THIS INFORMATION HAS BEEN REVISED
1.) Page 56 has been corrected to include the phrase "Greater Minnesota." Current text is as follows (Priority 1. Household Targeting Item B.):
"For Greater Minnesota proposals receiving points under A above, at least one-third of the 75 percent contain three or more bedrooms - 2 points."
2.) Page 60 of this package has been updated to reflect there are ten points available under Selection Priority 3. Rural/Tribal. The original materials listed seven points.

MEETINGS SCHEDULED FOR FEBRUARY

Location:

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

THURSDAY, FEBRUARY 25, 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, February 25, 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

400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

AGENDA
Minnesota Housing Board Meeting
Thursday, February 25, 2016
1:00 p.m.

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
   A. Regular Meeting of January 28, 2016
5. **Reports**
   A. Chair
   B. Commissioner
   C. Committee
6. **Consent Agenda**
   A. Initiative Renewal, Community Fix Up Loan Program
7. **Action Items**
   A. Resolution Approving Issuance of Multifamily Housing Revenue Notes for the Related Companies projects of Crossroads of Edina Apartments, Crossroads of New Brighton Apartments, Crossroads of Shoreview Apartments and the Execution of Related Documents
   B. Amendment to Minneapolis 2015 Community Homeownership Impact Fund Award and Approval of Corresponding Community Fix Up Loan Program Initiative
   C. Community Homeownership Impact Fund Scoring Revisions for 2016 Single Family Request for Proposals
   D. Proposed Revisions to the Qualified Allocation Plan (QAP) and Procedural Manual, 2018 Housing Tax Credit (HTC) Program
8. **Discussion Items**
   A. 2016 Affordable Housing Plan and 2016-19 Strategic Plan: First Quarter Progress Report
   B. Financial Results for the Six Months Ending December 31, 2015
   C. Workforce Housing Initiatives *(materials to be provided at the meeting)*
9. **Informational Items**
   A. Report of Action Under Delegated Authority
      - Multifamily Funding Modifications Annual Report
   B. Report of Complaints Received by Agency or Chief Risk Officer
   C. Semi-annual Variable Rate Debt and Swap Performance Review as of January 1, 2016
   D. Post-Sale Report, Homeownership Finance Bonds, 2016 Series A
10. **Other Business**
    None
11. **Adjournment**

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DRAFT MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING
Thursday, January 28, 2016
1:00 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 1:00 p.m.
2. **Roll Call.**
Members present: John DeCramer, Joe Johnson, George Garnett, Craig Klausing, Stephanie Klinzing, and Rebecca Otto. Gloria Bostrom was absent.
Minnesota Housing staff present: Tal Anderson, Ryan Baumtrog, Abigail Behl, Dan Boomhower, Wes Butler, Chuck Commerford, Jessica Deegan, Diane Elias, Tresa Engel, Rachel Franco, Kasey Kier, Diana Lund, Nira Ly, Eric Mattson, Tom O'Hern, John Patterson, Paula Rindels, Ester Robards, John Rocker, Becky Schack, Terry Schwartz, Nancy Slattsveen, Barb Sporlein, Kim Stuart, Susan Thompson, Will Thompson, Mary Tingerthal, Karin Todd, Katie Topinka, Nicola Viana, Dan Walsh.
Others present: Chris Flannery, Piper Jaffray; Julie Eddington, Kennedy and Graven; Terry Sween, Dominium; Frank Hogan, Dougherty and Company; Chip Halbach, Minnesota Housing Partnership; Paul Rebholz, Wells Fargo; Shannon Guernsey, MN NAHRO; Michelle Adams, Kutak Rock (by phone).
3. **Agenda Review**
Chair DeCramer announced there were no changes to the agenda.
4. **Approval of the Minutes.**
A. Regular Meeting of December 17, 2015
Mr. Johnson requested a correction to the minutes to include Gloria Bostrom in the "members present" section. Mr. Johnson moved approval of the minutes as corrected. Auditor Otto seconded the motion. Motion carries 6-0.
5. **Reports**
A. Chair
None.
B. Commissioner
Commissioner Tingerthal shared that the Governor's Office had hosted a "Better Government Awards" event at which eight awards were provided and the Agency received two. Commissioner Tingerthal stated one award was in recognition of the work done by Single Family to increase homeownership among households of color, adding that event attendees were quite impressed with what the Agency has been able to do in the past few years. The other award was in recognition of the work of the Interagency Council on Homelessness, which is comprised of 11 state agencies working together to advance the cause of preventing and ending homelessness across the state and is co-chaired by Commissioner Tingerthal. Commissioner Tingerthal stated that a commissioner who had served on the scoring team stated he was blown away by the work of the council and had given the nomination the maximum points in every category. Chair DeCramer called for a round of applause.

Next, Commissioner Tingerthal stated that earlier that day the Interagency Council on Homelessness had adopted a two-year action plan to prevent and end homelessness. The meeting was followed by a well-attended press conference and the lead editorial in the morning's Star Tribune talked about the accomplishments of the last two-year plan. Commissioner Tingerthal stated that the goal for Minnesota Housing in the next plan is to create 5,000 units of affordable housing over the next five years. Commissioner Tingerthal acknowledged that this is a stretch goal that will require continuing support from the state legislature.

Commissioner Tingerthal shared that the point-in-time (PIT) homeless count for the state of Minnesota would take place that evening. Commissioner Tingerthal stated the PIT count counts those in and outside of shelter facilities. For the first time, the PIT count will include an extra effort with respect to homeless veterans. 70 volunteers will be staffing the Saint Paul Armory and any PIT count volunteer that identifies a homeless veteran can bring that person to the armory, where they will receive a hot meal and immediate connection to a housing and services counselor. Commissioner Tingerthal added that there will not be a physical resource center serving Greater Minnesota, but there will be dedicated telephone resources to immediately connect veterans to resources.

Commissioner Tingerthal shared the following information:

- Governor Dayton had released his bonding bill proposal, which includes $70 million for housing infrastructure bonds and $20 million for the improvement of public housing. Commissioner Tingerthal stated that there were three to four times as many requests as were included for funding and Minnesota Housing's request was included in its full amount.
- The Homes for All Alliance group held its legislative kick-off the past week. The group is requesting support of the Governor's bonding proposal as well as additional housing infrastructure bonds to be targeted to low-income seniors.
- Staff has requested a date change for the October meeting at which consolidated RFP selections will be approved.
- Tuesday marked the last day of Rob Tietz's employment as CFO. Mr. Tietz has arranged with his new employer to be available on a consulting basis until his successor is on board. The Agency has commenced the search process and there are some highly qualified candidates. Commissioner Tingerthal hopes to have someone hired in time for the finance team meeting in early February.

The following employee introductions were made:

- Tony Peleska introduced Bridget Ford. Ms. Ford provides direct technical support to staff and comes to the Agency with 18 years of tech support and training experience. Mr. Peleska also introduced Amanda Malzacher. Ms. Malzacher has degrees in political science and global studies from the University of Minnesota and will provide executive administrative support to the BTS division.
- Rose Marsh introduced Felecia Schmidt. Ms. Schmidt is a Section 8 TRACS data analyst and was previously employed with PPL as an affordable housing compliance manager.
- Tal Anderson introduced Abigail Behl. Ms. Behl will be working to close out the NSP program. Ms. Behl was previously employed with the City of Milwaukee, where she closed out their NSP program.

C. Committee.

None.

6. Consent Agenda

A. Modification, Schedule of 2016 Board Meetings

Mr. Klausing requested a clarification regarding the start time for the rescheduled meeting. Becky Schack responded that the rescheduled October meeting would be a morning meeting, likely with a 10 a.m. start time. **MOTION:** Mr. Klausing moved approval of the consent agenda. Stephanie Klinzing seconded the motion. Motion carries 6-0.

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

Terry Schwartz and Julie Eddington (Kennedy and Graven) presented this request to issue conduit bonds whose proceeds would fund a mortgage loan for Grainwood Place. Mr. Schwartz stated the mortgage loan would pay a portion of the acquisition and rehabilitation costs for the senior housing development, which is located in Prior Lake. Ms. Eddington described the parameters of the note, which is a private placement sale. Ms. Eddington stated the note is not-to-exceed $20 million and will be purchased by Freddie Mac under its Tax Exempt Loan (TEL) Program. The note is a special limited obligation of the Agency and is fully secured. Mr. Schwartz stated approval of the resolution will also waive certain portions of the Agency's debt management policy. These waived portions are: the requirement that conduit bonds be issued for the preservation of affordable units, the requirement that significant barriers to issuance by a different government issuer exist, consultation with the Agency's financial advisor for private placements, and the amount of administrative fees to be paid to the Agency. Mr. Schwartz stated that CSG Advisors, the Agency's financial advisor, has not consulted on the feasibility but Agency staff have performed due diligence. Regarding the administrative fees, Mr. Schwartz stated an upfront fee of 1.25% would be charged.

Ms. Eddington expressed appreciation on behalf of Dominium for the board's willingness to consider issuing the bonds, stating that the bonds were to have been issued last year but were not issued not due to missed deadlines. Ms. Eddington stated staff had been very helpful in the process. Ms. Eddington stated the resolution provides final approval for the bonds and approves the documents into which Minnesota Housing will be entering. Ms. Eddington stated that Wells Fargo will buy the note originally and enter into all documents and agreements. After construction has been completed, Freddie Mac will provide permanent financing. Ms. Eddington stated no additional costs will be incurred because all documents have been reviewed by both the short term and long term borrowers. Ms. Eddington stated the public hearing was held yesterday.

Commissioner Tingerthal stated the board had discussed this transaction at its December meeting. At that time, the board indicated a level of comfort with the transaction and asked that staff bring forward the items that would need to be waived from the debt management policy. Commissioner Tingerthal stated there may be other transactions like this in the future. Commissioner Tingerthal reiterated that, although the financial advisor was not engaged, staff did look at the transaction from a financial feasibility standpoint.

Mr. Johnson asked that the risks be clarified. Ms. Eddington stated that there was no financial risk because the borrower secures the note with a mortgage and a promissory note and clarified that the Agency has no financial or legal responsibility for the note. Mr. Klausing asked for more information on the Agency's perspective of the reputational risk and the security. Commissioner Tingerthal stated the Agency is not representing that it would stand behind the bonds, but is simply acting as a conduit, adding that, historically, there were some instances where perhaps other issuers may have acted as a conduit for deals that they did not look at closely enough and those deals ended up not performing, so, even though the issuer has no financial responsibility, because the issuer's name is on the bonds, there is that reputational risk. Commissioner Tingerthal stated that she felt strongly that the Agency needed to review the transaction because the Agency does not want its name on bonds that are financing projects that may not be viable. Mr. Klausing inquired about the public hearing and Mr. John Rocker stated there were no attendees at the hearing.

Mr. Johnson inquired about the underwriting. Ms. Eddington confirmed that both Wells Fargo and Freddie Mac had underwritten the deal and several people from each team looked at every aspect.

MOTION: Auditor Otto moved to waive the applicable portions of the debt management policy and to adopt Resolution No. MHFA 16-002. Mr. Johnson seconded the motion. Motion carries 6-0.

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

Mr. Schwartz presented this request for approval of the issuance of rental housing bonds to be backed by the general obligation pledge of the Agency. Mr. Schwartz requested the issuance of series 2016A bonds in an amount not-to-exceed $10 million, whose proceeds will be used to make a short-term first lien bridge loan to finance a portion of the acquisition and rehabilitation costs for Hopkins Village, a 160-unit multi-story development. Mr. Schwartz stated the development includes 64 units with HAP rental assistance contracts and the borrower will be required to enter into a long-term renewal to extend the rental assistance for a 30-year term. Mr. Schwartz stated the bonds will not be secured by any third party credit enhancement, but it is anticipated that repayment will be made by the long term loan, equity contributions from the tax credit investor, and Agency permanent financing.

Ms. Michelle Adams of Kutak Rock described the resolution, stating the resolution provides specific approval for the sale of the bonds to RBC Capital Markets and approves the form of the offering documents. Ms. Adams stated the bonds are not-to-exceed $9.6 million in principal, have maturity dates not-to-exceed three years, an interest rate not-to-exceed 2.5%, and underwriter's compensation not-to-exceed 1.5% of the principal amount of the bonds. Ms. Adams stated the resolution also contains specific information about the bond terms, tax covenants, and provides authorized officers of the Agency to not move forward with the sale if it is not in the best interest of the Agency. **MOTION:** Ms. Klinzing moved approval of this request and the adoption of Resolution No. MHFA 16-001. Mr. Klausing seconded the motion. Motion carries 6-0.

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

Mr. Dan Walsh presented this request for the selection and commitment for Hopkins Village, stating the application was received on a pipeline basis. Mr. Walsh stated the following sources would be used to acquire the development and fund the rehabilitation: short term tax exempt bonds, 4% tax credits, $1 million in soft funding, a Minnesota Housing LMIR first mortgage, tax credit equity proceeds from US Bank, a deferred developer fee, and a seller loan.

Mr. Walsh stated the initial tax credit compliance period for the building ended in 2103 and an investment by Minnesota Housing will further the preservation of the federally assisted units by extending the HAP contract through 2024, while leveraging a present value of $4.8 million in rental assistance.

Mr. Walsh stated the budgeted total development cost per unit of $124,000 is 8% less than the $135,000 predictive model estimate. Mr. Walsh stated that many of the systems and in-unit amenities in the development are original to the building and past their useful life. The scope of work for the rehabilitation includes improvements to the site, building systems, common areas and dwelling units. **MOTION:** Mr. Garnett moved approval of the selection and commitment and the adoption of Resolution No. MHFA 16-003. Auditor Otto seconded the motion. Motion carries 6-0.

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

Ms. Diane Elias requested ratification of an FHPAP agreement with Ramsey County and the extension of commitments for one administrator and three initiative funding activities.

Ms. Elias stated the Board had approved the replacement of Catholic Charities with LSS as the administrator for Central Minnesota and this replacement resulted in the need to perform new due diligence on the administrator as well as the need to obtain new county board resolutions, which delayed entering into the grant agreement. Ms. Elias stated the agreement with Ramsey County was not signed until a few days after the commitment expiration period, so requires ratification by the Board. Ms. Elias stated that program participants have continued to receive services during the interim period. Ms. Elias stated the process for entering agreements for the initiative funding has taken longer than anticipated and staff will request longer deadlines in the future.

Mr. Garnett inquired about the substitution of LSS for Catholic Charities and Ms. Elias responded that the Catholic Charities had chosen to reduce the number of grants they were administrating because they had determined they did not have sufficient capacity. Auditor Otto requested two grammatical corrections to the resolution to ratify the grant agreement with Ramsey County. **MOTION:** Auditor Otto moved to adopt Resolution No. MHFA 16-004 as corrected and to adopt Resolution No. MHFA 16-005. Mr. Klausing seconded the motion. Motion carries 6-0.

E. Approval, Interim Loan Pilot Program and Waiver of Challenge Rule

Ms. Nira Ly requested approval of a pilot program that will provide interim construction loans for single family homes. Ms. Ly stated that interim loans are currently provided through the Community Homeownership Impact Fund (CHIF) program, which is governed by Challenge rules. Ms. Ly stated Challenge rules require loans be provided at either 0% or 2% interest. These loans are currently funded using Challenge or Pool 3 dollars and staff has determined that loans can instead be funded through Pool 2, but would require a 3.99% interest rate to meet investment policy guidelines, which is a higher rate than allowed by Challenge rules. Ms. Ly stated that providing the loans from Pool 2 would allow Challenge money to be used for other programs. Ms. Ly stated the Challenge rules also require a maximum 20-month loan term. Administrators have requested a longer term in order to have more continuity in construction financing and to allow for longer construction timelines, so staff is requesting a maximum loan term of 36 months for the pilot. **MOTION:** Mr. Johnson moved approval of the pilot program and the waiver of Challenge Program Administrative Rule 4900.3634 Sub. 2.A. Mr. Klausing seconded the motion. Motion carries 6-0.

F. Approval, Monthly Payment Loan and Deferred Payment Loan Programs, and Associated Modifications to Program Manuals and the Affordable Housing Plan

Nicola Viana presented this recommendation for changes to the Monthly Payment Loan and Deferred Payment Loan programs and the associated changes to the program manuals and the Affordable Housing Plan.

Ms. Viana stated there was a fantastic year of production in 2015 with $681 million in net first mortgage commitments, an all-time high for the Agency. Ms. Viana stated the home mortgage programs are serving more borrowers than ever and an increasing number of borrowers are taking advantage of down payment assistance programs. Ms. Viana stated that staff has forecasted the Deferred Payment Loan program will run out of resources in July if changes are not implemented.

Ms. Viana stated staff is recommending the maximum loan amount for the Deferred Payment Loan (DPL) program be decreased from $6,000 to $5,500. Ms. Viana stated the change will create additional available resources while having minimal impact on borrowers. Ms. Viana stated no changes are being recommended to the DPL Plus program, and low-income borrowers who fit targeting criteria will still be able to access up to $7,500 in entry cost assistance through the DPL Plus program. Ms. Viana stated that 64% of borrowers using the resource are households of color or of Hispanic ethnicity.

