected increase in future years. Over the past three years, Minnesota Housing received requests for interim loans under the Impact Fund RFP from an average of four administrators each year. The total requested amount each year came to an average of $1,485,598.[1] Minnesota Housing provided interim construction loans to an average of two administrators each year for a total average of $351,573 each year. The Interim Loan Pilot Program will allow Minnesota Housing to provide more interim construction loans to more administrators.

Staff recommends approval of the Interim Loan Pilot Program and waiver of Challenge Program Administrative Rule 4900.3634 Subp. 2.A.

[1] This average does not include the request from Construction Consultant Minneapolis Metro, Inc. for $3,215,500 under the 2015 Impact Fund RFP. This request is excluded because it is significantly higher than the usual request from individual administrators.

Interim Loan Pilot Program Summary

Program Objective

The Interim Loan Pilot Program will provide interim construction loans under the Community Homeownership Impact Fund (Impact Fund) to administrators to acquire, demolish, rehabilitate, or construct single family, owner-occupied homes. The homes will then be sold to households at or below the greater of 115% of state or area median income. The goal of the Interim Loan Pilot Program is to allow Minnesota Housing to stretch its resources further by reducing the amount of Pool 3 and Challenge funds needed for interim construction loans while still providing loans at interest rates below the market rate.

Eligible Program Applicants

Any entity eligible to apply for the Impact Fund is eligible to apply for interim construction loans through the Interim Loan Pilot Program. Applicants must apply for the Interim Loan Pilot Program through the annual Impact Fund Request for Proposals (RFP).

Process for Selection of Recipients

Recipients will be selected through the annual Impact Fund RFP. The review of applicants and selection of recipients of the Interim Loan Pilot Program will mirror the review of applicants and selection of recipients of the Impact Fund. Staff will consider the extent to which the proposal meets Minnesota Housing priorities, the capacity of the applicant to administer the program, the feasibility of the project, and the community need for the proposed housing project.

Interim Loan

The amount of each interim construction loan will be determined based on the availability of Pool 2, Pool 3, and Challenge funds as well as funding requests from the multifamily and Impact Fund RFPs. The interest rate will be determined by Minnesota Housing finance staff in accordance with investment policy guidelines. The loan term will be up to 36 months.

Recipient Reporting Requirements

Prior to disbursement of funds, the recipient must provide documentation of the acquisition, demolition, or start of construction of the project to be financed. The recipient must also provide documentation of the sale of the property to an eligible homebuyer. The recipient must complete reporting as required under the Impact Fund.

Board Reporting Requirements

Staff will provide a written report to the Board of Directors on an annual basis describing program utilization and outcomes.

Program Guidance

The Interim Loan Pilot Program will be guided by the Impact Fund Procedural Manual, Challenge statute, and Challenge rules unless otherwise stated here.

Waiver of Challenge Rule for the Interim Loan Pilot Program

Staff recommends the waiver of the following Challenge Administrative Rule: 4900.3634 Subp. 2.A.

Interest Rate

The rule provides that interim loans bear an interest rate of either zero or two percent. Staff recommends a waiver of the interest rate requirement to allow interim loans to be provided at interest rates other than zero or two percent. This will allow Minnesota Housing to meet the investment policy guidelines for Pool 2 funding by providing interim construction loans at interest rates other than zero or two percent.

Loan Term

The rule provides that interim loans have a loan term of 20 months. Staff recommends a waiver of the loan term requirement to allow the term of interim loans to be up to 36 months. This will provide administrators with continuity in construction financing.

Board Agenda Item: 7.F
Date: 1/28/2016

Item: Monthly Payment Loan and Deferred Payment Loan Programs, and Associated Modifications to Program Manuals and the Affordable Housing Plan

Staff Contact(s):
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Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☐ Resolution	☐ Information

Summary of Request:
As a result of strong home mortgage program activity with downpayment and closing cost loans, staff requests approval for: (1) program changes to the maximum loan amounts available through the Deferred Payment Loan (DPL) and Monthly Payment Loan (MPL) programs, (2) additional funding for these programs under the 2016 AHP, and (3) approval of the corresponding changes to the Start Up, Mortgage Credit Certificate and Step Up Program Procedural Manuals.

Fiscal Impact:
While this request includes program changes and shifting Pool 3 resources between programs, the only new resources requested are $4 million of Pool 2 funds for the Monthly Payment Loan (MPL) program.

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Start Up, Mortgage Credit Certificate, and Step Up Program Procedural Manuals

BACKGROUND
Minnesota Housing loan production reached an all-time high of $681 million in net first mortgage loan commitments in FFY 2015. Nearly 90% of first mortgage loans had an associated downpayment and closing cost loan (DPA). This represented a significant increase from 2013 when just 54% of first mortgage loans had a DPA loan and from 2014 when 70% of loans had a DPA loan. Based on early production figures, we may reach $680 million again in FFY 2016. At this pace, the current DPL budgeted will not support continuous DPL operation to the end of the year.

As a result, staff recommends program changes and additional budget resources to support the continued strong home mortgage volume. A successful implementation of these changes could result in the Agency reaching $680 million of loan production in 2016. Staff reviewed quantitative data, qualitative data, and lender input and recommends the following program and AHP budget changes.

Table 1: Recommended Program Changes

Program	**Maximum Loan Amount**	
	Current	*Recommended*
Deferred Payment Loan	$6,000	$5,500
Deferred Payment Loan Plus Option	$7,500	No change
Monthly Payment Loan	$7,500	$10,000

The recommended AHP budget changes (shown in Table 2 on the following page) involve transferring just over $1.4 million of Pool 3 funds from Single Family Interim Lending program and the Strategic Contingency Fund to the DPL program and making available an additional $4 million of Pool 2 resource for the MPL program.

Table 2: Recommended Downpayment and Closing Cost Loan Budget Revisions to the AHP 2016

Program	Original Budget	Delegated Change*	Proposed Amendment	Revised Budget
DPL and DPL Plus	$11 million • State appropriations $885,000 • Repayments $1.8 million • Pool 3 $8.315 million	$390,500 • 2016 cancellations of 2015 commitments	$1,429,550 (Pool 3)	**$12,820,050**
MPL	$11.3 million (Pool 2)	$287,100 • 2016 cancellations of 2015 commitments	$4 million (Pool 2)	**$15,587,100**
Single Family Interim Lending	$1.562 million • Pool 2 -$1,132,450 • Pool 3 -$429,550		-$429,550 (Pool 3)	$1,130,550
Strategic Contingency Fund (Pool 3)	$2 million		-$1,000,000 (Pool 3)	$1,000,000

*These are amounts already transferred under authority delegated by the Board to the Commissioner under Board Delegation No. 012.

With the combination of the loan amount changes and Pool 3/Pool 2 budget requests, the home mortgage program should be able to sustain the current level of strong 2016 production. Our goal is to support this level of production by:

- Stretching existing DPL resources further with a smaller loan amount;
- Increasing funding for DPL;
- Encouraging additional use of MPL with a larger loan amount, including shifting borrowers from DPL to MPL (if viable and appropriate for the borrower); and
- Increasing funding for MPL.

Overall, we want to reach a significant number of lower income borrowers through the DPL (median household income of $44,000) and modest income borrowers through MPL (median household income of $66,000).

We remain committed to serving households of color and Hispanic ethnicity by offering resources through both the DPL and MPL programs. While DPL serves a higher overall percentage of households of color and Hispanic ethnicity (36%), the MPL supports diverse borrowers as well. Since May 2015, 28% of MPL borrowers were households of color and Hispanic ethnicity. This indicates that if program changes increase MPL production modestly, with a continued emphasis on serving households of color and Hispanic ethnicity, we can retain sustainable DPA programs that maintain our commitment to reducing the homeownership disparity gap.

Chapter 6 – 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 Loan. The three options provide assistance to pay for eligible expenses including downpayment and customary buyer closing costs.

Homebuyer Education. Homebuyer Education is required for at least one of the Borrowers who receive a Deferred Payment Loan or Monthly Payment Loan.

Homebuyer education may be delivered either by instructors trained under Home Stretch or NeighborWorks® America in a classroom setting or via the Minnesota Home Ownership Center's Framework, an online home buyer education platform. Homebuyer education must be completed before closing.

The above-noted requirements are satisfied when at least one Borrower per household provides a certificate of completion.

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

6.01 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
  - The first mortgage is in default or is declared to be due and payable in full
- 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 ($6,000 maximum loan). Loan amounts are rounded up to the nearest $100.~~:

- Is available *up to the greater of* 5% of the purchase price or $5,000
- In the event that 5% of the purchase price exceeds $5,000, the Deferred Payment Loan amount may not exceed $5,500
- Loan amounts are available in increments of $100 and are rounded up to the nearest $100

The **Deferred Payment Loan Plus**:

- Is available to Lenders who participate in Start Up
- Is available in increments of $100 up to $7,500 ($7,500 maximum loan)
- May be used for a principal write-down in addition to downpayment and customary buyer closing costs

6.02 Deferred Payment Loan Program Borrower Eligibility

The Borrower’s maximum income to be eligible for the Deferred Payment Loan Program is indexed to area median income (AMI) and tiered by household size (see Deferred Payment Loan Program Income Limits on Minnesota Housing’s website).