For the Monthly Payment Loan (MPL) program, staff is proposing an increase in maximum loan amount from $7,500 to $10,000. Ms. Viana stated MPL is interest bearing and a more sustainable program. Staff anticipates the increase in the loan amount may provide more opportunities to moderate-income borrowers while shifting some borrowers from DPL to MPL.

Ms. Viana directed members to the table in their printed materials which outlines the Affordable Housing Plan changes being requested, which include using $1 million from the Strategic Contingency Fund, $429,000 from unallocated Single Family Interim Lending resources, and $4 million from Pool 2.

Mr. DeCramer requested clarification about when resources would run out for the programs. Ms. Viana responded that staff anticipates program resources will be fully expended by July if changes are not made and additional funds are not granted. Mr. Johnson inquired if the changes would allow the program to continue through the program year end and Ms. Viana stated staff felt that, with the DPL change in particular, the program should be able to meet needs through the end of the program year.

Mr. Garnett inquired about the impact of the rising costs of homes in the metro and how that may affect the program. Ms. Viana stated that staff had a focus group with lenders in December, and found the median purchase price for borrowers using MPL was $175,000 and cash needed to close for that price home is about $10,000. Staff does anticipate prices rising more and have accounted for that increase when designing the program changes.

Mr. Garnett inquired about the balance of Pool 3 following these requested changes to the Affordable Housing Plan. Mr. John Patterson responded that $2 million was budgeted in the Strategic Contingency Fund for these types of situations and $1 million will remain following the requested changes. Mr. Patterson shared that he had surveyed program managers for potential need and anticipates the remaining $1 million will be sufficient.

Auditor Otto stated her appreciation of staff keeping their eyes on things and being nimble when changes are needed and praised the creativity and insight of staff, stating they serve the state very well.

Chair DeCramer also inquired if the changes would carry the program through the end of the year. Ms. Viana stated that the changes are based on having the same production as 2015. Staff is unsure if production may rise, but December production was curbed due to the introduction of some new overlays by US Bank. **MOTION:** Auditor Otto moved approval of the program changes and modifications to the program manuals and the Affordable Housing Plan. Mr. Garnett seconded the motion. Motion carries 6-0.

8. Discussion Items

A. Draft Parameters for a Pilot to Fund a Senior Rental Development with Services

John Patterson presented to the board information on a senior rental housing pilot that will launch in the next few weeks. Mr. Patterson provided context for the need by stating the senior population is expected to double in the next 25 years. Mr. Patterson stated that seniors between 65 and 74 move the least and at 75 and older is when people start to move and disabilities go up. The number of people in this age group will increase over time. Mr. Patterson stated the Agency's approach has been to look at senior homeowners, aging in place, home rehab needs, and service needs. Staff will test models, see what works, review lessons learned and scale what works. Mr. Patterson stated staff would like to fund a pilot whose primary priorities include the selection of a developer with experience and capacity, the funding of a project that will serve as many households at or below 30% of AMI as possible, and minimizing the need for Agency gap funding. Mr. Patterson stated that 40% of senior renters are currently at or below 30% of AMI. Mr. Patterson acknowledged that minimizing the need for gap funding will require a development to be very creative, have an efficient model, and bring other funding sources. Mr. Patterson also stated the pilot development should include a plan for aging in place, which, at a minimum, will include a services component, such as an independent living facility with a services coordinator, but services can go all the way up to being an assisted living model.

Mr. Patterson stated the Agency has a great team working on the pilot that includes staff from policy, underwriting, asset management, and business development. The team has done a few site visits and reviewed financials for those sites. These activities have given staff an idea of what they may see in the pilot and how applications may be scored and evaluated.

Mr. Garnett commented that there is a tension between trying to minimize the investment in the physical structure and requiring fairly aggressive service components. Mr. Garnett stated it can put developments between a rock and a hard place and it will be interesting to see how people respond to that challenge. Mr. Patterson responded that staff is anticipating the services for the 30% of AMI population will be provided through the Medicaid elderly waiver program. Mr. Patterson stated that the staff team is aware of a provider in Illinois who has employed interesting approaches to housing seniors that relies a lot on elderly waivers.

Commissioner Tingerthal added that the Homes for All Alliance has released its legislative proposal for 2016 and the group is recommending $110 million in housing infrastructure bonds that would be dedicated to supporting senior rental development. Commissioner Tingerthal stated the Agency did not make a similar request in the Governor's bonding bill, but MN NAHRO has been working over the past few years with the Agency in conversations with other housing providers to test the acceptance of that proposal. The conversations have raised concerns that money could be taken away from permanent supportive housing; if the pie doesn't grow adding an allowable use for housing infrastructure bonds could be challenging. There has been a lot of careful discussion about and consideration of this concern. Commissioner Tingerthal stated that the board had adopted an Affordable Housing Plan that stated the Agency will begin taking steps to see where there is a role for the Agency to assist with housing for low-income seniors. Keeping this commitment in mind, the Agency will continue working with advocates who are pursuing adding senior housing as an eligible use for housing infrastructure bonds and to provide technical assistance and guidance to try to keep our actions aligned when possible.

Mr. Johnson inquired how long it was anticipated the pilot would run. Mr. Patterson responded that discussions have occurred with asset management staff and it is expected that it will take at least two years following construction and lease-up to have the information needed to assess if it is a good model. Discussion item. No action.

B. 2016 Division Work Plans Summary

Barb Sporlein presented a summary of the Agency's division workplans. Ms. Sporlein also reviewed the strategy management process with the Board. Some of the activities for the coming year include: meeting high demand with a focus on serving homebuyers of color and Hispanic ethnicity, evaluating the Targeted Mortgage Opportunity Program, conducting an analysis of the effectiveness of Agency programs in reaching households of color and suggesting program changes to close gaps, implementation of the new Single Family loan origination system, expanding Multifamily first mortgage options, supporting the implementation of the State's Olmstead Plan and Plan to Prevent and End Homelessness - including transitions related to the Agency's role as Lead Agency for HMIS, analyzing the home rehabilitation and accessibility needs of seniors, and building more robust technical assistance and capacity building grant programs while partnering with organizations to build capacity within program administration networks. Discussion item. No action.

9. Informational Items

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

Barb Sporlein disclosed to the Board that she is a on the board of the Land Bank Twin Cities and has a conflict mitigation plan in place for that relationship. Informational item. No presentation, discussion, or action.

10. Other Business

A. Report on Commissioner's Evaluation

Chair DeCramer announced the meeting would be closed to evaluate the Commissioner's performance and a report on the discussion would be made following the re-opening of the meeting. Becky Schack stated the meeting was being closed pursuant to Minnesota Statutes Section 13D.05. The meeting was closed at 2:08 p.m. and re-opened at 2:45 p.m. Chair DeCramer reported that, during the closed session, the Board discussed Commissioner Tingerthal's accomplishments over the past year. Chair DeCramer complimented Commissioner Tingerthal on a good year and well completed tasks, stating there are challenges for next year and the Board has confidence in her.

11. Adjournment.

The meeting was adjourned at 2:46 p.m.

Board Agenda Item: 6.A
Date: 2/25/2016

Item: Initiative Renewal, Community Fix Up Loan Program

Staff Contact(s):
Shannon Gerving, 651.296.3724, shannon.gerving@state.mn.us
Cal Greening, 651.296.8843, cal.greening@state.mn.us

Request Type:

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

Summary of Request:
Staff requests board approval for the Community Fix up Loan Program recommendations described in the attached Initiative Detail. The Community Fix Up Loan Program accepts initiative proposals from participating Fix Up loan lenders and their community partners on an ongoing basis. The activities must address home improvement needs with a resulting community impact.

Fiscal Impact:
The program uses Pool 2 funds budgeted in the current 2016 Affordable Housing Plan. Action requested in this report is consistent with the program terms described in the plan.

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
- Initiative Detail

BACKGROUND

The following recommendation for a Community Fix Up Initiative meets the guidelines for participation contained within the Program Concept. Staff applies threshold indicators and considers compensating factors when determining whether to recommend a specific proposal to access funds under Community Fix Up Loan Program. The threshold indicators include:

- Confirmation that the initiative fits within the Program Concept;
- The strength of partnership;
- Leverage and/or value-added features;
- A focused marketing plan; and
- Budget counseling, if required.

INITIATIVE DETAIL

Using the $171,975 Impact Fund award approved by the board in October 2015, Greater Metropolitan Housing Corporation (GMHC) is proposing a Community Fix Up Initiative in the cities of Brooklyn Center, Crystal and Richfield. As a value-added service, GMHC will provide homeowners free construction management services. The Initiative proposes to discount Community Fix Up loan rate to 3% for households with incomes at or below current Community Fix Up income limits. Since 2013, 41 loans totaling $1,201,749.02 have been closed under this Initiative.

Region	**Estimated Demand**	
	# Loans	**Loan Volume**
Metro	56	$ 1,540,000

Applicant Partners	**Partner Contribution**
City of Brooklyn Center	discount funds, $50,000
City of Crystal	discount funds, $50,000
City of Richfield	discount funds, $50,000

Board Agenda Item: 7.A
Date: 2/25/2016

Item: Resolution Approving Issuance of Multifamily Housing Revenue Notes for the Related Companies projects of Crossroads of Edina Apartments, Crossroads of New Brighton Apartments, Crossroads of Shoreview Apartments as well as 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:
To issue three tax-exempt Multifamily Notes (each a "Multifamily Note"), in an aggregate amount not to exceed $36,300,000, each of which will fund a mortgage loan to pay for a portion of the costs of the acquisition and rehabilitation of one of three developments, Crossroads of Edina Apartments, Crossroads of New Brighton Apartments, and Crossroads of Shoreview Apartments. It is proposed that the Multifamily Notes 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. Each 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 each 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.

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

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
- Applicable Portion of Debt Management Policy
- Resolution

Background:

Related Companies is planning to acquire and rehabilitate a portfolio of three Section 8 properties known as the Crossroads of New Brighton, Crossroads of Shoreview and Crossroads of Edina. Each of the three properties is currently subject to both a first lien mortgage securing a long-term amortizing loan as well as a subordinate lien mortgage securing a deferred loan, each from Minnesota Housing. Each project is proposed to be financed with a tax-exempt note using Freddie Mac's Tax Exempt Loan (TEL) program, together with syndication proceeds generated by 4% tax credits.

This resolution is to approve Minnesota Housing's issuance of conduit tax-exempt notes. Each of these notes will qualify the related project to receive 4% low income housing tax credits. In connection with the acquisition, the borrower: will repay the existing Minnesota Housing first mortgage loans as well as all or a portion of the existing Minnesota Housing subordinate deferred loans on two of the properties; has requested that Minnesota Housing subordinate a remaining deferred loan to the new first mortgage on one property; and has requested a new PARIF deferred loan for one property. Staff is evaluating financial feasibility of the developments in connection with these requests. If the new PARIF loan is approved by the Agency's Mortgage Credit Committee, the new loan will be brought to the Board for approval at a future Board meeting. Minnesota Housing's agreement to be a conduit issuer in these transactions is independent of any decisions by Minnesota Housing to provide a new deferred loan or to consider the subordination of any existing deferred loans.

Staff is requesting the approval of the resolutions for the issuance of conduit notes for all three projects at this time because: (1) each of the projects that doesn't require further Board approval can then close when the requirements for that project have been met, which may be prior to the next Board meeting; (2) it is more efficient to obtain approval of tax-exempt notes for all of these developments together; and (3) consideration of conduit financing for this portfolio of developments collectively meets the threshold conditions in the Debt Management Policy that "significant barriers to issuance by a different government issuer exist, such as properties located in multiple jurisdictions." By adopting the authorizing resolution for the conduit notes, the Board is only agreeing to be the conduit issuer and not to lend Minnesota Housing funds or to subordinate existing Minnesota Housing loans. The financing of each development will not proceed absent: approval of the PARIF loan or subordination for that development; or the borrower obtaining another funding source. If the borrower does not obtain the necessary approvals or financing, the conduit tax-exempt notes authorized would not be issued, which would have no impact on the Agency.

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.

RESOLUTION NO. MHFA 16-006

RESOLUTION RELATING TO MULTIFAMILY HOUSING REVENUE NOTES, SERIES 2016 (CROSSROADS EDINA), (CROSSROADS NEW BRIGHTON) AND (CROSSROADS SHOREVIEW); AUTHORIZING THE ISSUANCE AND SALE THEREOF

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY (the "Agency"), as follows:

Section 1. Recitals.

1.01. Authority. The Agency is authorized under Minnesota Statutes, Chapter 462A, including, without limitation, Section 462A.08 thereof, as amended (the "Act"), to issue bonds and notes from time to time for the purpose of making loans to finance the costs of acquisition, construction, rehabilitation and equipping of residential housing for occupancy by persons and families of low and moderate income that qualifies for, and will be utilized so as to obtain the benefits of, low-income housing credits under Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"), and other purposes authorized by the Act.

1.02. Purpose. It is now determined to be necessary and desirable to provide for the issuance of limited obligation revenue notes (collectively, the "Governmental Notes"), in three series, for the purpose of loaning the proceeds thereof to a borrower (collectively, the "Borrowers"), each as identified in Exhibit A hereto, to finance the acquisition, rehabilitation, and equipping of a multifamily rental housing development project (collectively, the "Projects"), each as described in Exhibit A, and to pay costs of issuance of each Governmental Note and related costs. The three Projects will be known as Crossroads of Edina, Crossroads of New Brighton and Crossroads of Shoreview.

1.03. Governmental Notes, Funding Loan Agreements and Project Loan Agreements. It is proposed that each Governmental Note will be purchased by Jones Lang LaSalle Multifamily, LLC (the "Funding Lender") pursuant to a Funding Loan Agreement, to be dated on or after March 1, 2016 (each, a "Funding Loan Agreement"), between the Agency, the Funding Lender, and a fiscal agent to be determined (the "Fiscal Agent"). Repayment of each Governmental Note will be secured by certain collateral, including a Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Financing Statement, to be dated on or after March 1, 2016 (each a "Mortgage"), from the related Borrower to the Agency, as further assigned by the Agency to the Funding Lender by an Assignment of Security Instrument, to be dated on or after March 1, 2016 (each an "Assignment of Mortgage"), by which the Borrower grants to the Governmental Lender a mortgage lien on and security interest in its Project as security for the payment of the Governmental Note and assigns to the Governmental Lender its interests in all leases and rents with respect to the mortgaged property. The Governmental Lender will apply the proceeds of each Governmental Note to make a loan to each respective Borrower (each, a "Project Loan") pursuant to a related Project Loan Agreement, each to be dated on or after March 1, 2016 (each a "Project Loan Agreement") by and between the Agency, the Fiscal Agent and the related Borrower. Each Borrower's repayment obligations under its Project Loan Agreement will be evidenced by that Borrower's execution of a Promissory Note to the Agency, to be dated on or after March 1, 2016 (each a "Project Note"), which Project Note the Agency will endorse to the Fiscal Agent as provided in the related Funding Loan Agreement.

Each of the Governmental Notes will be a special, limited obligation of the Agency payable solely from and secured by the loan repayments to be made by each Borrower under its Project Loan Agreement and will not constitute or give rise to a pecuniary liability of the Agency, the State of Minnesota (the "State") or any political subdivision thereof or be a general obligation of the Agency or constitute a debt or loan of the credit of the State or any political subdivision thereof.

1.04. Public Hearing. The Agency conducted a public hearing, duly noticed, on February 23, 2016, on the proposal that the Agency issue the Governmental Notes and lend the proceeds thereof to the Borrowers, as required by Section 147(f) of the Code. All parties who appeared at the hearing were given an opportunity to express their views with respect to the proposals and interested persons were given the opportunity to submit written comments to the Agency prior to the date of the hearing.

1.05. Sale of the Governmental Notes. Each of the Governmental Notes will be issued and sold to the Funding Lender at a price equal to the principal amount thereof pursuant to terms to be approved by any of the Chairman, the Vice-Chairman, the Commissioner, the Chief Financial Officer or the Director of Finance (each an "Authorized Officer") and the Borrower and subject to parameters set forth in Section 4 hereof and in the Agreement and Indemnification, dated January 7, 2016, executed by Related Affordable, LLC, a New York limited liability company, as sponsor for the Borrowers with respect to the Projects, for the benefit of the Agency.

1.06. Documentation. Draft forms of the following documents (collectively, the "Agency Note Documents") relating to the Governmental Notes have been prepared and submitted to the Agency and are hereby directed to be filed with the Agency and its agents and representatives:

(a) A proposed form of each Governmental Note;

(b) A proposed form of each Funding Loan Agreement;

(c) A proposed form of each Project Loan Agreement;

(d) A proposed form of each Assignment of Mortgage; and

(e) A proposed form of each Bond Regulatory Agreement, to be dated on or after March 1, 2016 (each a "Bond Regulatory Agreement"), between the Agency, the Borrower and the Fiscal Agent to ensure compliance with certain rental and occupancy restrictions imposed by the Act and Section 142(d) of the Code and to ensure compliance with certain restrictions imposed by the Agency.

Section 2. Authorization of the Governmental Notes and Approval of the Agency Note Documents.