In addition to the Borrower Eligibility requirements in Chapter 2, eligible Borrowers must demonstrate two of the following conditions, if using the **Deferred Payment Loan Plus**:

- A Single Head of Household with Minor Dependent(s)
- A front end ratio of 28% or higher (calculated without DPA)[1]
- A household of four or more people

[1] Minnesota Housing realizes an estimate of front-end ratio may change in underwriting. As long as the Lender makes a good faith effort to identify costs at the point of origination, we allow reasonable changes to front-end ratio if the ratio documented on this worksheet is different than the final ratio calculated during underwriting. The Lender must provide an explanation if the variance between ratios is large or the Borrower’s eligibility is a concern.

- Have a Disabled Household Member

Asset Limit. A Borrower's liquid assets after closing are limited to the greater of eight months principal, interest, taxes, and insurance or $8,000.

Cash to the Borrower at Closing. The Borrower may receive cash back at closing only when all of the following criteria apply:

- The cash to the Borrower at closing is a refund of dollars paid outside of closing and is reflected on the HUD-1 Settlement Statement
- The cash to the Borrower at closing does not compromise the Borrower's minimum cash investment requirement
- The underlying first mortgage product and the insurer/guarantor allow the refund

6.03 Deferred Payment Loan Program Lender Warranties

In addition to the warranties stated in Section 1.07, the Lender warrants the following:

- The Borrower's cash investment is paid from the Borrower's out of pocket funds
- The Borrower's liquid asset reserves after closing are not more than the greater of eight months' PITI or $8,000
- The Deferred Payment Loan Program monies received by the Borrower(s) are applied to the transaction and verified through the HUD-1 closing statement

6.04 Monthly Payment Loans

The Monthly Payment Loan provides 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 next $100), or $5,000
- May not exceed ~~$7,500~~ $10,000 in the event that 5% of the purchase price exceeds $5,000
- 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
  - The first mortgage is declared due and payable whether through default or other event
- May not be assumed

6.05 Monthly Payment Loan Borrower Eligibility

The Borrower must satisfy all Start Up eligibility requirements as well as the following additional requirements for the Monthly Payment Loan.

Income Limits. Monthly Payment Loan Borrowers must satisfy the Monthly Payment Loan Income Limits posted on Minnesota Housing's website.

Asset Limit. Monthly Payment Loans have no asset limit.

Cash to the Borrower at Closing. The Borrower may receive cash back at closing only when all of the following criteria apply:

- The cash to the Borrower at closing is a refund of dollars paid outside of closing and is reflected on the HUD-1 Settlement Statement
- The cash to the Borrower at closing does not compromise the Borrower's minimum cash investment requirement
- The underlying first mortgage product and the insurer/guarantor allow the refund

6.06 Monthly Payment Loan Lender Warranties

In addition to the warranties stated in Section 1.07, the Lender warrants the following:

- The Borrower's cash investment is paid from Borrower's own funds
- The funds received by the Borrower(s) are applied to the transaction and verified through the HUD-1 closing statement

6.07 Housing Choice Voucher (HCV) Homeownership Program

The HCV Homeownership Program allows HUD Section 8 recipients to use their voucher subsidy to meet monthly homeownership expenses. Lenders originating HCV Homeownership loans must:

- Complete the U.S. Bank Home Mortgage, HFA Division, Section 8 Homeownership Subsidy Program Agreement and Home Choice/Section 8 Contract Information Form
- Service the loans before purchase by the Master Servicer in compliance with this Procedural Manual. This involves collecting a portion of the monthly payment from the Borrower(s) and a portion of the monthly payment from the public housing authority.

6.08 Second Mortgage Application and Loan Disclosure Procedures

The Lender must follow mortgage industry standard requirements for second mortgages when originating loans under the Deferred Payment Loan, Deferred Payment Loan Plus, and the Monthly Payment Loan programs.

Chapter 6 – 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 is included in the certified indebtedness amount as it relates to the MCC Program.

6.01 Monthly Payment Loans

Monthly Payment Loans:

- Originated with the MCC program are available only if the certificate is combined with a Minnesota Housing 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
- Have a maximum loan amount of ~~$7,500~~ $10,000 in the event that 5% of the purchase price exceeds $5,000
- With 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
    - The first mortgage is declared due and payable whether through default or other event
- May not be assumed

6.02 Monthly Payment Loan Borrower Eligibility

The Borrower must satisfy all eligibility requirements of the MCC (with First Mortgage) as well as the following additional requirements for the Monthly Payment Loan.