(a) To provide sufficient funds to be used and expended for the purposes set forth in Section 1.01, it is now determined to be necessary to issue three Governmental Notes that are designated as (i) the "Multifamily Housing Revenue Note (Crossroads of Edina), Series 2016," (ii) the "Multifamily Housing Revenue Note (Crossroads of New Brighton Project), Series 2016," and (iii) the "Multifamily Housing Revenue Note (Crossroads of Shoreview Project), Series 2016,". The Agency is hereby authorized to issue and sell each Governmental Note to provide funds to be used to make a loan to a Borrower to finance the related Project and pay costs of issuance of that Governmental Note and related costs, and to assign its interest in each Project Loan Agreement and loan repayments due thereunder to the Fiscal Agent. To the extent that certain of the threshold conditions with respect to the issuance of conduit debt set forth in the Debt Management Policy of the Agency, as amended through July 23, 2015, are not met with respect to the issuance of the Governmental Notes, the Agency waives those conditions.

(b) The form of each Governmental Note and the other Agency Note Documents, the provisions of which are incorporated herein by reference, are hereby approved, subject to any modifications as are deemed appropriate and approved by an Authorized Officer, which approval shall be conclusively evidenced by execution of the Agency Note Documents by an Authorized Officer. Copies of all the documents shall be delivered, filed or recorded as provided therein.

(c) An Authorized Officer is hereby authorized and directed to execute and deliver the Agency Note Documents and any consents or documents necessary in connection with the transfer of each Governmental Note to the Federal Home Loan Mortgage Corporation ("Freddie Mac"), as described in each Funding Loan Agreement and each Project Loan Agreement, and any other documents as are deemed necessary or appropriate by Kutak Rock LLP, bond counsel to the Agency ("Bond Counsel"), in connection with the issuance, sale, and delivery of the Governmental Notes, including various certificates of the Agency, Information Returns for Tax Exempt Private Activity Bond Issues, Form 8038, and an endorsement of the Agency to the tax certificate to be delivered by each Borrower. An Authorized Officer is also authorized and directed to execute any other instruments as may be required to give effect to the transactions herein contemplated.

(d) Each Governmental Note and the interest thereon (i) shall be payable solely from the revenues pledged therefor under each Project Loan Agreement, each Funding Loan Agreement, and each Mortgage; (ii) shall not constitute a debt of the State within the meaning of any constitutional or statutory limitation; (iii) shall not constitute nor give rise to a pecuniary liability of the State or a charge against its general credit or taxing powers; (iv) shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the State other than the Agency's interest in the Project Loan Agreements; and (v) shall not constitute a general or moral obligation of the State.

Section 3. Terms of Governmental Notes. The Governmental Note for Crossroads of Edina Project shall be issued in a principal amount not to exceed $9,900,000; the Governmental Note for Crossroads of New Brighton Project shall be in a principal amount not to exceed $18,700,000 and the Governmental Note for Crossroads of Shoreview Project shall be in a principal amount not to exceed $7,700,000. Each Government Note will be issued, in the form and upon the terms set forth in the related Governmental Note and Funding Loan Agreement, which terms are incorporated herein and made a part hereof; provided, however, that the interest rate on each Governmental Note shall be as set forth in the final form of each Governmental Note, to be approved, executed, and delivered by an Authorized Officer, as set forth in Section 4 hereof, which approval shall be conclusively evidenced by that execution and delivery. Any Authorized Officer is authorized to approve the final terms and conditions of the Governmental Notes, the approval to be evidenced by the execution and delivery of the Governmental Notes as set forth in Section 4 hereof.

Section 4. Preparation and Execution. Each Governmental Note shall be prepared in substantially the form now on file, subject to Section 3 hereof, and shall be executed by the manual or facsimile signature of the Chairman or Vice-Chairman, attested by the Commissioner, and authenticated by manual signature of the Fiscal Agent for the benefit of the Funding Lender. The Fiscal Agent is hereby appointed as the paying agent and registrar of the Governmental Notes.

Section 5. General Tax Covenant. The Agency recognizes the obligation to comply with the provisions of the Code regarding the exclusion of interest from federal gross income of the interest on each Governmental Note and will cause each Borrower to covenant in its Project Loan Agreement and its Bond Regulatory Agreement that it will not take, or permit or cause to be taken, any action that would adversely affect the exclusion of interest (other than interest on the related Governmental Note for a period during which the Governmental Note is held by a "substantial user" of any facility financed with the proceeds of the Governmental Note or a "related person" as the terms are used in Section 147(a) or any successor provision of the Code), and will take or cause to be taken any action necessary to maintain the exclusion from gross income and, if it should fail to take or permit, or cause to be taken, as appropriate, any such action, the Agency shall use its best efforts to take all lawful actions necessary to rescind or correct the actions or omissions promptly upon having knowledge thereof.

Section 6. Reimbursement.

(a) The United States Department of the Treasury has promulgated regulations governing the use of the proceeds of tax-exempt bonds, all or a portion of which are to be used to reimburse the Agency or the Borrower for project expenditures paid prior to the date of issuance of the bonds. Those regulations (Treasury Regulations, Section 1.150-2) (the "Regulations") require that the Agency adopt a statement of official intent to reimburse an original expenditure not later than 60 days after payment of the original expenditure. The Regulations also generally require that the bonds be issued and the reimbursement allocation made from the proceeds of the bonds occur within 18 months after the later of: (i) the date the expenditure is paid; or (ii) the date the project is placed in service or abandoned, but in no event more than three years after the date the expenditure is paid. The Regulations generally permit reimbursement of capital expenditures and costs of issuance of the bonds.

(b) To the extent any portion of the proceeds of a Governmental Note will be applied to expenditures with respect to the related Project, the Agency reasonably expects to reimburse the related Borrower for the expenditures made for costs of that Project from the proceeds of that Governmental Note after the date of payment of all or a portion of the expenditures. All reimbursed expenditures shall be capital expenditures, a cost of issuance of the Governmental Notes, or other expenditures eligible for reimbursement under Section 1.150-2(d)(3) of the Regulations and also qualifying expenditures under the Act.

Based on representations made by each Borrower, other than (i) expenditures to be paid or reimbursed from sources other than the related Governmental Note, (ii) expenditures permitted to be reimbursed under prior regulations pursuant to the transitional provision contained in Section 1.150-2(j)(2)(i)(B) of the Regulations, (iii) expenditures constituting preliminary expenditures within the meaning of Section 1.150-2(f)(2) of the Regulations, or (iv) expenditures in a "de minimis" amount (as defined in Section 1.150-2(f)(1) of the Regulations), no expenditures with respect to any of the Projects to be reimbursed with the proceeds of the Governmental Notes have been made by a Borrower more than 60 days before the date of adoption of this resolution of the Agency.

(c) Based on representations by each Borrower, as of the date hereof, there are no funds of the Borrowers reserved, allocated on a long term-basis, or otherwise set aside (or reasonably expected to be reserved, allocated on a long-term basis, or otherwise set aside) to provide permanent financing for the expenditures related to the related Project to be financed from proceeds of the Governmental Note, other than pursuant to the issuance of that Governmental Note. This resolution, therefore, is determined to be consistent with the budgetary and financial circumstances of each Borrower as they exist or are reasonably foreseeable on the date hereof.

Section 7. Authentication of Proceedings. The Chairman, Vice-Chairman, Commissioner, Chief Financial Officer and Director of Finance and other officers of the Agency are authorized and directed to furnish to the Funding Lender and Bond Counsel certified copies of all proceedings and records of the Agency relating to the Governmental Notes, and any other affidavits and certificates as may be required to show the facts relating to the legality and validity of the Governmental Notes as the facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all the certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the Agency as to the truth of all statements of fact contained therein.

Section 8. Limitations of the Agency's Obligations. Notwithstanding anything contained in each Governmental Note or the other Agency Note Documents, none of the Governmental Notes shall constitute a general obligation or debt of the Agency within the meaning of any constitutional or statutory limitation, nor be payable from or constitute a charge, lien or encumbrance, legal or equitable, upon any funds or any property of the Agency other than the revenues specifically pledged to the payment thereof pursuant to the Agency Note Documents, and no holder of a Governmental Note shall ever have the right to enforce payment thereof against any property of the Agency other than those rights and interests of the Agency that have been pledged to the payment thereof pursuant to the Agency Note Documents. The agreement of the Agency to perform the covenants and other provisions contained in this resolution or the Governmental Notes or other Agency Note Documents shall be subject at all times to the availability of the revenues furnished by the Borrower sufficient to pay all costs of the performance or the enforcement thereof, and the Agency shall not be subject to any personal or pecuniary liability thereon.

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Adopted by the Minnesota Housing Finance
Agency this 25th day of February, 2016

By:________________________________
Chairman

Attest:______________________________
Commissioner

[Signature page to Resolution No. MHFA 16-006]

EXHIBIT A

DESCRIPTION OF BORROWERS AND PROJECTS

Borrower	Name	Location	Number of Units
CR Edina Acquisition, LLC	Crossroads of Edina	Edina, MN	64
CR New Brighton Acquisition, LLC	Crossroads of New Brighton	New Brighton, MN	173
CR Shoreview Acquisition, LLC	Crossroads of Shoreview	Shoreview, MN	44

Item: Amendment to Minneapolis 2015 Community Homeownership Impact Fund Award and Approval of Corresponding Community Fix Up Loan Program Initiative

Staff Contact(s):
Nira Ly, 651.296.6345, nira.ly@state.mn.us
Nick Boettcher, 651.296.9567, nick.boettcher@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests board approval to revise the 2015 Community Homeownership Impact Fund award to the City of Minneapolis from an owner-occupied deferred loan program to a Community Fix Up Loan interest rate write-down program. Staff also requests board approval of the corresponding Community Fix Up Loan Program Initiative for the Greater Metropolitan Housing Corporation.

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
- Revised Award Details
- Community Fix Up Loan Program Initiative

BACKGROUND

Minnesota Housing awarded the City of Minneapolis Department of Community Planning and Economic Development (CPED) $280,000 in funds for its Rehabilitation Support Program (RSP) through the 2015 Community Homeownership Impact Fund (Impact Fund) Single Family Request for Proposals (RFP). CPED received $260,000 in Deferred Loan Funds to rehabilitate 20 owner-occupied properties in 23 target neighborhoods in Minneapolis and $20,000 in Grant Funds for program administration. RSP provides loans to repair owner-occupied homes in areas of North, Northeast, and South Minneapolis.

During the Impact Fund contract approval phase, CPED approached Minnesota Housing to request a change in the program design of its award. It proposed implementing an interest rate write-down program through a Community Fix Up Loan Program (CFUL) Initiative rather than RSP. The revised program design will:

- Stretch the Impact Fund resources further by writing down interest rates;
- Result in a roughly 200% increase in the number of proposed households served; and
- Conserve limited and targeted resources in CPED's code abatement and lead grant programs which would otherwise be used as match dollars for RSP.

REVISED AWARD DETAILS

The revised award will be in the form of Grant Funds to write down CFUL interest rates to 2%. The award amount will remain the same at $280,000. The full $280,000 will be used to write down interest rates. CPED will no longer receive funds for program administration. CPED proposes to complete 51 units under the revised program design. The target neighborhoods, maximum loan amount, and type of home improvements will remain the same as awarded. There will be no one-to-one match requirement. CPED projects that the households served through the revised program design will be substantially similar to those served under the RSP model.

The Greater Metropolitan Housing Corporation (GMHC) will serve as the CFUL Initiative lender and has submitted an application for a CFUL Initiative in partnership with CPED. The request for board approval of GMHC's corresponding CFUL Initiative request is included below.

While CPED is confident in the demand for the revised program model and that substantially similar households will be able to access the program, Minnesota Housing staff and CPED reserve, by mutual agreement, the ability to revert the program design of the award back to the original RSP program and terms originally approved by Minnesota Housing under the 2015 Impact Fund RFP.

COMMUNITY FIX UP LOAN PROGRAM INITIATIVE

The following recommendation for a CFUL Initiative meets the guidelines for participation contained within the CFUL Program Concept. Staff applies threshold indicators and considers compensating factors when determining whether to recommend a specific proposal to access funds under CFUL. The threshold indicators include:

- Confirmation that the initiative fits within the Program Concept;
- The strength of partnership;
- Leverage and/or value-added features;
- A focused marketing plan; and
- Budget counseling, if required.

Using the $280,000 Impact Fund award to the City of Minneapolis described above, GMHC is proposing a CFUL Initiative in the areas of North, Northeast, and South Minneapolis. The Initiative proposes to discount Community Fix Up loan rates to 2% for households with incomes at or below 115% area median income (currently $99,500).

Region	**Estimated Demand**	
	# Loans	**Loan Volume**
Metro	51	$ 1,020,000

Applicant Partners	**Partner Contribution**
City of Minneapolis	Discount funds, $280,000

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Board Agenda Item: 7.C
Date: 2/25/2016

Item: Community Homeownership Impact Fund Scoring Revisions for the 2016 Single Family Request for Proposals

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 requests board approval of the proposed scoring revisions for the Community Homeownership Impact Fund (Impact Fund) 2016 Single Family Request for Proposals (RFP).

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
- 2016 Single Family Request for Proposals Scoring Criteria

BACKGROUND
The Community Homeownership Impact Fund team conducted a review of the 2015 Single Family Request for Proposals (SF RFP) scoring criteria and proposes revisions to the scoring criteria under the 2016 SF RFP. The revisions will align the 2016 scoring criteria with Minnesota Housing strategic priorities under the 2016-2019 Strategic Plan and create additional clarity. Below are the proposed scoring criteria and the points allocated to each criterion for the 2016 SF RFP.

2016 SINGLE FAMILY REQUEST FOR PROPOSALS SCORING CRITERIA

1. **Leverage** – 9 points total. This is reduced from 11 points and takes into consideration the following:
    a. Total leverage committed by activity – 3 points and remains the same.
    b. Leverage Ratio – 3 points and remains the same.
    c. Diversity of leverage – 3 points, which is reduced from 5 points. While diversity of leverage is valued, the total percent of leverage and the leverage ratio is just as important as leverage from multiple types of entities.

2. **Foreclosure** – 1 point total for proposals that address foreclosed properties. This is reduced from 5 points because foreclosure rates are down to pre-recession levels, but there is still value, particularly on the single family side, in addressing foreclosed properties.

3. **Underserved Populations** – 6 points total for demonstrating a record of serving underserved populations as defined under the Challenge Administrative rule.
    a. Households of Color or Hispanic Ethnicity – 4 points total. There is more weight on households of color or Hispanic ethnicity because this criterion supports the agency strategic priority of reducing the homeownership disparity. This criterion takes into consideration the following:
        i. 2 points total for applicants that serve a high percent of households of color or Hispanic ethnicity.
        ii. 2 points total based on the extent to which the percent of households of color or Hispanic ethnicity that an applicant has served reflects the percent of households of color or Hispanic ethnicity in the target area.
    b. Disabled Individuals – 1 point total based on the extent to which the percent of disabled individuals that an applicant has served reflects the percent of disabled individuals in the target area.
    c. Single Headed Households – 1 point total based on the extent to which the percent of single headed households that an applicant has served reflects the percent of single headed households in the target area.
    d. NOTE: This criterion was previously “Marketing to Eligible and Underserved Populations” which came to a total of 7 points. This criterion has been revised to increase emphasis on demonstrated record of serving underserved populations and to clarify the factors being assessed.

4. **Universal Design/Accessibility Features** – 1 point total for incorporating universal design/accessibility features. This score remains the same but will be a separate criterion. It was previously categorized under the “Marketing to Eligible and Underserved Populations” criterion.

5. **Large family housing** – 1 point total for committing to developing large family housing. This score remains the same but will be a separate criterion. It was previously categorized under the “Marketing to Eligible and Underserved Populations” criterion.

6. **Senior Housing** – 2 points total for proposals that will enable individuals 62+ years old to age in place. This is a new criterion that will incentivize addressing one of the agency’s strategic priorities.

7. **Special Niche** – 1 point total for owner-occupied rehabilitation and affordability gap proposals that demonstrate the ability to address unique financial or credit issues that make it difficult for certain households to access traditional or existing products. This is a new criterion.

8. **Regulatory Incentive** – 1 point total. This score remains the same but will be a separate criterion. It was previously categorized under the "Other Investment/Cost factors related to Project Feasibility" criterion.

9. **Impact Fund Subsidy Protection/Long Term Affordability** – 3 points total. This score remains the same but will be a separate criterion. It was previously categorized under the "Other Investment/Cost factors related to Project Feasibility" criterion.

10. **Cooperatively-Developed Plan (CDP)** – 1 point total if a CDP is provided for the community in which the proposed target area is located. This is reduced from 2 points.

11. **Workforce Housing** – 4 points total. The point total remains the same but allows applicants to receive points if the target area is within a Workforce Housing Priority Area but does not provide a CDP. Applicants that do not provide a CDP will receive fewer points. Previously, an applicant that did not provide a CDP was not eligible for any points under Workforce Housing. NOTE: Only proposals that provide a CDP will be eligible for Workforce Housing Initiative Funds.

12. **Efficient Land Use** – 5 points total and remains the same. Points will be awarded based on the extent to which a proposal maximizes the efficient use of land and takes into consideration the following:
    a. Rehabilitation proposals that maximize the adaptive reuse of buildings; and
    b. New Construction proposals that minimize the loss of agricultural land and green space.

13. **Location Efficiency** – 6 points total and remains the same. Points will be awarded based on the extent to which a proposed target area has access to fixed transit or dial-a-ride and the walkability of the proposed target area. Walkability is prioritized based on a documented Walkscore rating of 50 or more. Basis of points awarded are defined separately for Metro areas and Greater Minnesota.

14. **Community Recovery** – 2 points total and remains the same. Points will be awarded based on the extent to which a proposed target area coincides with a Community Recovery Priority Area.

15. **Economic Integration** – 5 points total and remains the same. Points will be awarded based on the extent to which the proposed housing activity is affordable to eligible low- and moderate-income households is located within higher income areas and near job centers.

16. **Organizational Capacity** – 10 points total, including related housing experience; a demonstration of successful completion of similar projects; and other organizational due diligence factors.

17. **Overall Project Feasibility** – 10 points total, including the nature of the proposed site; the extent to which reasonable development costs are proposed; and the extent to which the housing (activity) is economically viable.

18. **Community Need** – 10 points total, including the extent to which there is a well-defined community need for the housing activity in the target geography based on local demographic, workforce, and economic factors. This is increased from 5 points to be in line with Overall Project Feasibility and Organizational Capacity.

The following scoring criteria from the 2015 SF RFP are proposed to be removed for the 2016 SF RFP:

1. **Foreclosure Remediation/Community Recovery Strategy** – 1 point total. This was a subjective criterion that assessed the connection between a proposal and foreclosure remediation/community recovery. It was difficult to maintain scoring consistency on this category.

2. **Cost Containment** – 1 point total. This was a subjective criterion that assessed how an applicant proposed to contain costs. It was difficult to maintain scoring consistency on this category. For 2016, this will be addressed in the "Feasibility" section scored during selections committee and will be based on RS means data rather than reviewers' subjective assessment.

3. **Suitability of Housing** – 1 point total. This was a subjective criterion that assessed how proposed housing would be suitable for the proposed target population. Most applicants received the one point for this regardless of property design, location, or target population.

Board Agenda Item: 7.D
Date: 2/25/2016

Item: Proposed Revisions to the Qualified Allocation Plan (QAP) and Procedural Manual, 2018 Housing Tax Credit (HTC) Program

Staff Contact(s):
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Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

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

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

Meeting Agency Priorities:
☒ 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
- Timeline
- 2018 Housing Tax Credit Program, QAP and Procedural Manual Proposed Revisions
- QAP Cover Memo to Stakeholders
- Proposed 2018 Housing Tax Credit Program Self-Scoring Worksheet
- Methodologies
  - Workforce Housing Communities
  - Preservation Geographic Priority Areas
  - Community Economic Integration
  - Access to Higher Performing Schools
  - Location Efficiency
  - Qualified Census Tracts, Tribal Equivalent Areas
  - Rural/Tribal Designated Areas
  - Cost Containment
  - Continuum of Care (CoC) Priorities

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

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

On January 21, 2016, staff met with tax credit suballocators to review proposed revisions for the 2018 QAP and to adopt the tentative 2018 HTC Program Schedule. The cities of Minneapolis and St. Paul, and Dakota and Washington counties are expected to continue to administer tax credits within their jurisdictions and the cities of Duluth, St. Cloud, and Rochester are expected to again enter into Joint Powers Agreements with the Agency to administer their 2017 housing tax credits.

A summary of the proposed revisions for the 2018 QAP and Procedural Manual will be made available for public review on the Agency's web site following Board approval of the proposed revisions, along with a notice of the upcoming HTC 2018 QAP public hearing. The Agency invites comments from tax credit developers, industry representatives, and the public regarding the Allocation Plan at a public hearing scheduled for March 24, 2016. Staff will review all comments, and changes will be incorporated into the HTC QAP and/or Manual where appropriate. The Board will review the Final 2018 HTC QAP and Procedural Manual revisions at its April 28th Board meeting. Upon obtaining final Agency Board and Governor approval of the HTC QAP and Procedural Manual, staff will provide technical assistance to applicants.

Attachments to this report are descriptions of the data and methodology to be used in various data-driven scoring criteria in the QAP. If new data is made available prior to the scheduled public hearing, the data in the affected methodologies (as noted on the Workforce Housing Communities, Location Efficiency, and Community Economic Integration methodology attachments) will be updated.

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

TIMELINE:

2018 HTC PROGRAM SCHEDULE

March 24, 2016	Minnesota Housing 2018 QAP Public Hearing
April 28, 2016	Agency Board asked to approve final 2018 QAP and Manual
April 17, 2017 (tentative date)	Publish RFP for HTC 2018 Rounds 1 and 2
June 15, 2017 (tentative date)	HTC 2018 Round 1 and 2017 MF Consolidated RFP Application Deadline
October 26, 2017 (tentative date)	Agency Board asked to approve HTC 2018 Round 1 selection recommendations
January 30, 2018 (tentative date)	HTC 2018 Round 2 Application Deadline
April 26, 2018 (tentative date)	Agency Board asked to approve HTC 2018 Round 2 selection recommendations

2017 HTC PROGRAM SCHEDULE

March 23, 2015	Minnesota Housing 2017 QAP Public Hearing
April 23, 2015	Agency Board asked to approve final 2017 QAP and Manual
April 18, 2016	Publish RFP for HTC 2017 Rounds 1 and 2
June 16, 2016	HTC 2017 Round 1 and 2016 MF Consolidated RFP Application Deadline
October 19, 2016	Agency Board asked to approve HTC 2017 Round 1 selection recommendations
January 31, 2017 (tentative date)	HTC 2017 Round 2 Application Deadline
April 27, 2017 (tentative date)	Agency Board asked to approve HTC 2017 Round 2 selection recommendations

2018 Housing Tax Credit Program, QAP and Procedural Manual
Proposed Revisions

Statutory
No statutory changes are proposed.

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

1. **Revise the Strategic Priority Policy Thresholds.**
   In the 2017 Qualified Allocation Plan (QAP), seven Strategic Priority Policy Thresholds were defined. All proposals must meet at least one of these thresholds in order to compete for 9% tax credits. While all of the selection priorities in the Qualified Allocation Plan are important, the goal of these thresholds is to ensure that all applications for scarce 9% credits meet certain policy goals that will drive outcomes under the Agency's Strategic Plan.

   Staff is proposing direct revisions only to the Supportive Housing Strategic Priority Policy Threshold. However, proposed revisions to the definition of Planned Community Development in the HTC Procedural Manual and to the Preservation Selection Priority, as noted later in this report, will have an impact on the corresponding Strategic Priority Policy Thresholds as noted below.

   The first revision proposed to the Supportive Housing Strategic Priority Policy Threshold is to tie threshold eligibility for homeless households to eligibility under the corresponding Supportive Housing for Households Experiencing Homelessness scoring criterion. Relating the threshold to the scoring categories increases consistency, and will ensure that the same requirements contained in the scoring categories related to application submissions and proposal feasibility, also apply to the threshold. The proposed QAP also adds proposals targeting people with disabilities (as evidenced by eligibility under the People with Disabilities scoring criterion) as eligible under this Threshold. This will allow projects advancing the goals of the Olmstead Plan to compete for 9% credits.

   Proposed revisions to the Strategic Priority Policy Thresholds (shown in blackline):

   To be eligible for tax credits from the State's volume cap under Minnesota Housing's QAP, a developer must demonstrate that the project meets at least one of the following priorities:

   a. **Access to Fixed Transit**: Projects within one-half mile of a completed or existing LRT, BRT, or commuter rail station.
   b. **Greater Minnesota Workforce Housing**: Projects in Greater Minnesota documenting all three of the following:
      1. Need: Projects in communities with low vacancy (typically considered 4 percent and below, documented by a market study or other third party data) and:
         i. That have experienced net job growth of 100 or more jobs,
         ii. With 15 percent or more of the workforce commuting 30 or more miles to work, or
         iii. With planned job expansion documented by a local employer
      2. Employer Support

3. Cooperatively Developed Plan: Projects that are consistent with a community-supported plan that addresses workforce housing needs.

c. **Economic Integration**: Projects located in higher income communities outside of rural/tribal designated areas with access to low and moderate wage jobs, meeting either First or Second Tier Community Economic Integration as defined in the Areas of Opportunity scoring criterion (Selection Priority 2) on the "Self-Scoring Worksheet."

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

e. **Planned Community Development**: Projects that contribute to Planned Community Development efforts, as defined in section 6.A of the "Housing Tax Credit Program Procedural Manual," to address locally identified needs and priorities, in which local stakeholders are actively engaged.

f. **Preservation**: Existing federally assisted or other critical affordable projects eligible for points under Selection Priority 10 ~~11~~ on the "Self-Scoring Worksheet."

g. **Supportive Housing**: Proposals that will serve people with disabilities or households experiencing homelessness that are eligible for points under Selection Priority 11 Permanent Supportive Housing for Households Experiencing Homelessness or Selection Priority 12 People with Disabilities on the Self-Scoring Worksheet. ~~Permanent housing proposals with at least 5 percent of units (rounded up to the next full unit), with a minimum of 4 units either: 1. Set aside and rented to households experiencing long-term homelessness targeted to single adults, or~~

~~2. Set aside and rented to households experiencing long-term homelessness, at significant risk of long-term homelessness, or as prioritized for permanent supportive housing by the Coordinated Entry System, targeted to families with children or youth.~~

2. Revise procedures for the Rural Development/Small Project set-aside.

The current QAP provides a Rural Development (RD)/Small Project set-aside of $300,000 of tax credits for projects financed by Rural Development or small projects containing 12 or fewer units located in a RD service area. Projects which are eligible for the set-aside must determine whether they wish to compete in either the general pool or the RD/Small Project set-aside. If an applicant chooses to compete in the set-aside and is not competitive, they currently are not eligible to compete in the general pool, and would not be selected. In other words, it is possible that a project submitted to the set-aside would not be selected due to the small size of the set-aside, but would have been competitive in the general pool had the applicant chosen to apply this way. Staff recommends in the proposed QAP that applicants to the set-aside first compete in the general pool, and if not competitive, then move to the $300,000 RD/Small Project set-aside for consideration. This may allow for more RD financed or small rural projects to be funded, however only to the extent that the projects satisfy many Agency priorities and are competitive in the general pool.

3. Revise the Household Targeting scoring criterion (Selection Priority #1 on the Self-Scoring Worksheet); Create new scoring criterion titled People with Disabilities (Selection Priority #12 on the Self-Scoring Worksheet).

The Special Populations criterion, which can be claimed for proposals targeting people with disabilities, represents one of three mutually exclusive scoring options under the Household Targeting scoring category, each of which is worth 10 points in the current QAP. Currently applicants may either choose 10 points for proposing Large Family Housing, 10 points for Single Room Occupancy Housing for households with incomes at or below 30 percent of area median income, or 10 points for targeting people with disabilities under Special Populations. Points under the Special Populations option have not often been claimed, as applicants typically choose either Large Family or Single Room Occupancy Housing. Staff proposes removing Special Populations from the Household Targeting category so that it need no longer be mutually exclusive of Large Family Housing or Single Room Occupancy Housing. This change will cause the category to function in a manner similar to the Permanent Supportive Housing for Households Experiencing Homelessness category, which has been widely used. This will allow any type of property – whether Large Family or smaller units – to receive priority for setting aside units to serve people with disabilities, and will provide a higher point potential for such units. Staff expects this to increase production of units targeted to serve people with disabilities, in line with goals under the Olmstead Plan. To clarify the intent of the Special Populations category, staff recommends retitling it “People with Disabilities.” Because there is some correlation between households experiencing homelessness and people with disabilities, staff recommends that points cannot be claimed for the same units under both the Permanent Supportive Housing for Households Experiencing Homelessness category and People with Disabilities category. This will likely mean that the revisions to the category will result in an increase in the number of units being built for people with disabilities, above and beyond the units typically being included for homeless households.

Another barrier that may have contributed to few applicants choosing to claim the Special Populations points in the past is the targeting percentages that were required. Rather than providing 10 points for projects targeting 10 to 25 percent of units for people with disabilities, staff recommends three tiers for targeting People with Disabilities, similar to points provided in the Permanent Supportive Housing category:

- five points for 5-9.99% of total units, with a minimum of four units
- seven points for projects targeting 10-14.99% of total units
- 10 points for 15-25% of total units

This structure will encourage creation of units in integrated settings, but also encourage overall production of available units.

Staff expects that it has also been difficult to produce units under the current Special Populations category because this target population faces other barriers beyond lack of suitable units, including a need for rental assistance or very low rents. The proposed QAP allows points under this category only for proposals that will serve households at or below 30 percent of area median income, with rents underwritten to be affordable using the Agency’s Supportive Housing underwriting standards if rental assistance is not available. This also aligns with guidelines for the HUD Section 811 rental assistance, which the Agency anticipates having available to support projects serving this target population. Staff recommends providing two points for projects receiving points under People with Disabilities that have committed rental assistance for at least five percent of total project units, but no fewer than four units, for units that will serve eligible people with disabilities.

The current QAP requires applicants claiming points for serving the People with Disabilities population to provide a letter from the County Human Services Department or designated service provider, but has not required sufficient detail for analyzing the feasibility of the service component. Staff is recommending new language to provide more detailed requirements for what must be covered in an agreement with the county, tribal human services office, or service provider. In addition, the proposed QAP requires applicants claiming points in this category to clearly define the target population they are intending to serve.

Staff is also recommending a revision to the Large Family Housing scoring component under Household Targeting. The current criterion provides 10 points for projects in which 75 percent of total tax credit units contain two or more bedrooms. In addition, one of the minimum threshold requirements mandated by State statute requires projects in the Twin Cities Metro to meet this 75 percent two-bedroom requirement, plus provide at least one-third of the 75 percent as units with three or more bedrooms.. The result of this is that most new construction non-supportive housing projects in the Metro are meeting this one-third three bedroom requirement, while this is not the case for projects in Greater Minnesota. Developers report that these larger units are more difficult to develop in Greater Minnesota communities because the rent differential that can be collected for these larger units does not compensate for the higher operating and construction costs. Because this difficulty could lead to lower scores in a number of categories, staff recommends adding an additional two point option for Greater Minnesota projects which meet the one-third three bedroom criterion in addition to the 75 percent two-bedroom criterion.

4. **Add scoring for Access to Higher Performing Schools under the Areas of Opportunity scoring criterion (Selection Priority #2 on the Self-Scoring Worksheet), increase points for the Rural/Tribal scoring criterion (Selection Priority #3 on the Self-Scoring Worksheet), and revise the definition of Planned Community Development in the HTC Procedural Manual.**

In line with the 2016 – 2019 Strategic Plan, staff proposes to add an Access to Higher Performing Schools scoring criterion, providing four points to projects serving families that are located near higher performing schools. This strategy promotes outcomes in both housing and education, in line with the Strategic Plan's focus on housing as the foundation for success.

The proposed method for this scoring criterion defines higher performing schools as those that meet or exceed the statewide rate on two or more of three measures: first – the share of third graders who are reading proficient; second – the share of eighth graders who are math proficient; and third – the share of high school students that graduate on time. Staff recommends that this criterion apply in the Twin Cities Metro and in Greater Minnesota cities with populations of over 50,000, consistent with the geographic applicability of the Economic Integration criterion. To balance the increase in points for Metro and larger Greater Minnesota communities, an increase of three points is recommended for the Rural/Tribal category, increasing the total automatic Rural/Tribal points to ten.

The Access to Higher Performing Schools criterion is proposed to apply only for projects serving families – defined as those which include at least 25 percent of total tax credit units, but a minimum of 15 units, as two or more bedroom units, and for which the owner will market to families with children.

The proposed QAP also acknowledges the importance of community efforts to promote academic achievement among students, regardless of school test scores and graduation rates. Staff recommends providing priority under the Planned Community Development scoring criterion for projects located in an area where stakeholders are actively engaged in a comprehensive plan to improve academic achievement.

Proposed Revisions to the Definition of Planned Community Development (shown in blackline):

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

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

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

5. Combine Economic Integration, Location Efficiency, Workforce Housing Communities, and Access to Higher Performing Schools under an Areas of Opportunity scoring criterion (Selection Priority #2 on the Self-Scoring Worksheet).

Staff recommends combining the Economic Integration, Location Efficiency, Workforce Housing Communities, and Access to Higher Performing Schools scoring categories into one category titled "Areas of Opportunity". This will call attention to the fact that projects proposed for locations providing access to opportunities are an important priority of the QAP. Providing a clear message to applicants is important to ensure site selection is guided toward the highest priority sites. In addition, grouping these categories that prioritize certain locations streamlines the Self-Scoring Worksheet.

6. Revise the Location Efficiency scoring category under the Areas of Opportunity scoring criterion (Selection Priority #2 on the Self-Scoring Worksheet).

In consultation with rural and tribal partners, staff has investigated the types of dial-a-ride service available in various communities and found a wide spectrum of service levels offered. In some communities dial-a-ride operates with limited hours of service, requiring significant advanced notice, and in some cases requiring a minimum level of demand from passengers for service on a given day to ensure service will operate. However, other communities have dial-a-ride service that offers a benefit to passengers that is similar to that of fixed route transit. Staff is proposing three tiers of points for availability of dial-a-ride service, depending on how much advance notice must be provided for service, and whether a minimum number of passengers must request service to secure operation of the service on a given day. This will allow the highest quality dial-a-ride service to compete on par with fixed route transit service. In addition, staff recommends revising the required hours of service for dial-a-ride availability. In the current QAP, service is required from 6:30AM to 7:00PM Monday through Friday. This large span of service is not feasible in most communities that were evaluated, and staff recommends revising this to 7:00AM to 5:30PM Monday through Friday.