Income Limits. Program income limits apply to Monthly Payment Loan Borrowers.

Homebuyer Education. Homebuyer Education is required for all Borrowers who receive Monthly Payment Loans.

Homebuyer education may be delivered either by instructors trained under Home Stretch or NeighborWorks® America in a classroom setting or via the Minnesota Home Ownership Center's Framework, an online homebuyer education platform. Homebuyer education must be completed before closing.

The above-noted requirements are satisfied when at least one Borrower per household provides a certificate of completion.

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

Asset Limit. Monthly Payment Loans have no asset limit.

Cash to the Borrower at Closing. The Borrower(s) may receive cash back at closing only when all of the following criteria apply:

- The cash to the Borrower at closing is a refund of dollars paid outside of closing and is reflected on the HUD-1 Settlement Statement
- The cash to the Borrower at closing does not compromise the Borrower's minimum cash investment requirement
- The underlying first mortgage product and the insurer/guarantor allow the refund

6.03 Monthly Payment Loan Lender Warranties

In addition to the warranties stated in Section 1.07, the Lender warrants the following:

- The Borrower's cash investment is paid from the Borrower's own funds
- The funds received by the Borrower(s) are applied to the transaction and verified through the HUD-1 Settlement Statement

6.04 Second Mortgage Application and Loan Disclosure Procedures

The Lender should follow mortgage industry compliance requirements for the Monthly Payment Loan. As indicated in the Participation Agreement with Minnesota Housing and the

Master Servicer, the Lender is required to follow the appropriate regulatory law(s) including, but not limited to:

- Following the disclosure requirements in accordance with the applicable laws and regulations (MDIA, RESPA, Regulation Z, etc.), for every Minnesota Housing first and second mortgage
- Generating a separate Truth in Lending (TIL) and Good Faith Estimate (GFE) for all downpayment and closing cost loan options
- Following industry-standard requirements regarding GFE and TIL disclosure procedures
- Including the downpayment and closing cost loans either on the first mortgage HUD-1 or a separate HUD-1

Chapter 6 – Downpayment and Closing Cost Loans

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

6.01 Monthly Payment Loan Requirements

The Monthly Payment Loan provides assistance to pay for eligible expenses, including downpayment and customary buyer closing costs. The Monthly Payment Loan 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 for Step Up purchase
- Are available in increments of $100 *up to the greater of* 5% of the loan amount (rounded up to the nearest $100), or $5,000 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 for FHA 203K Streamlined Purchases
- May not exceed $~~7,500~~ 10,000 in the event that 5% of the purchase price exceeds $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 loan 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 of the property
  - Transfer of title to the property
  - Payment in full of the first mortgage at maturity
  - The first mortgage is declared due and payable whether through default or other event
- May not be assumed

6.02 Monthly Payment Loan Borrower Eligibility

The Borrower(s) must satisfy all Step Up eligibility requirements as well as the following additional requirements for the Monthly Payment Loan.

Income Limits. The Borrower(s) applying for a Step Up Loan with Monthly Payment Loan assistance must satisfy the Monthly Payment Loan Income Limits posted on Minnesota Housing's website. See Section 2.06 pertaining to income limits for existing Minnesota Housing Borrowers with entry-cost assistance loans refinancing into Step Up.

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

Asset Limit. The Monthly Payment Loan has no asset limit.

Cash to the Borrower at Closing

The Borrower(s) may receive cash back at closing only when all of the following criteria apply:

- The cash to the borrower at closing is a refund of dollars paid outside of closing and is reflected on the HUD-1 Settlement Statement
- The cash to the Borrower at closing does not compromise the Borrower's minimum cash investment requirement
- The underlying first mortgage product and the insurer/guarantor allow the refund

6.03 Monthly Payment Loan Lender Warranties

In addition to the warranties stated in Section 1.07, the Lender warrants the following:

- The Borrower's cash investment is paid from Borrower's own funds
- The funds received by the Borrower are applied to the transaction and verified through the HUD-1 Settlement Statement

6.04 Subordination Policy

Minnesota Housing permits the subordination or replacement of a Homeownership Assistance Fund (HAF) Loan, a Deferred Payment Loan (DPL), or a Monthly Payment Loan (MPL) only in cases where the Minnesota Housing first mortgage is refinanced to a Step Up Loan. The Borrower is not eligible for more than one Minnesota Housing downpayment assistance loan. For more details see the Minnesota Housing Subordination Policy.