7. Clarify the Federal/Local/Philanthropic scoring criterion (Selection priority #4 on the Self-Scoring Worksheet).

Staff recommends clarifying that contributions that are awarded to an owner for housing development activity, if included as a source in the development budget, may be considered for points even if they are not project-specific, provided that they meet all other requirements of the scoring criterion.

8. Clarify the Financial Readiness to Proceed scoring criterion (Selection priority #5 on the Self-Scoring Worksheet).

Points are awarded in the current QAP for projects with a certain percentage of project sources secured. The percentage is arrived at by calculating total funding committed (excluding first mortgage financing and any anticipated proceeds from the current tax credit request), divided by total development cost (excluding first mortgage financing and any anticipated proceeds from the current tax credit request). Given this formula, projects with a proposed first mortgage that includes tax increment financing (TIF) are at a disadvantage compared to those with TIF proceeds separately financed from the first mortgage, though the projects are equally ready to proceed. To equalize the points for TIF regardless of the structure of the financing, staff recommends revising the formula to clarify that the first mortgage <u>net of the TIF portion</u> is excluded from the numerator and denominator of the formula.

Another revision proposed is to subtract estimated sales tax rebate funds from the amount of funds that need to be committed. In Minnesota, projects sponsored by non-profit organizations are eligible to receive a sales tax rebate on materials purchased for construction. The Agency requires eligible owners to pursue this source, however it is not possible to receive a commitment for the rebate at the time of application. To avoid putting projects with non-profit sponsors at a disadvantage, staff recommends subtracting an estimate of the amount of sales tax rebate from both the numerator and denominator of the equation.

Lastly, the proposed QAP clarifies that projects with no funding gap, where total development costs are fully funded with proceeds from tax credit and first mortgage financing, are eligible for 14 points, though the numerator and denominator are zero.

9. Revise the Eventual Tenant Ownership scoring criterion (Selection priority #8 on the Self-Scoring Worksheet).

The current QAP provides one point for projects which submit a financially viable plan to transfer ownership of the project to the tenants after the initial 15-year tax credit compliance period. The Self-Scoring Worksheet provides some information about requirements for the homeownership conversion plan, tenant eligibility, and required homebuyer services, however it is not comprehensive. In September 2015 the Board approved the Eventual Tenant Homeownership (ETO) Guide for owners nearing the end of their 15-year compliance period that wish to convert their properties to ownership. This Guide was developed in consultation with the Tribes, community partners, single family staff, and other housing finance agencies with established conversion programs, with the goal of ensuring the units continue to operate as safe and decent affordable housing post-conversion, and that tenants are set up to be successful. The ETO Guide provides a comprehensive source of information for the Agency's requirements, and staff recommends incorporating this Guide into the requirements of the scoring criterion by reference.

In addition, since drafting of the ETO Guide, staff has discovered substantial issues with conversions of attached, non-single family homes. With attached-unit conversions, the owner would control the majority interest in the homeowner's association unless the majority of tenants purchased their homes, which may not occur for several years if at all. In addition, effectively operating a combined rental/ownership building would carry significant challenges. As such, staff recommends allowing conversions under the ETO Guide, along with associated points in the scoring criterion, only for detached single-family units. Staff consulted with the Tribes on this recommendation given that the majority of projects that have claimed this point in the past have been tribally-owned, and no concerns were raised. Staff also consulted with numerous other states that have imposed similar limitations in their QAPs.

10. Revise the Preservation scoring criterion (Selection priority #10 on the Self-Scoring Worksheet).

In the 2016 QAP Minnesota Housing implemented a mandatory pre-application for applicants claiming points under preservation. While staff and partners found the process valuable, there were some timing issues. To resolve these issues staff recommends clarifying that the pre-application will be due one month prior to the application deadline, and that all required materials must be received by this date or the pre-application will be rejected. In addition, the proposed QAP removes the mandatory technical assistance session from the pre-application requirements.

To receive points under Preservation, projects must meet one of three preservation thresholds – Risk of Loss Due to Market Conversion, Risk of Loss Due to Critical Physical Needs, and Risk of Loss Due to Ownership Capacity. For projects meeting one of these thresholds, points are then awarded for units with Existing Federal Assistance, or other Critical Affordable Units at Risk of Loss.

To meet one of the three thresholds, the QAP currently requires that 15 or more years have passed since initial loan closing or the most recent tax credit placed in service date. Because it is unclear what initial loan closing means in the context of a project that may have been recapitalized multiple times, and the timing of a given loan closing may be unrelated to the award of federal assistance, staff recommends revising the requirement to say that 15 or more years has passed since the award of the existing federal assistance (for projects claiming points for Existing Federal Assistance) or since the initial loan which created the rent and income restrictions and the most recent tax credit placed in service date (for projects claiming Critical Affordable Units).

The Market Conversion risk threshold is intended to prioritize marketable properties which are in strong markets that could convert from affordable to market rate housing. Staff recommends several changes to simplify and standardize the information required from applicants to document this risk of loss threshold, and to ensure the threshold effectively prioritizes the projects most at risk. The first proposed revision is to clarify that properties that have received financing that prevents the owner from exiting the program providing the federal assistance or affordability restrictions will not be eligible for Risk of Loss Due to Market Conversion. The proposed QAP will also clarify that the scope of work used in the Conversion Model to analyze the financial feasibility of a conversion to market must be the same scope as proposed in the tax credit application. The Conversion Model will also be simplified to look at the financials for just the current and post-conversion financial models, rather than looking at three years of financial projections.

The Critical Physical Needs Risk threshold is intended to prioritize properties which have physical needs that put the federal assistance or other critical affordable housing resources at risk of being lost. Feedback received from applicants on the current QAP is that even for a property with severe physical issues, it is difficult to document critical physical needs. Staff recommends several changes that will allow projects with physical needs that put the affordable housing resources at risk to more easily demonstrate this. First, staff recommends removing reference to HUD's Uniform Physical Condition Standards (UPCS), and instead using Agency Physical and Capital Needs Assessment Standards. Projects already must provide these Agency assessments with an application for funding, and Agency staff are skilled at evaluating these measures, so using Agency standards rather than UPCS will be more efficient for both staff and applicants. In addition, the applicant tools that support this determination will be streamlined and far simpler given this revision. Further, Agency standards are more comprehensive than UPCS. The proposed criteria will identify certain categories on the Capital Needs Assessment 20 Year Expenditure as critical physical needs categories, and if replacement of any of these items is expected within the next three years, these will count toward the calculation of critical physical needs.

Staff also recommends revisions to the Risk of Loss Due to Ownership Capacity threshold to broaden the types of events that qualify as evidence of ownership capacity issues that put the federal assistance or affordability restrictions at risk. Staff recommends adding triggers such as loan default, current foreclosure action, unpaid taxes and assessments, and on-going lack of compliance with lenders or terms of federal assistance to the list of conditions. Further, the proposed QAP requires evidence that these events put the federal assistance or affordability at risk. Lastly, the revisions clarify that in the event Risk of Loss Due to Ownership Capacity is claimed, a transfer of ownership must occur.

The proposed QAP includes several clarifications regarding what type of projects, including RD projects without rental assistance, public housing, and units financed under the Rental Assistance Demonstration (RAD) program, qualify under Existing Federal Assistance and Critical Affordable Units. In line with the 2016 – 2019 Strategic Plan, the intent of the Existing Federal Assistance scoring category is to preserve units with federal project-based rental assistance. Projects with other types of assistance, including those that reduce the amount of debt payments required, can compete under Critical Affordable Units at Risk of Loss.

For projects meeting one of the above risk of loss thresholds that also have existing federal assistance, it is unclear in the current QAP whether partially assisted projects qualify to compete for points under Existing Federal Assistance, and if so, what portion of a project must be federally assisted in order to compete. Staff recommends tiering the 20 points currently available for this category so that projects with a higher percentage of federally assisted units receive more points. However, in recognition of the importance of partially assisted projects, which are often located in strong markets, staff recommends different percentage tiers for partially assisted projects in Economic Integration areas. The proposed QAP also clarifies that projects with an existing federal rental assistance contract covering a portion of the units that will also receive new federal rental assistance, should claim points for the total of the existing and new rental assistance under the Existing Federal Assistance category rather than under Rental Assistance.

The Critical Affordable Units at Risk of Loss scoring category, also under Preservation, is being revised to be simpler and to eliminate redundancy. The proposed QAP removes the requirement for projects competing in this category to also receive points in at least three location-based categories. Rather than requiring points in these categories, staff recommends reducing the amount of points for the category so that it will become less likely that a project claiming points for Critical Affordable Units could compete without being eligible for points under the locational priorities. Similarly, since much of the language in the Funder Collaboration criterion currently overlaps with the Federal/Local/Philanthropic Contributions criterion, staff recommends eliminating Funder Collaboration, and adding anything unique from this category to Federal/Local/Philanthropic Contributions.

11. Revise the Permanent Supportive Housing for Households Experiencing Homelessness scoring criterion (Selection priority #11 on the Self-Scoring Worksheet).

Under the current QAP, applicants claiming points for serving homeless households are eligible to receive points regardless of the feasibility of the project's supportive housing component. To prioritize just those projects that are financially feasible and will result in quality supportive housing, staff recommends adding several feasibility threshold criteria that must be met in order to receive points under this category. The proposed feasibility criteria include an evaluation of whether:

- The service provider has sufficient experience;
- Services are appropriate to the target population;
- The number of service hours exceeds a defined allowable minimum;
- A portion of service funding is secured; and
- The applicant agrees to participate in the State's Coordinated Entry assessment process

Similarly, because units targeting homeless households without rental assistance require significantly more scarce deferred loan resources, staff recommends prioritizing those projects that have secured rental assistance. In the 2017 QAP the minimum commitment percentage for the Rental Assistance scoring criterion (Preference Priority #2 on the Self-Scoring Worksheet) was reduced from ten to five percent so that general occupancy developments with commitments of project based assistance to support a small number of homeless units would receive priority over those without commitments of rental assistance. However, projects with a small percentage of homeless units will most likely claim points under Serves Lowest Income Tenants/Rent Reduction (Preference Priority #1 on the Self-Scoring Worksheet) for having 100 percent of their units with gross rents below 50 percent of area median income (AMI), and the Serves Lowest Income category prohibits points for the same units in Rental Assistance and Serves Lowest Income. Additionally, the payment standard for Rental Assistance is often greater than the 50 percent AMI rent limit. Because the requirements in the Serves Lowest Income Tenants and Rental Assistance categories make it infeasible for a general occupancy project with rental assistance for a small number of homeless units to claim points for rental assistance, staff recommends increasing the minimum Rental Assistance threshold back up to ten percent and instead providing points for Rental Assistance for Supportive Housing units under the Supportive Housing category. Staff recommends two points for projects receiving points under Supportive Housing that have committed rental assistance for at least five percent of total project units, but no fewer than four units, for units that will serve eligible homeless households.

Another revision is recommended for the consideration added to the 2017 QAP for the priorities identified by the local Continuum of Care (COC) committees. In the current QAP the local COC's identified their top priorities in terms of household type – families, singles, or youth, and subpopulation type – including veterans, people with severe mental illness, victims of domestic violence, chronic homeless, chronic substance abuse, veterans, and people with HIV/AIDs. Because applicants typically plan to serve numerous sub-population types, with significant overlap, staff has concluded that COC priorities for household type are more meaningful, and the priority for sub-population type should be eliminated. Staff also recommends providing points to only the highest-ranked household type, given that there are only three choices. The proposed QAP includes two points for proposals targeting the household type prioritized by the local COC. As part of the COC ranking process, guidance was provided to the local committees about inviting broad community input and using data to drive decision-making. The Continuum of Care (CoC) Priorities attachment provides additional detail on the process that was used by the local COC committees to determine household type priorities.

12. Revise the Rental Assistance scoring criterion (Preference Priority #2 on the Self-Scoring Worksheet).

Staff is proposing to revise the Rental Assistance scoring criterion as noted under the section of this report describing changes proposed for the Permanent Supportive Housing for Households Experiencing Homelessness scoring criterion.

In addition, staff is proposing a requirement that private commitments of rental assistance must be provided for a term of at least four years in order to receive points under this category, to ensure commitments made by private owners provide measurable benefit for the long-term feasibility of a project if a scoring priority is to be received.

Projects with rental assistance meeting the definition of federal assistance under Preservation are currently excluded from Rental Assistance points. Staff also recommends that rental assistance meeting the definition of federal assistance but not meeting the 15-year requirement described in the Preservation scoring section above be eligible under the Rental Assistance criterion.

13. Revise the Cost Containment scoring criterion (Preference Priority #4 on the Self-Scoring Worksheet).

The current cost containment scoring criterion provides four points for projects with costs in the bottom 50th percentile for all proposals submitted for each project type. Projects thus compete against each other in a blind competition that determines a cost threshold for each project type. Owners of projects that claim points in this category, but which subsequently go over the cost threshold are then assessed a negative four point penalty in the next funding round in which they compete. The cost containment criterion was added in the 2014/2015 QAP, and worked as expected in the first year of implementation. However in the most recent funding round, costs came in higher than expected in some cases, and some applicants report that they are no longer claiming the points given the risk of cost increases. It appears that with the current volatility and strong demand in the construction market, applicants have determined that these four points are not worth the risk of a negative penalty, and so are choosing to build in extra contingency into their budgets, or to not claim the points at all. Staff recommends increasing the points to six, but keeping the penalty at four points, in order to compensate for the risk associated with the category. Staff expects that increasing the incentive will motivate applicants claiming the points to create more cost-effective budgets, and to incent more applicants to claim the points. As staff's original intention was to keep the point value for the Cost Containment criterion lower than the locational criteria in the QAP, staff recommends increasing the points available for Workforce Housing Communities from five to six points.

14. Add a scoring criterion for minority and woman-owned businesses (Preference Priority #5 on the Self-Scoring Worksheet).

The proposed QAP includes three points for projects which include on the development team – project sponsor, general contractor, architect, or management agent – a minority-owned or woman-owned business enterprise, as certified by the owner.

15. General Administrative and Clarifications:

Perform various administrative checks for spelling, formatting, text and instruction corrections and clarifications within QAP, Manual, Self-Scoring Worksheet, and other 2018 tax credit program related documents.

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

February 25, 2016

RE: 2018 Qualified Allocation Plan

Dear Stakeholders,

Minnesota Housing is pleased to present our draft 2018 Qualified Allocation Plan (QAP). This plan was created in collaboration with partners and stakeholders who share our goal of providing affordable housing as a foundation for success.

Process

To develop the draft QAP, we gathered economic, demographic, market, and community data, as well as feedback from:

- Regional Housing Dialogues with community and housing leaders from around the state
- Informal conversations with partners and stakeholders
- Several targeted focus groups

Goals

The draft QAP reflects priorities in Minnesota Housing's 2016-2019 Strategic Plan and our need to balance competing goals. It is responsive to statewide priorities, local needs, and national best practices. Particular attention is given to the following:

- Serving people with the greatest needs, largest barriers, and fewest housing choices, including households experiencing homelessness, people with disabilities, large families, and the lowest income households.
- Promoting housing in areas of opportunity, where developments leverage community resources such as jobs, transit, and schools that assist families in being successful.
- Supporting community and economic development in a variety of communities.
- Preserving existing subsidized and federally-assisted housing.
- Using scarce resources efficiently.

Next Steps

The draft QAP will be open for a 30-day public comment period, including a public hearing. Minnesota Housing staff will then carefully review all comments and adjust the draft QAP as needed before finalizing and presenting it to the Minnesota Housing Board for approval.

The final QAP is published more than a year before applications are due to allow the development community extra time to plan and bring forward projects that reflect the QAP's priorities and objectives.

We look forward to working with all of our partners to implement these goals and provide more affordable housing opportunities for Minnesotans.

Sincerely,

Mary Tingerthal
Commissioner

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Self-Scoring Worksheet
~~2017~~ 2018 Housing Tax Credit Program

Development Name: ________

Development Number: ________ **(D Number)**

Application Number: ________ **(M Number)**

Development Location: _____

Development City: _____

Please note the following:

1. Strategic Priority Policy Threshold:
   - All projects with the exception of those obtaining tax credits in association with Tax Exempt Bonds over and above the State's allocation of Housing Tax Credits must meet at least one of the Strategic Priority Policy Thresholds defined in Article 9 of the HTC Qualified Allocation Plan in order to apply for Housing Tax Credits.
2. Minimum Point Requirements:
   - Request for Minnesota Housing Finance Agency (Minnesota Housing) administered tax credits from the State's volume cap must demonstrate the project is eligible for not less than 30 points.
   - Request for tax credits in association with Tax Exempt Bonds over and above the State's allocation of Housing Tax Credits must demonstrate the project is eligible for not less than 30 points.
   - Minnesota Housing reserves the right to reject applications not meeting its Project Selection requirements as contained in the Procedural Manual, or to revise proposal features, and associated scoring, to ensure the project meets the requirements.
3. Documentation of Points:
   - Indicate the selection and/or preference priority points expected for your project. Where multiple points per section are available please check the appropriate box (☐) for points claimed. **Attach directly to this self-scoring worksheet, a separate detail sheet and documentation that clearly supports points claimed. Minnesota Housing will determine actual selection points awarded – points will not be awarded unless documentation is provided along with the application to justify the points claimed.**
4. Extended Duration:
   - All projects with the exception of those obtaining tax credits in association with Tax Exempt Bonds over and above the State's allocation of Housing Tax Credits must maintain the duration of low-income use for a minimum of 30 years. The owner agrees that the provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a qualified contract for the acquisition of the project) do not apply to the project, and that the Section 42 income and rental restrictions shall apply for the period of 30 years beginning with the first day of the compliance period in which the building is a part of a qualified low income housing project.