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Board Agenda Item: 8.A
Date: 1/28/2016

Item: Draft Parameters for a Pilot to Fund a Senior Rental Development with Services

Staff Contact(s):
John Patterson, 651.296.0763, john.patterson@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☒ Discussion
- ☐ Information

Summary of Request:
The 2016 Affordable Housing Plan (AHP) calls for Minnesota Housing to create a pilot to fund one senior rental housing development with service options. Attached is a draft outline of the parameters under which the Agency would run the pilot's Request for Proposals (RFP). Before finalizing the RFP, staff would like to review the draft parameters with the Board.

Fiscal Impact:
To be determined. While we are developing this pilot under the 2016 AHP, it will be funded under the 2017 AHP, and specific resources for the program will be specified when the 2017 AHP is developed.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Senior Housing Pilot: Outline of Potential RFP Parameters

Senior Housing Pilot
Outline of Potential RFP Parameters
01/21/16

Background

The need for affordable housing is increasing across Minnesota. Since 2000, the number of households spending 30 percent or more of their income on housing, which is defined as being cost burdened, has increased by 69 percent from 350,000 to 590,000 households. With rising housing costs and wages that have struggled to keep pace with inflation, this trend will likely continue. In addition, the state will experience several demographic shifts. The State Demographer's Office expects the number of people of color or Hispanic ethnicity to increase by 50 percent in the next 20 years, and the number of Minnesotans age 65 and older to nearly double in the next 25 years. While Minnesota Housing is taking steps to prepare the Agency for the increasing number of seniors, this need must be balanced with all of the state's other affordable housing needs. For example, we have a strategic priority to prevent and end homelessness, with focus on families with children.

With respect to housing for seniors, our 2016 Affordable Housing Plan outlines two specific actions for this year:

1. Assess the home-rehabilitation and accessibility-improvement needs of lower-income senior homeowners; and

2. Create a pilot to fund one senior rental development that has a services component.

Under the first action item, we just issued a Request for Proposals to identify a consultant to carry out the assessment and expect that study be completed by early fall. Under the second action item, we plan to announce the parameters of the pilot in early February. We are announcing the pilot parameters, ahead of the regular RFP, which is launched in April, to give funding applicants extra time to plan a development that we have not traditionally financed.

As the Baby-Boom generation ages and experiences increasing levels of disabilities, the need for affordable senior-rental housing with service options will increase. By age 85, senior households have a median annual income of about $23,000, and 67 percent of the households have a member who is disabled. Currently, Minnesota has roughly 40,000 senior renter households with incomes at or below 30 percent of the median income. This represents about 40 percent of all senior renters. With the senior population nearly doubling in the next 25 years, the number of extremely-low-income senior renters could rise to 80,000 households or more. The purpose of the senior rental pilot is to identify and test a financing and delivery model that could potentially be brought to a larger scale and help meet this need.

Pilot Parameters

Staff is refining the pilot parameters and selection criteria, but these are the overarching considerations that we will likely use to select up to one development for financing:

1. Create new units for seniors age 62 and older (new construction or conversion to residential housing);
2. Select a developer/provider with a history and capacity for providing quality senior housing;
3. Select a project that will serve as many households at or below 30% of AMI as possible within the development;
4. Minimize gap financing from Minnesota Housing, which would require potential developments to contain costs, access other funding sources (including 4% housing tax credits, local funding, rent assistance, and others), and provide an efficient delivery model;
5. Select a project that has a services component:
    - At a minimum, have a service coordinator, who is a staff person who arranges, coordinates and facilitates home-and-community-based services for residents from the full range of available providers serving the area, and
    - At a maximum, have a service provider with a Comprehensive License directly affiliated with the property and have the property registered with the Minnesota Department of Health as Housing with Services, a traditional assisted living model;
6. Select a project that supports and promotes aging in place - have a plan and the capability and flexibility (including building design, programing, and licensing) to increase the availability of services as residents age, experience increasing levels of disabilities, and need more intensive services;
7. Select a project where tenants have the option of choosing their service provider and the ability to control their units, which would include:
    - Having a lease for their unit,
    - Having their own private bathrooms and kitchens in their units,
    - Having the ability to lock the door to their unit, and
    - Deciding who their visitors are and when they visit;
8. Provide a model that is financially viable and could be brought to a larger scale, which would include the capacity of Minnesota Housing and the Department of Human Services to fund and monitor similar senior development projects on a larger scale in the future; and
9. Select a project that serves a geographic area with a demonstrated need and sustainable market.

The RFP will make clear that Minnesota Housing will have the right to cancel the RFP and selection process at anytime and <u>not fund</u> a project under this pilot if the proposed projects do not meet the specified objectives and effectively use scarce resources. While the Agency intends to fund a senior housing development under this pilot, the Agency typically receives requests that are three times greater than the available funding overall. It will be Minnesota Housing's sole discretion to determine if a senior housing project is funded or not.

Board Agenda Item: 8.B
Date: 1/28/2016

Item: 2016 Division Work Plans Summary

Staff Contact(s):
Barb Sporlein, 651.296.3125, barb.sporlein@state.mn.us
John Patterson, 651.296.0763, john.patterson@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☒ Discussion
- ☐ Information

Summary of Request:
For informational purposes, staff is summarizing the major key initiatives in the 2016 Divisional Work Plans that implement the 2016-2019 Strategic Plan and 2016 Affordable Housing Plan.

Fiscal Impact:
None. These plans are consistent with the approved 2016-2019 Strategic Plan, 2016 Affordable Housing Plan and 2016 Operating Budget.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☒ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Strategy Management Framework

2016 Division Work Plans Summary

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

The 2016-2019 Strategic Plan was approved by the Board in July 2015. It defines the Agency's vision, mission, values, guiding principles, priorities, and strategies. It also includes the list of the Agency's ongoing work each year:

- Promote and Support Successful Homeownership
- Finance New Affordable Rental Opportunities
- Preserve the Existing Housing Stock
- Provide Housing Resources to Support Community and Economic Development
- Lead, Collaborate, and Take Action on Critical Housing Issues
- Strengthen the Financial and Organizational Capacity of the Agency

The five strategic priorities are:

1. Address Specific and Critical Local Housing Needs
2. Finance Housing Responsive to Minnesota's Changing Demographics
3. Preserve Housing with Federal Project-Based Rent Assistance
4. Prevent and End Homelessness
5. Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

The Affordable Housing Plan (AHP) is the annual business plan for carrying out the Agency's core work for the upcoming year and implementing the Strategic Plan. It was approved by the Board in September 2015. The AHP outlines key programmatic and policy initiatives for the year, specifies program-by-program funding, and establishes production targets. In total, the plan allocates about $966 million of federal, state, and agency resources, which will assist or produce approximately 65,000 households or housing opportunities.

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

- Maintain strong production of low-interest mortgages and enhancements (Start Up, Step Up, Deferred Payment Loans, Monthly Payment Loans, and Mortgage Credit Certificates) to support $510 million of mortgage production;

- Focus activity on serving homebuyers of color and Hispanic ethnicity by helping them address the barriers to successful homeownership, and by engaging the broader industry in reducing the disparities in the overall market :
  - ✓ Achieve goal of 27% of first time homebuyer loans going to households of color;
  - ✓ Refine and expand the Enhanced Financial Capacity Initiative;
  - ✓ Evaluate the Targeted Mortgage Opportunity Program to determine next steps;
  - ✓ Continue being an active partner in the Homeownership Opportunity Alliance;
  - ✓ Engage counselors, lenders, real estate agents, and industry professionals that serve, and who are ideally from, communities of color and Hispanic ethnicity; and
  - ✓ Prepare a gaps analysis that compares the needs of homebuyers of color and Hispanic ethnicity with the effectiveness of our programs to meet those needs.
  - ✓ Deliver single-family rehabilitation and home improvement programs for low- and moderate-income homeowners, including households with disabilities;
- Implement the new single-family loan origination system to improve operations and customer service;
- Monitor and manage the single family loan portfolios to ensure that Minnesota Housing is supporting successful homeownership for households needing the Agency's assistance;
- Continue to implement the Governor's Housing-Jobs Growth Initiative to promote economic development by financing workforce housing in parts of the state where companies are poised to expand but there is not enough affordable housing;
- Continue to expand options for Multifamily first mortgage lending and increase production through HUD Multifamily Accelerated Processing (MAP) lending and securitization of MAP loans, implementing the new Treasury/FFB HUD risk share model, utilizing the HUD Risk Share Streamlined Refinance product and continued collaboration on Fannie Mae and Freddie Mac products;
- Implement housing-related strategies in the Olmstead Plan to provide increased housing options for persons with disabilities in integrated community settings;
- Implement housing-related strategies in the new two-year action plan for Minnesota's Plan to Prevent and End Homelessness, with a focus on families and youth when financing supportive housing;
- Transition into the role of and serve as the Lead Agency for Minnesota's Homeless Management Information System (HMIS);
- Assist Continuums of Care (local homeless planning and service provider agencies) in developing and implementing the HUD-mandated Coordinated Entry System work (which includes information, assessments, and referrals for people needing supportive housing and homeless services), coordinating this work with HMIS as needed;
- Continue implementing the Multifamily Remodel Project, a multi-phased business process and technology improvement effort, focusing on 2016 and 2017 RFP and scoring improvements, streamlining the underwriting to closing process, implementing new mobile worker tools, and establishing a new business development function;