5. Design Standards:
   - The project must meet the requirements in the Minnesota Housing Rental Housing Design/Construction Standards and be evidenced by a Design Standards Certification form executed by the owner and architect. Additional design requirements will be imposed if Large Family Housing points are claimed/awarded or points are claimed/awarded which require specific design elements (i.e. High Speed Internet, Universal Design).
6. A Declaration of Land Use Restrictive Covenants:
   - Covering the rent restrictions and occupancy requirements presented at selection must be recorded against the property.
7. Affirmative Fair Housing:
   - Affirmative Fair Housing Marketing Regulations, held as centrally important by Minnesota Housing, require that each applicant carry out an affirmative marketing program to attract prospective buyers or tenants of all majority and minority groups in the housing market area regardless of race, creed, color, religion, sex, national, origin, marital status, status with regard to public assistance, disability, sexual orientation, or familial status. All applicants must submit an Affirmative Fair Housing Marketing Plan at the time of 8609 documenting an acceptable plan to carry out an affirmative marketing program.

ROUND 1 – MINIMUM THRESHOLD REQUIREMENTS

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

A. In the Metropolitan Area:

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

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

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

B. Outside the Metropolitan Area:

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

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

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

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

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

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

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

D. Preserve Existing Subsidized Housing:

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

E. Rural Development:

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

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

1. Household Targeting **10 to 12 Points** ______ ______

Choose one of the following:

☐ **Large Family Housing** - The proposal is for a project that provides family housing that is not restricted to persons 55 years old or older. The tenant selection plan must give preference to families with minor children.

☐ A. At least 75 percent of the total tax credit units must contain two or more bedrooms. ~~The tenant selection plan must give preference to families with minor children.~~ – ***10 Points***

☐ B. For Greater Minnesota proposals receiving points under A above, at least one-third of the 75 percent contain three or more bedrooms. – ***2 Points***

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

~~☐ **Special Populations** - At least 10 percent and up to 25 percent of the total units are set aside and targeted to special populations – ***10 Points***~~ *The Special Populations household targeting has been incorporated into new Selection Priority 12. People with Disabilities*

2. Areas of Opportunity ~~Economic Integration~~ **1 to 28 Points ~~2 to 9 Points~~** ______ ______

A. Economic Integration – 2 to 9 Points

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

OR

To promote economic integration, projects are awarded points for being located in higher income communities outside of rural/tribal designated areas that are close to jobs. First and second tier economic integration areas are outside of racially and ethnically concentrated areas of poverty.

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

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

NOTE: The following resources on Minnesota Housing's website may be used to determine if the proposed housing is located in areas that meet the requirements to claim points under economic integration:
Economic integration areas maps and census tract listing:
http://www.mnhousing.gov/idc/groups/public/documents/webcontent/mhfa_012464.pdf .

Rural/Tribal Designated areas maps and census tract listing: [insert link].

Additionally, find economic integration and rural/tribal designation area map overlays in the agency's community profiles interactive mapping tool:

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

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1373870285684&pagename=External%2FPage%2FEXTStandardLayout.

B. Access to Higher Performing Schools – 4 Points

Points are awarded for projects serving families* in locations that will provide access to higher performing schools.

☐ The proposed housing will serve families and is located in an area considered to have Access to Higher Performing Schools. ***– 4 points***

*To be eligible as a project serving families, at least 25 percent of total tax credit units, with a minimum of 15 units, must contain two or more bedrooms, and the owner must agree to market the units to families with minor children.

Access to Higher Performing Schools area maps are found on Minnesota Housing's website: <insert link>

Additionally, find Access to Higher Performing Schools area map overlays in the agency's community profiles interactive mapping tool:http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1373870285684&pagename=External%2FPage%2FEXTStandardLayout.

C. ~~B.~~ Workforce Housing Communities – 3 to 6 ~~5~~ Points

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

☐ The proposed housing is in a Top Job Center or Net Five Year Job Growth Community ***–6 ~~5~~ points;***

OR

☐ The proposed housing is in an Individual Employer Growth community where an individual employer has added at least 100 net jobs (for permanent employees of the company) during the previous five years, as evidenced by documentation signed by an authorized representative of the company, subject to validation by Minnesota Housing ***– 6 ~~5~~ points***; OR

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

In the metropolitan area, project locations must be within 5 miles of a workforce housing city or township. In Greater Minnesota, project locations must be within 10 miles of a workforce housing city or township. Top Job Centers, Net Five Year Job Growth communities, and Long Commute communities lists and maps are available on Minnesota Housing's website at:
http://www.mnhousing.gov/idc/groups/public/documents/document/mhfa_012445.pdf

Additionally, find proximity to workforce housing in the agency's community profiles interactive mapping tool: (http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1373870285684&pagename=External%2FPage%2FEXTStandardLayout)

D. ~~C.~~ Location Efficiency – 1 to 9 Points

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

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

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

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

☐ Located within one half mile of a completed or planned LRT, BRT, or commuter rail station – ***5 points***; OR

☐ Located within one quarter mile of a fixed route stop on Metro Transit's Hi-Frequency Network – ***4 points***; OR

☐ Located within one quarter mile of a high service public transportation fixed route stop ***– 2 points***; OR

☐ Located within one half mile of an express bus route stop ***– 2 points***; OR

☐ Located within one half mile of a park and ride facility ***– 2 points***

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

☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com – ***2 points***; OR

☐ Located in an area with a Walk Score between 50 and 69 according to www.walkscore.com – ***1 point***;

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

☐ **Parking:** Parking for residential units or visitors is not more than the smallest allowable parking minimum under local zoning requirements. If no residential parking or visitor parking is required under local zoning, no more than 0.2 visitor parking spaces per residential unit are provided.

☐ **Building Orientation and Connections:** Currently existing walkable or bikeable connections to station area via sidewalk or trail or funding secured to create such connections, and at least one accessible building entrance oriented toward such connections, and parking is not situated between building and station area.

☐ **Density:** Site density at the maximum allowable density under the local comprehensive plan.

☐ **Alternative Means:** Car sharing (Where one or more passenger automobiles are provided for common use by residents, bike storage, shared parking arrangements with adjacent property owners, etc. which results in a reduction in the local minimum parking requirement, and parking for residential units in not more than the local minimum parking requirement, or if no residential parking or visitor parking is required under local zoning, no more than 0.2 visitor parking spaces per residential unit are provided.

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

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

A. For areas with fixed route transit service:

1) Access to Transit:

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

☐ Located within one quarter mile of a completed or planned public transportation fixed route stop ***– 7 points***; OR

☐ Located between one quarter mile and one half mile of a completed or planned public transportation fixed route stop ***– 4 points***; OR

☐ Located less than one half mile of an express bus route stop or park and ride lot ***– 4 points***;

2) Walkability:

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

☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com ***– 2 points***; OR

☐ Located in an area with a Walk Score between 50 and 69 according to www.walkscore.com ***– 1 point***

B. For areas without fixed route transit service:

1) Access to Transit:

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts, **AND** the proposed housing has access to demand response/dial-a-ride* service with no more than 1 hour advance notice to schedule a pickup and no minimum number of riders are required – **7 points**;

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts, **AND** the proposed housing has access to demand response/dial-a-ride* service with same day pick-up guaranteed if scheduled by 8:00 a.m. or later and no minimum number of riders are required – **4 points**;

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts, **AND** the proposed housing has access to demand response/dial-a-ride* service not meeting the scheduling terms above – **2 points**;

2)~~1)~~ Walkability:

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts, **AND** in an area with a Walk Score of 50 or more according to www.walkscore.com – **2 points**;

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts, **AND** in an area with a Walk Score between 35 – 49 according to www.walkscore.com – **1 point**

*Applicants must provide documentation of access and availability of service and describe how the service is a viable transit alternative that could be used for transportation to work, school, shopping, services and appointments. Minnesota Department of Transportation defines dial-a-ride as: *"A demand-responsive service*

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

in which the vehicle is requested by telephone and vehicle routing is determined as requests are received. Origin-to-destination service with some intermediate stops is offered. Dial-A-Ride is a version of the taxicab using larger vehicles for short-to-medium distance trips in lower-density subregions". Dial-A-Ride service must operate from at least 7:00 a.m. to 5:30 p.m., Monday through Friday, in order to be eligible for points.

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

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

3. Rural/Tribal **10 ~~7~~ Points** _____ _____

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

☐ The proposed housing is located in a census tract eligible as a Rural/Tribal Designated Area **–** ***10 ~~7~~ points***

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

Additionally, find rural/tribal designation area map overlays in the agency's community profiles interactive mapping tool: (http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1373870285684&pagename=External%2FPage%2FEXTStandardLayout)

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

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

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

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

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

Federal/Local/Philanthropic Contributions include:

- Monetary grants/donations
- Tax increment financing (calculate Net Present Value (NPV) by using NPV discounted by Applicable Federal Rate (AFR))
- Tax abatement (calculate NPV by using NPV discounted by AFR for 30 years)
- Land donation or city write down of the development site
- In-kind work and materials donated at no cost

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

- Local government donation/waiver of project specific costs, assessments or fees (e.g. SAC/WAC)
- Reservation land not subject to local property taxes (calculate NPV by using NPV discounted by AFR for 30 years)
- Reservation land with long-term low cost leases
- Deferred loans with a minimum term that is co-terminus with the HTC Declaration with an interest rate at or below the AFR
- Grants from nonprofit charitable organizations converted to deferred loans with a minimum term that is co-terminus with the HTC Declaration with an interest rate at or below the AFR. Award letter from the nonprofit charitable organization contributor must be provided at the time of application verifying the ~~project specific (restricted)~~ contribution. Documentation must evidence that the contribution is restricted for housing development uses and the contribution must be included as a development source.
- Below Market Interest Rate (BMIR) Loans –calculate NPV based on the difference between the AFR and the BMIR rate (e.g. RD 515, NHASDA first mortgage).
- Historic Tax Credits
- Funder commitments to modify existing debt including: debt forgiveness; approval of assumption of debt and extension of loan term; forgiveness of interest payable; reduction in interest rate (measured as amount of interest saved over term of loan). Commitments must contain no contingencies other than receipt of a tax credit award. At the time of application, written documentation from the funder justifying the amount and the terms of the contribution must be provided.

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

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

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

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

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

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

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

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

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

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

Total eligible funding secured, awarded or committed (excluding first mortgage financing net of the Tax Increment Financing (TIF) portion if applicable, ~~and~~ any anticipated proceeds from the current tax credit request, and sales tax rebate*) $_____ Divided by Total Development Cost (excluding first mortgage financing net of the Tax Increment Financing (TIF) portion if applicable, ~~and~~ any anticipated proceeds from the current tax credit request, and sales tax rebate*) $_____ equals Percentage of Funds Committed _____% (round to nearest tenth)

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

*** Sales tax rebate, for the purposes of this scoring category, should be calculated as 40% of the construction contract amount multiplied by the local tax rate for the area where the project is located.**
**** Projects which have both a numerator and denominator equal to zero are eligible for 14 points.**

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

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

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

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

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

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

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

8 ~~9~~. Eventual Tenant Ownership~~ – Detached Single Family Units~~ **1 Point** _____ _____

Only detached single--family units are eligible for homeowner conversion. The ~~proposal~~ project owner must ~~include a financially viable~~submit a preliminary conversion plan with their application that is consistent with the requirements of the Eventual Tenant Ownership (ETO) Guide. The plan must address ~~to~~ the transfer of **100 percent** of the HTC unit ownership after the end of the 15-year compliance period from the initial ownership entity (or Minnesota Housing approved "Transfer of Ownership" entity) of the project to tenant ownership.

The unit purchase price at time of sale must be affordable to buyers with incomes meeting HTC eligibility requirements. To be eligible, the buyer must have an HTC qualifying income at the time of initial occupancy (HTC rental tenant)~~ or time of purchase~~. The final conversion plan, to be submitted by the 15th year of initial compliance, must incorporate an ownership exit strategy, a third party Property Capital Needs Assessment report and budget for capital improvements, and ~~the provision of~~ services including homeownership education and training. -A final conversion plan complying with all of the requirements of the ETO Guide must be submitted to, and approved by, Minnesota Housing prior to commencing the conversion.

The Declaration of Land Use Restrictive Covenants will contain provisions ensuring compliance with these eventual tenant ownership commitments by the Owner, including a right of first refusal allowing tenants to purchase their units. (Refer to Eventual Tenant Ownership (ETO) Guide and also to Chapter 4 W of the HTC Procedural Manual for additional information.)

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

9 ~~10~~. ~~Community Recovery~~ Planned Community Development **3 Points** _____ _____

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

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

IMPORTANT NOTE: DUAL APPLICATION & PRE-APPLICATION REQUIRED

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

In order to be eligible for points under this section, applicant **must provide the required Pre-Application 30 days prior to the application deadline for HTC Round 1 or Round 2~~ participate in mandatory technical assistance session and provide required submissions prior to May 2, 2016 for HTC Round 1 and prior to December 16, 2016 for HTC Round 2~~**, as detailed in the Housing Tax Credit Procedural Manual Section 7.A.4. Failure to submit all required pre-application materials will result in rejection of the pre-application. -Applicant must provide Agency's "Preliminary Determination of Preservation Eligibility" letter which reflects threshold and points taken below.

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Choose one of the following three Thresholds:

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

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

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

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

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

5) Fifteen (15) or more years have passed since initial loan closing or most recent tax credit placed in service date. have passed since the award of the existing federal assistance and the tax credit placed in service date (if applicable) for projects claiming points under Existing Federal Assistance or 15 years must have passed since the closing of the loan which created rent and income restrictions or the most recent tax credit placed in service date for projects claiming points under Critical Affordable Units.

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

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

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

1. Fifteen (15) or more years have passed since the award of the existing federal assistance and the tax credit placed in service date (if applicable) for projects claiming points under Existing Federal Assistance or 15 years must have passed since the closing of the loan which created rent and income restrictions or the most recent tax credit placed in service date for projects claiming points under Critical Affordable Units; **AND**

2) Critical physical needs identified by third party assessment to support the following conclusions:
   ~~a. As-is condition of a property's physical component(s) does not meet:~~
      ~~i. HUD's Uniform Physical Condition Standards (UPCS), **OR**~~

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

~~ii. For building exterior components and mechanical systems for which UPCS does not provide a measure, critical need(s) supported by an independent third party professional certification; **AND**~~

a.~~b.~~ Repair/replacement of major physical plant components have been identified which will result in 15+ years sustained operations; **AND**

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

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

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

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

1. Fifteen (15) or more years have passed since the award of the existing federal assistance and the tax credit placed in service date (if applicable) for projects claiming points under Existing Federal Assistance or 15 years must have passed since the closing of the loan which created rent and income restrictions or the most recent tax credit placed in service date for projects claiming points under Critical Affordable Units; **AND**

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

2. Existing conditions created by the current owner such as bankruptcy, insolvency, default, foreclosure action, unpaid taxes and assessments, on-going lack of compliance with lenders or terms of federal assistance, or self-determination by non-profit board are severe enough to put the property at significant risk of not remaining decent, safe, and affordable **AND**

3. Ownership must be transferred to an unrelated party; **AND**

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

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

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

~~☐ Existing Federal Assistance - ***20 points***~~

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

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

sunset or expire. -Properties which have converted their type of federal rental assistance through Rental Assistance Demonstration program, Component 2 (RAD 2) are eligible. Such assistance must have been committed to the property 15 years prior to the year of application.

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

Developments with qualified existing federal assistance and which have secured additional federal rental assistance (including through an 8bb transfer) should count the- total number of assisted units below. Such units are not eligible to be counted under Rental Assistance.

Choose either a or b and c below

a. Existing Federally Assisted Units:

- ☐ Less than 25% of units are federally assisted--**4 points**
- ☐ 25.01%-50% of units are federally assisted--**8 points**
- ☐ 50.01-75% of units are federally assisted-- **12 points**
- ☐ 75.01%-99.99% of units are federally assisted-- **16 points**
- ☐ 100% of units are a federally assisted--**20 points**

OR

b. For partially assisted projects with Existing Federally Assisted Units in Economic Integration census tracts:

- ☐ Less than 25% of units are federally assisted--**10 points**
- ☐ 25.01-75% of units are federally assisted-- **15 points**
- ☐ 75.01-99.99% of units are federally assisted-- **20 points**

AND

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

Metro or Greater Minnesota MSA*

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

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

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

Greater Minnesota/Rural

☐ 8-20 units **– 3 points**

☐ 21-40 units **– 5 points**

☐ 41+ units **– 10 points**

OR

2. Critical Affordable Units at Risk of Loss – **6 ~~9~~ points**

a. ☐ Any housing with a current recorded deed restriction limiting rent or income restrictions at or below the greater of 80% of statewide median income or area median income. Includes existing public housing units, including converting through Rental Demonstration Program-, Component 1 (RAD 1), -tax credit units, Rural Development funded Units without rental assistance and existing federal assistance not described in paragraph 1. above (i.e. 202, 236, etc.), or other programs limiting income and rent restrictions as stated above.