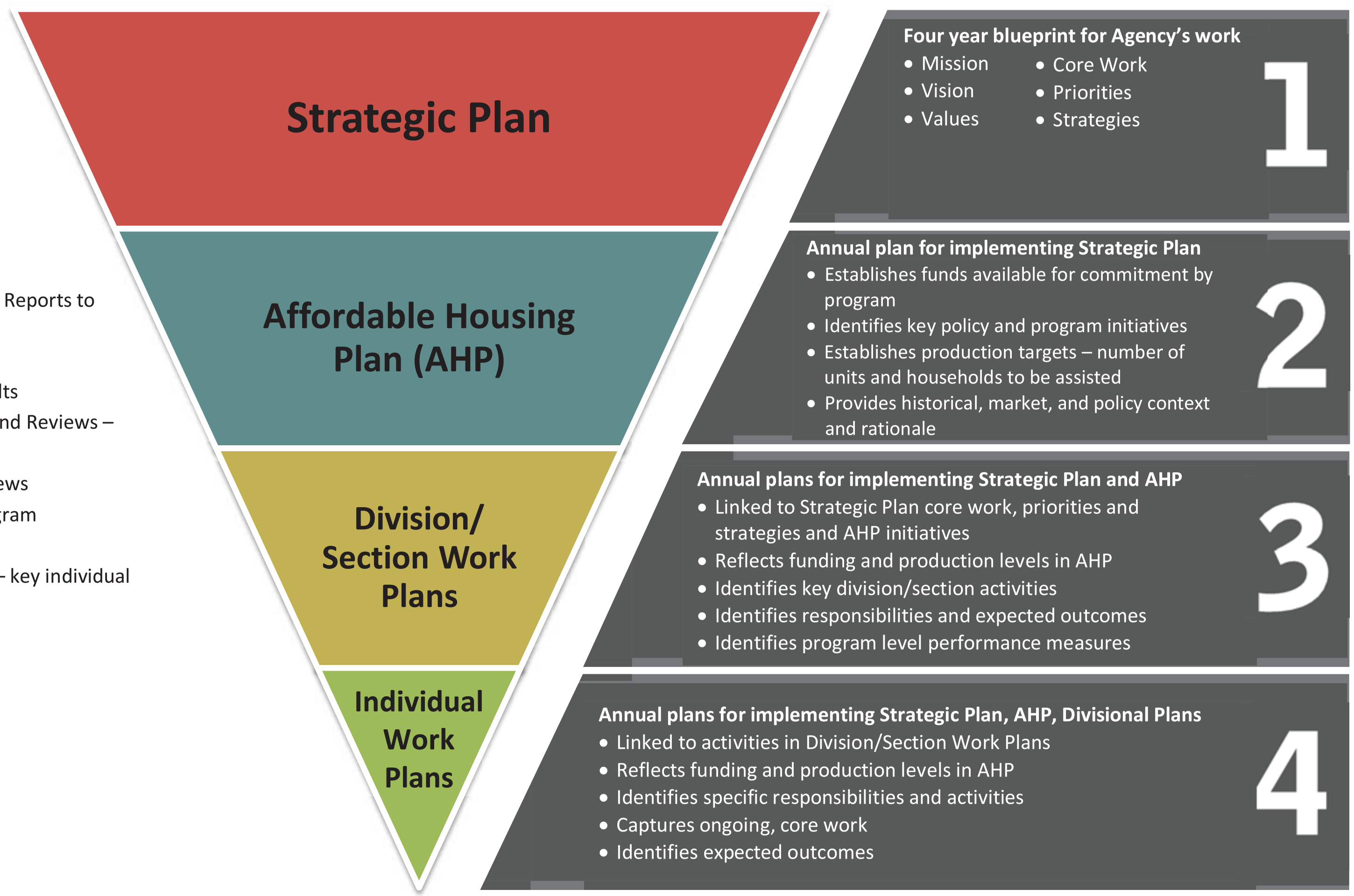
- Continue implementing and evaluating three rent assistance pilot programs for: (1) ex-offenders transitioning out of correctional institutions; (2) highly-mobile families with school-age children; and (3) persons with disabilities (HUD Section 811 Program);
- Develop a clear strategy for housing lower income seniors, which will include: (1) conducting an analysis of the rehabilitation and accessibility needs of existing senior homeowners; and (2)developing and implementing a senior rental housing pilot project;
- Engage local communities to learn about their housing needs and help them identify and implement solutions through regional Housing and Community Development Dialogues, focus groups, surveys, “voice of the customer” exercises and other forums;
- Build the capacity of local organizations to identify, create and implement housing solutions through technical assistance, capacity building grants, and other efforts;
- Continue pursuing a best-execution practice in our capital markets activity that weighs the costs of selling tax exempt mortgage revenue bonds compared with selling our mortgaged-backed securities into the market;
- Build requirements and framework for Customer Relationship Management capabilities, Business Intelligence, Data Strategy and Enterprise Content Management capabilities as we implement the new Single Family Loan Origination System and complete Multifamily Remodel projects; and
- Update the Agency Risk Profile and complete risk assessments on several agency programs.

Minnesota Housing Finance Agency

Strategy Management

Results Reporting

- Quarterly AHP Progress Reports to Board – high level cross-cutting measures
- Quarterly Division Results Management Reports and Reviews – detailed measures
- Staff Performance Reviews
- Annual Report and Program Assessment
- AHP Funding Requests – key individual program measures



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Item: Metropolitan Council - Minnesota Housing - Land Bank Twin Cities, Inc.
- Strategic Acquisition Grant Agreement

Staff Contact(s):
Barb Sporlein, 651-297-3125, barb.sporlein@state.mn.us

Request Type:

☐ Approval	☒ No Action Needed
☐ Motion	☐ Discussion
☐ Resolution	☒ Information

Summary of Request:
The Metropolitan Council has requested that Minnesota Housing accept a $1 million grant and re-grant it to the Land Bank Twin Cities, Inc. for purposes of acquiring property on transit corridors for the development of affordable housing. The Metropolitan Council cannot directly grant funds to private organizations.

Fiscal Impact:
None. The Agency will incur minimal administrative costs.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background

The Metropolitan Council (Council) approved $1,000,000 in its 2015 Metropolitan Council Unified Budget for strategic land acquisition to support its Transit Oriented Development Policy, Housing Policy Plan, and Transportation Policy Plan. On January 13, 2016, the Council approved making the $1 million grant to the Land Bank Twin Cities, Inc. (Land Bank) to further the Land Bank's work to acquire sites on or near transit corridors for the sole purpose of developing affordable housing. Because the Council cannot directly grant funds to private organizations, the Council authorized its Regional Administrator to execute an Agreement with Minnesota Housing to accept the $1,000,000 grant and re-grant it to the Land Bank.

Minnesota Housing agreed to this grant arrangement because the purpose is consistent with the 2016-2019 Strategic Plan, 2016 Affordable Housing Plan, and complements the loans the Agency has made to the Land Bank for similar work. Pursuant to Minnesota Statutes Section 462A.05, Minnesota Housing has the authority to accept the funds from the Metropolitan Council and grant the funds to the Land Bank as long as all the funds are used for the development of affordable housing. Agency risk and administrative costs associated with this transaction are minimal.

Minnesota Housing currently provides funding to the Land Bank to support acquiring strategic sites for future affordable housing in market areas where land prices are rising and the availability of strategic sites for affordable housing are at risk. The Land Bank is able to use low or no cost funds from government and philanthropic partners to leverage more private debt to invest in the acquisition, preservation and creation of affordable housing. With the additional funds provided by the Council, the Land Bank will be able to increase its capital base, enabling it to leverage lower cost private debt to use in acquiring additional strategic sites for affordable housing. The Council funds will increase Minnesota Housing program support for strategic land acquisition. The Council funds will be used on a revolving basis and re-used as acquired sites are sold to affordable housing developers and new sites are purchased.

To date, the Land Bank has deployed over $7.2 million for 12 large-site strategic acquisitions, and over $105.8 million to purchase over 1,200 properties following foreclosure. These activities serve to stabilize neighborhoods and protect homeownership opportunities for low- and moderate-income households. Large-site acquisition projects have included:

- The Old Home Dairy site in Saint Paul, now being developed into 62 units by Aurora/St. Anthony Neighborhood Development Corporation
- Sand Company, a site in Golden Valley being developed by the Jewish Housing and Programming and Community Housing Corporation into 45 units
- The House of Charity Expansion site in downtown Minneapolis into 65 units, and
- A site in Edina across from the Southdale Transit Center for 39 units for homeless youth developed by Beacon Interfaith.