AND

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

11 ~~12.~~ Permanent Supportive Housing for Households Experiencing Homelessness	5 to ~~115~~ 114 Points	______	______

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

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

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

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

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

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

For the purposes of this scoring category:

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

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

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

For proposals receiving points under A above, 100 points ("bonus points") will be available until a total of ~~$2,100,000~~ $2,370,000 (estimated 25 percent of Minnesota Housing's administered credit authority) in tax credits are awarded **for qualifying permanent housing proposals targeting families with children or youth** experiencing long-term homelessness, at significant risk of long-term homelessness, or as prioritized for permanent supportive housing by the Coordinated Entry selected in the 2017 Housing Tax Credit competitions. Once this maximum amount is reached, the 100 points ("bonus" points) will no longer be awarded for the remaining 2017 Tax Credit Program competitive funding rounds. If qualified per the requirements of this section, applicants may claim the "bonus points". Minnesota Housing will make point reductions relating to the "bonus points" funding limits following its review of all applications in the funding round which claim these points. Qualified proposals may earn a maximum of 10 points ("non-bonus" points) and may continue to compete in the appropriate set-aside. If bonus points are claimed, without regard to whether points are awarded, the Tax Credit Declaration of Land Use Restrictive Covenants will contain these population targeting requirements:

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

C. Consistency with Local Continuum of Care Priorities – *~~1 to 5~~ 2 Points*

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

Continuum of Care Household Type Priorities:

☐ 5% or more, but no fewer than 4 units, targeted to Continuum of Care Household Type Priority One – ***~~3 points, OR~~ 2 points***

~~☐ 5% or more, but no fewer than 4 units, targeted to Continuum of Care Household Type Priority Two – *1 point*~~

~~Continuum of Care Subpopulation Type Priorities:~~

~~☐ 5% or more, but no fewer than 4 units, targeted to Continuum of Care Subpopulation Type Priority One – *2 points*, OR~~

~~☐ 5% or more, but no fewer than 4 units, targeted to Continuum of Care Subpopulation Type Priority Two – *1 point*~~

NOTE: If points are claimed/awarded above, then no points may be claimed/awarded from the selection priority categories of People with Disabilities for the same units.

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

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

b) the application must meet the Supportive Housing Threshold Criteria outlined below; and

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

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

Supportive Housing Threshold Criteria

1) **Supportive Services**: On-site service coordination and tenant engagement must be made available to all supportive housing residents. The level and type of services offered should be appropriate for the needs of the target population, with a minimum of tenant service coordination for an average of 2 hours per household per week.

2) **Experienced service provider with demonstrated outcomes**:
   a. At a minimum, the service provider has experience providing services to a similar population to maintain housing over a period of time, and has sufficient capacity to deliver the services proposed.

3) **Service funding commitments**: At a minimum, a portion of service funding is secured for two years with a viable plan for securing the remaining resources. Must provide evidence in application narrative and commitment letters or other documentation.
   a. Developments with 5% to 9.99% LTH units must have secured at least 75% of service funding
   b. Developments with 10% to 49.99% LTH units must have secured at least 20% of service funding
   c. Developments with 50% to 100% LTH units must have secured at least 5% of service funding

4) **Coordinated Entry and serving highest need households:** the property owner must agree to accept high priority households for the LTH supportive housing units through coordinated entry.

D. Rental Assistance for Supportive Housing Units

☐ For developments that have committed project-based rental assistance (e.g. Section 8, McKinney Vento Continuum of Care, site-based Group Residential Housing, Section 811 Project Rental Assistance (PRA), -or other similar programs approved by Minnesota Housing) for at least five percent of total project units, but no fewer than four units, for units that will serve Households Experiencing Homelessness. ***– 2 Points***

12. People with Disabilities	**5 – ~~10~~ 12 Points**	_____	_____

Points will be awarded to permanent housing proposals ~~Projects~~ that are not restricted to persons of a particular age group and in which, for the term of the extended use period (Declaration of Land Use Restrictive Covenants), a percentage of the units are set aside and rented to persons with the following disabilities[2]:

a) a serious and persistent mental illness as defined in Minn. Stat. § 245.462, subdivision 20, paragraph (c);
b) a developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended;

[2] **Specific performance requirement relief provisions are available for projects receiving points under the People with Disabilities category of the.** Chapter 7.A. of the Tax Credit Procedural Manual should be referenced for additional details. Specific performance requirements will be incorporated into a Tax Credit Declaration of Land Use Restrictive Covenants and recorded with the property.

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

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

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

☐ 10% to 14.99% of units – ***7 points***

☐ 15% to 25% of units – ***10 points***

NOTE: If points are claimed/awarded above, then no points may be claimed/awarded from the selection priority categories of Permanent Supportive Housing for Households Experiencing Homelessness for the same units.

To receive points under People with Disabilities, the proposal must meet all of the following conditions:

a) The Supportive Housing narratives, and any other forms and submittals identified in the Multifamily Rental Housing Common Application Request for Proposal Guide, and the Multifamily Rental Housing Common Application Checklist;
b) The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy, or service funding contracts for as long as the funding is available.
c) The application must meet the following threshold criteria:
   1. **Target population:** the target population(s) of people with disabilities must be clearly defined in the narrative (e.g., mental illness, developmental disability, physical disability, etc.)

      Income limit for the units are restricted to 30% AMI
      Rent levels must be underwritten to the Supportive Housing Units underwriting standards contained in the Multifamily Underwriting Standards if no rent assistance is available.
   2. **Service Agreement:** The property owner must have an agreement with the county or tribal human services office OR a designated service provider specifying:
      a. How they will provide outreach to the target population
      b. How eligible applicants will be referred to the property management agent
      c. That verification of applicant disability will be provided to the owner
      d. The types of services appropriate to the population that will be made available with the goal of housing stability
      e. How services will be provided to tenants
      f. How the service entity will communicate and coordinate with property management
      g. Plans for crisis intervention, eviction prevention and lease mitigation

☐ **Rental Assistance for Supportive Housing Units**

For developments that have committed project-based rental assistance (e.g. Section 8, McKinney Vento Continuum of Care, site-based Group Residential Housing, Section 811 Project Rental Assistance (PRA), -or other similar programs approved by Minnesota Housing) for at least five percent of total project units, but no fewer than four units, for units that will serve People with Disabilities. ***-2 Points***

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

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

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

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

This section was incorporated in Selection Priority 2. Areas of Opportunity

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

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

☐ An elevator building with 100% of HTC units meeting the definition of a Universal Design Unit – ***3 points***; OR

☐ A non-elevator building with at least 10% of HTC units meeting the definition of a Universal Design Unit – ***3 points***

Minimum Essential Universal Design Features

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

Optional Features

- High contrast finish selections that include floor to wall transitions, top treads of stairs, counters and adjacent flooring and walls
- Single lever, hands free or touch faucets
- At least 50% of kitchen storage space within reach range. This can include pull-out shelves, full extension glide drawers or pantry design

Selection Priorities	Developer Claimed		Minnesota Housing Awarded

- A variety of work surface heights in kitchen and one five foot open radius
- Roll under vanity or sink in twenty five percent of Universal Design qualifying units, rounded up to the nearest whole number
- Cabinet hardware with "D" type pull handles or operation for people with limited dexterity
- Zero threshold shower or transfer space at tub is provided for minimum of half the qualifying Universal Design units, rounded up to the nearest whole number
- Slip resistant flooring in kitchens and baths
- Toilets provided with seats 17" – 19" from the floor
- Windows are provided with maximum sill height of 36", parallel clear floor space and locks/operating mechanism within 48" and easily operable with one hand. Sidelight or view window at main entry door from a seated position
- Thermostats designed for visually impaired or ability to monitor and operate with electronic device such as a tablet computer
- Closet storage is adjustable in a majority of the closets provided
- Audio/Visual Doorbell
- Covered entry with adequate lighting and interior or exterior bench space for parcels or groceries
- Lettering and numbering with all characters and symbols contrasting with their background
- Braille characters included to the left on all interior signage
- Parking spaces provided for at least fifty percent of Universal Design qualifying units, rounded up to the nearest whole number, with a five foot wide adjacent auxiliary space connected to accessible route
- Residential elevator or chair lift space structured for future use in multiple level homes
- Enterprise Green Communities Model Specifications are used for applicable sections for the Universal Design qualifying units
- On-site physical activity is provided for in a fitness area, biking or walking path or community garden
- Other modifications which make units livable for disabled populations, as demonstrated by credible evidence provided in the application, at the sole discretion of Minnesota Housing

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

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

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

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

Preference Priorities	Developer Claimed		Minnesota Housing Awarded

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

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

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

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

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

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

AND

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

AND/OR

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

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

IMPORTANT

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

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

YEAR	30% of 50% Rent Levels	30% of 30% Rent Levels
1 – 5	30% of 50%	30% of 30%

Preference Priorities	Developer Claimed		Minnesota Housing Awarded

6	30% of 53%	30% of 33%
7	30% of 57%	30% of 37%
8	30% of 60%	30% of 40%

If points are claimed/awarded for this category's Option 3, all 50 percent rent restricted units must meet the 50 percent area median rent for a minimum of ten years after the last placed in service date for any building in the property. After the ten year period has expired, rent may be increased to the 60 percent rent limit over a three year period with increases not to exceed the amount listed in the table below, provided that more restrictive threshold, selection priority, or funding requirements do not apply.

30% of 50%

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

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

2. Rental Assistance 2 to 21 Points _____ _____

Priority is given to an owner that submits with the application a **fully executed binding commitment** (i.e. binding Resolution/binding Letter of Approval from the governing body) for project based rental assistance awarded in accordance with 24 CFR Ch. IX, Section 983.51 or are effectively project based by written contract. New or transferred federal rental assistance contracts that were executed within the past 15 years are eligible. This includes transfers of existing Section 8 contracts under the 8bb notice to new construction projects or existing developments that currently have no Existing Federal Assistance. For the purposes of this scoring category, project based rental assistance is defined as a project-specific funding stream that supports the operations of the property, reduces the tenant rent burden, and provides for the tenant paid portion of rent to be no greater than 30% of household income. Site-based Group Residential Housing, and awards of project based McKinney Vento Continuum of Care funding, will be considered project based rental assistance.

Developments with privately funded rental assistance provided by the sponsor must qualify for E or F below. Points will not be given for private commitments of less than four years. Documentation must also contain language regarding the possibility of future renewals.

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

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

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

Preference Priorities	Developer Claimed		Minnesota Housing Awarded

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

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

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

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

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

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

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

NOTE: Points cannot be claimed/awarded under the Rental Assistance preference priority if points are claimed/ awarded ~~for the same units~~ for Existing Federal Assistance under the Preservation selection priority or if a development has a rental assistance contract that qualifies under the Selection Priority of Existing Federal Assistance ~~.~~

☐ (G) For developments that will provide **other** Rental Assistance (e.g. Section 8, portable tenant based, an award of McKinney Vento Continuum of Care rent assistance (which is tenant based, sponsor based, or for leasing), tenant based Group Residential housing or other similar programs approved by Minnesota Housing) as evidenced at application by documentation of commitment of assistance. – ***2 points***

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

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

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

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

Preference Priorities	Developer Claimed		Minnesota Housing Awarded

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

4. Cost Containment ~~6~~ 4 Points _____ _____

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

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

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

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

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

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

5. Minority-owned /Women-owned Business Enterprise (MBE/WBE) 3 Points _____ _____

If the project sponsor, general contractor, architect, or management agent is a minority-owned or women-owned business enterprise (MBE/WBE)*, as certified by the owner.

* An MBE/WBE is one which is at least fifty-one (51) percent owned by one or more minority persons or women, and whose management and daily business operations are controlled by one or more minority persons or women who own it.

TOTAL POINTS _____ _____

Developer Claimed **Minnesota Housing Awarded**

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

Name of Owner:

By: ______________________________

(Signature)

Preference Priorities	Developer Claimed		Minnesota Housing Awarded

Of: ______________________________

(Name of Legal Entity)

Its: ______________________________

(Title) (Managing General Partner)

____

(Print or type name of signatory)

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

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Methodologies

- Workforce Housing Communities
- Preservation Geographic Priority Areas
- Community Economic Integration
- Access to Higher Performing Schools
- Location Efficiency
- Qualified Census Tracts, Tribal Equivalent Areas
- Rural/Tribal Designated Areas
- Cost Containment
- Continuum of Care (CoC) Priorities

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Workforce Housing Communities Methodology

Communities with a need for workforce housing are identified through data on: total jobs in 2014; 5 year job growth; or long distance commuting. Data on jobs and growth are from the Minnesota Department of Employment and Economic Development's Quarterly Census of Employment and Wages[1]. Data on commuting are from the US Census Bureau's Longitudinal Employer-Household Dynamics program[2]. Workforce housing areas are defined separately for the Twin Cities Metro (7 County) and Greater Minnesota. The priority has two point levels, 6 and 3 points. The following sections describe the eligible communities and buffers around these communities for the two regions. Applicants will find interactive maps to identify whether a property falls within these areas at Minnesota Housing's website: www.mnhousing.gov > Policy & Research > Community Profiles.

- **6 Points**
  - **Top Job Centers**. A community is eligible if it is one of the top 10 job centers in Greater Minnesota or the top 5 job centers in the Twin Cities Metro as of 2014 as defined by total jobs.

(OR)

  - **Net Five Year Job Growth.** Communities are eligible in Greater Minnesota if they have at least 2,000 jobs in the current year and had a net job growth of at least 100 jobs in the last year. In the Twin Cities Metro the minimum net job growth is 500. Minnesota Housing will publish the most current available data from the Dept. of Employment and Economic Development, 2009-2014; but will add additional communities when more current data becomes available in April 2017 for the 2018 QAP.

(OR)

  - **Individual Employer Growth.** A community is eligible if an individual employer has added at least 100 net jobs (for permanent employees of the company) during the last five years, and can provide sufficient documentation signed by an authorized representative of the company to prove the growth.

(OR)

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

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[1]The 5 year job growth communities presented in this methodology are for 2009-2014. Minnesota Housing will also add eligible 2010-2015 growth communities by application release of the 2018 QAP. Data source: http://mn.gov/deed/data/data-tools/qcew.jsp

[2] Data from LEHD are current to 2013. Minnesota Housing will also add eligible communities with more current data available by application release of the 2018 QAP. Data source: http://lehd.did.census.gov/data/.

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

The maps and tables below and on following pages list and display eligible areas for the Twin Cities Metro (pages 2 and 3) and Greater Minnesota (pages 4 and 5). Additional communities that would become eligible in the next year with updated data will be added to the lists; no communities will be subtracted from the lists.

Twin Cities Metro Job Centers and Ranked Job Growth Communities 2009-2014 (6 Points)

Twin Cities Metro Top 5 Job Centers (2014)
Minneapolis, Hennepin
Saint Paul, Ramsey
Bloomington, Hennepin
Eagan, Dakota
Eden Prairie, Hennepin

Twin Cities Metro Communities With Net Growth of 500 Jobs or More (2009-2014)	
Andover, Anoka	Lakeville, Dakota
Anoka, Anoka	Little Canada, Ramsey
Apple Valley, Dakota	Maple Grove, Hennepin
Blaine, largely Anoka	Maplewood, Ramsey
Bloomington, Hennepin	Medina, Hennepin
Brooklyn Center, Hennepin	Minneapolis, Hennepin
Brooklyn Park, Hennepin	Minnetonka, Hennepin
Burnsville, Dakota	New Brighton, Ramsey
Chanhassen, largely Carver	Oakdale, Washington
Chaska, Carver	Plymouth, Hennepin
Coon Rapids, Anoka	Ramsey, Anoka
Eagan, Dakota	Rogers, Hennepin
Eden Prairie, Hennepin	Rosemount, Dakota
Edina, Hennepin	Roseville, Ramsey
Golden Valley, Hennepin	Saint Louis Park, Hennepin
Ham Lake, Anoka	Saint Paul, Ramsey
Hopkins, Hennepin	Shakopee, Scott
Hugo, Washington	Vadnais Heights, Ramsey
Inver Grove Heights, Dakota	Waconia, Carver
Lake Elmo, Washington	Woodbury, Washington

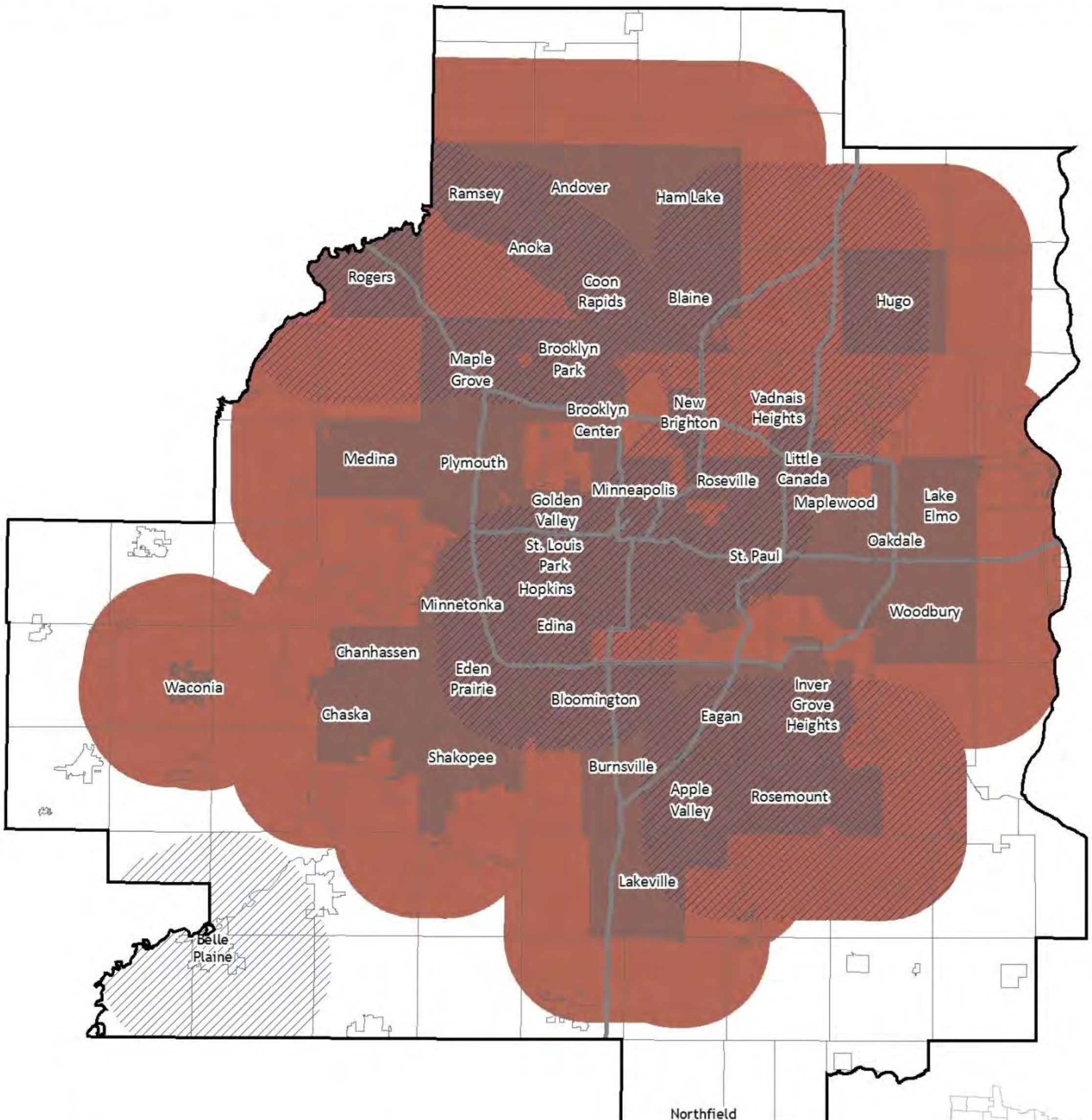
Source: Minnesota Housing analysis of Minnesota Dept. of Employment and Economic Development Quarterly Census of Employment and Wages (2009-2014).

Twin Cities Metro Long Commute Communities (3 Points)

Twin Cities Metro Long Commute Communities		
Belle Plaine	Falcon Heights	Rogers
Champlin	Lino Lakes	Rosemount
Edina	North Oaks	

Source: Minnesota Housing analysis of US Census Longitudinal Employer Household Dynamics Data, 2013.

Metro Workforce Housing Communities for 2018 QAP (with 2009-2014 data)



-Job centers are defined by total jobs in 2014.
-Job growth is a measure of change in total jobs between 2009 and 2014.
-To be eligible as a job growth community, a community must have 2,000 or more jobs in 2014.
-Long Commute Communities have 15% or more of the workforce traveling 30+ miles to work.

Top 5 Job Center or Growth >=500 Jobs (6 Points)
Long Commute Community (3 points)

Minnesota Housing Finance Agency

Source: Minnesota Housing analysis of MN Department of Employment and Economic Developments Quarterly Census of Employment and Wages. Date: 12/29/2015

Greater Minnesota Job Centers and Job Growth Communities 2008-2013 (6 Points)

Greater Minnesota Top 10 Job Centers (2014)
Rochester, Olmsted
Duluth, Saint Louis
Saint Cloud, largely Stearns
Mankato, largely Blue Earth
Winona, Winona
Owatonna, Steele
Willmar, Kandiyohi
Moorhead, Clay
Austin, Mower
Alexandria, Douglas

Greater MN Communities With Net Growth of 100 jobs or more, 2009-2014	
Albertville, Wright	Melrose, Stearns
Alexandria, Douglas	Montevideo, Chippewa
Baxter, Crow Wing	Monticello, Wright
Bemidji, Beltrami	Mora, Kanabec
Brainerd, Crow Wing	Mountain Iron, Saint Louis
Cambridge, Isanti	New Ulm, Brown
Cannon Falls, Goodhue	North Branch, Chisago
Cloquet, Carlton	North Mankato, largely Nicollet
Delano, Wright	Northfield, largely Rice
Detroit Lakes, Becker	Owatonna, Steele
Dodge Center, Dodge	Perham, Otter Tail
Duluth, Saint Louis	Red Wing, Goodhue
Elk River, Sherburne	Rochester, Olmsted
Faribault, Rice	Roseau, Roseau
Glencoe, McLeod	Saint Cloud, largely Stearns
Glenwood, Pope	Saint Michael, Wright
Grand Rapids, Itasca	Saint Peter, Nicollet
Hermantown, Saint Louis	Sartell, largely Stearns
Hibbing, Saint Louis	Sauk Rapids, Benton
Hinckley, Pine	Staples, largely Todd
Lake City, Goodhue-Wabasha	Thief River Falls, Pennington
Le Sueur, largely Le Sueur	Waite Park, Stearns
Litchfield, Meeker	Willmar, Kandiyohi
Luverne, Rock	Winona, Winona
Mankato, largely Blue Earth	Wyoming, Chisago
Marshall, Lyon	

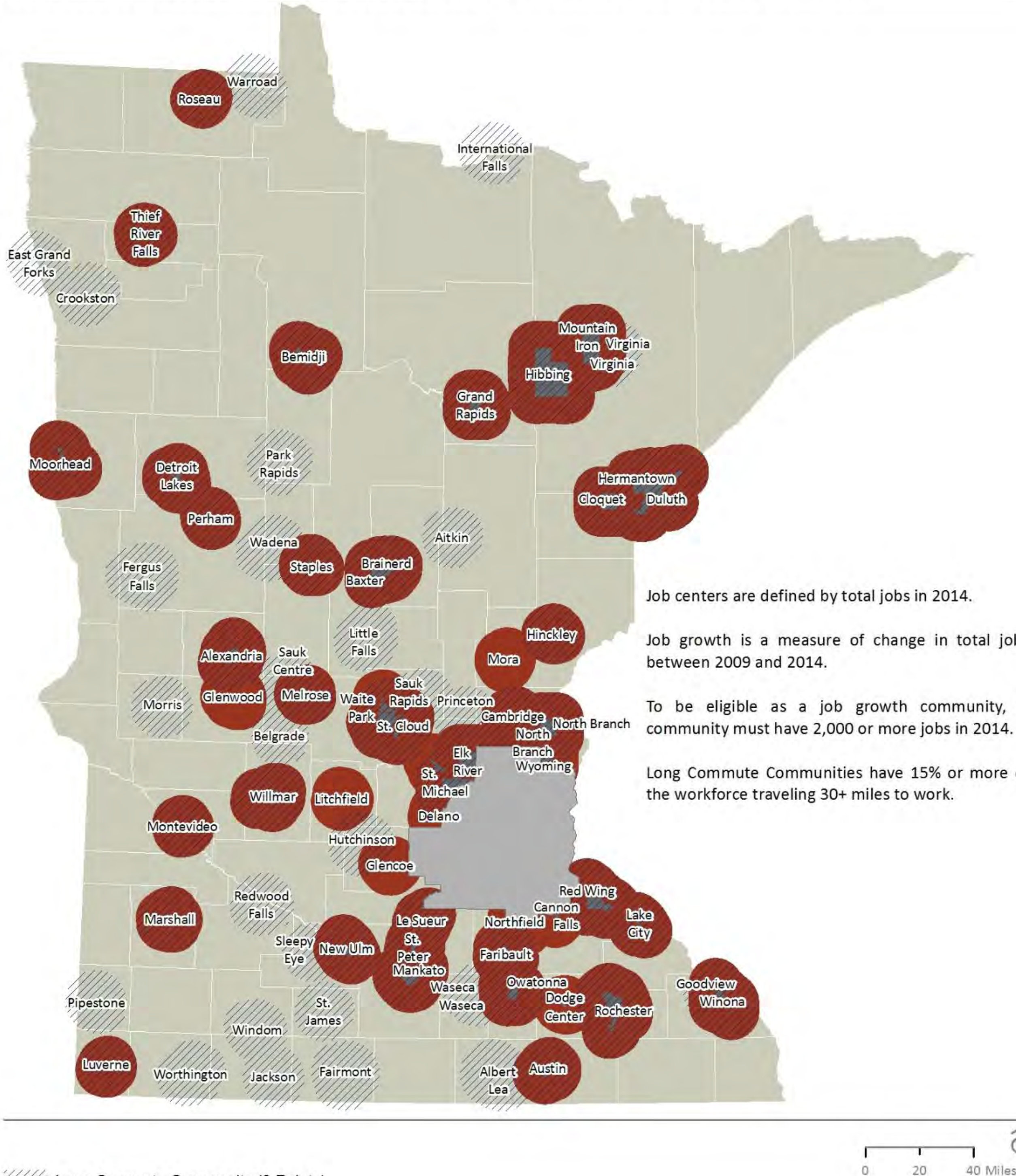
Source: Minnesota Housing analysis of Minnesota Dept. of Employment and Economic Development Quarterly Census of Employment and Wages (2009-2014).

Greater Minnesota Long Commute Communities (3 Points)

Greater Minnesota Metro Long Commute Communities			
Aitkin	Fergus Falls	Montevideo	Sauk Rapids
Albert Lea	Foley	Moorhead	Sleepy Eye
Alexandria	Goodview	Morris	St. Cloud
Austin	Grand Rapids	Mountain Iron	St. James
Baxter	Hermantown	New Ulm	St. Michael
Belgrade	Hibbing	North Branch	St. Peter
Bemidji	Hinckley	North Mankato	Staples
Brainerd	Hutchinson	Owatonna	Thief River Falls
Cambridge	International Falls	Park Rapids	Virginia
Cloquet	Jackson	Perham	Wadena
Crookston	Lake City	Pipestone	Waite Park
Detroit Lakes	Le Sueur	Princeton	Warroad
Duluth	Little Falls	Red Wing	Waseca
East Grand Forks	Luverne	Redwood Falls	Willmar
Elk River	Mankato	Rochester	Windom
Fairmont	Marshall	Roseau	Winona
Faribault	Melrose	Sauk Centre	Worthington

Source: Minnesota Housing analysis of US Census Longitudinal Employer Household Dynamics Data, 2013.

Greater Minnesota Workforce Housing Communities for 2018 QAP



Job centers are defined by total jobs in 2014.

Job growth is a measure of change in total jobs between 2009 and 2014.

To be eligible as a job growth community, a community must have 2,000 or more jobs in 2014.

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

Long Commute Community (3 Points)

Top 10 Job Center or Growth >=100 Jobs (6 Points)

Source: Minnesota Housing analysis of MN Department of Employment and Economic Developments Quarterly Census of Employment and Wages. Date: 12/29/2015

Minnesota Housing Finance Agency

Preservation Geographic Priority Areas

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

1. Regional Definitions

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

Table 1 – Metro and MSA Counties

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

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

2. Job and Household Growth Communities Methodology

Areas can be defined as a growth community in two ways, through job or household growth. Job growth areas are determined by a city or township's job growth between 2009 and 2014, based on data from the Minnesota Department of Employment and Economic Development's Quarterly Census of Employment and Wages[1]. Household growth areas are determined by a census tract or city's growth in total households between 2000 and 2014, based on data from the US Census's Decennial Census and American Community Survey.

2.1 Job Growth

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

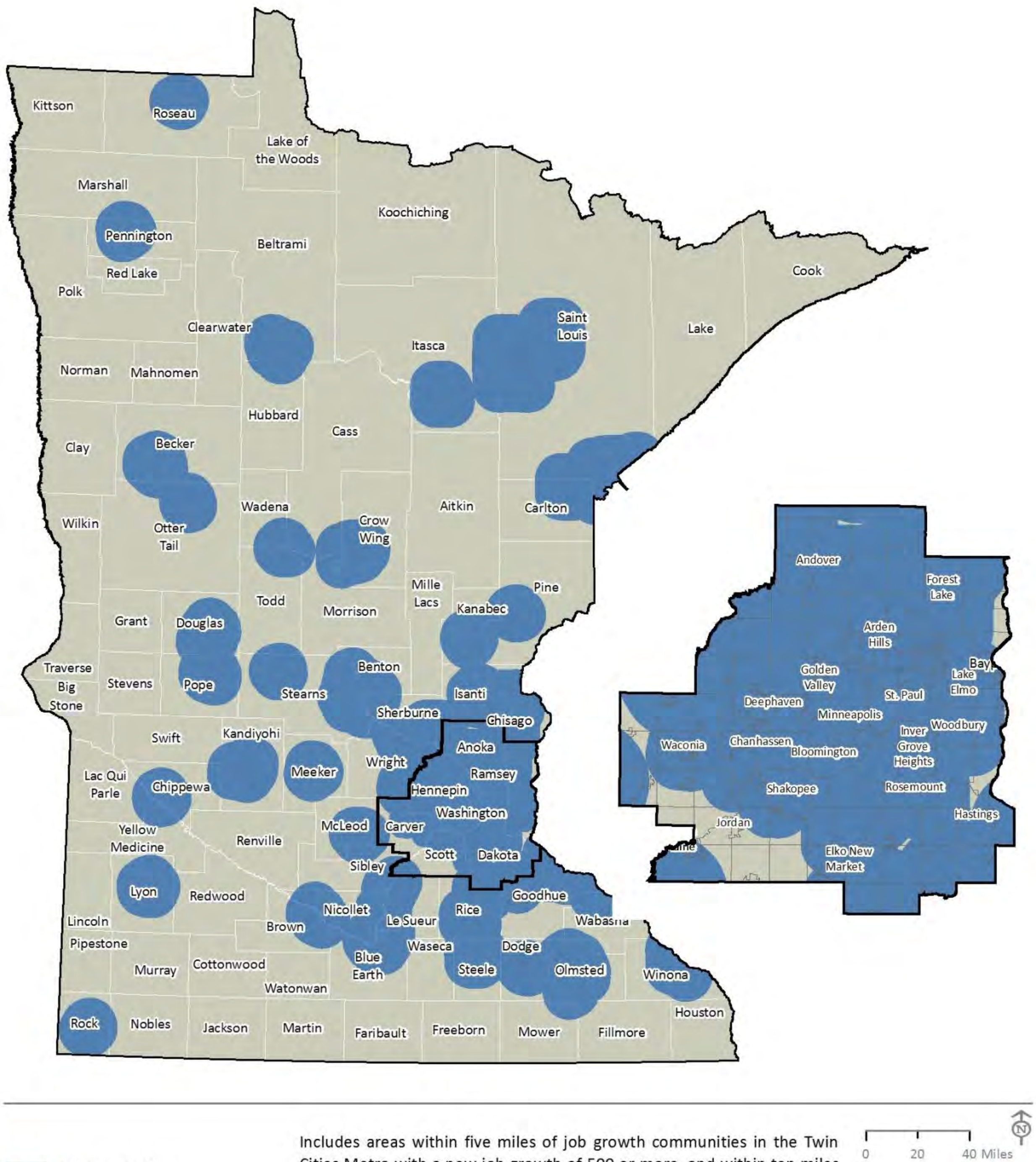
Communities will be identified as job growth if they are in Greater Minnesota with at least 2,000 jobs in the current year that have had a net job growth of a minimum of 100 jobs, or in the Twin Cities Metro with a net job growth of 500 or more in the past 5 years. Minnesota Housing is publishing the most current available data from the Dept. of Employment and Economic Development (2009-2014); but will add additional communities using the most current data available when the application is released for the 2018 QAP in April 2017. Areas within five miles of communities in the Twin Cities seven county metro area and within 10 miles of communities in Greater Minnesota are included for a modest commuteshed. Table 2 on the next page and the map on page 4 identify and show the communities that meet this definition. An interactive version of this map is available on the Minnesota Housing website: www.mnhousing.gov > Policy & Research > Community Profiles.

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

Table 2 – Job Growth Communities 2009-2014

Twin Cities Metro Communities With Net Growth of 500 Jobs or More (2009-2014)		Greater MN Communities With Net Growth of 100 jobs or more, 2009-2014	
Andover, Anoka	Lakeville, Dakota	Albertville, Wright	Melrose, Stearns
Anoka, Anoka	Little Canada, Ramsey	Alexandria, Douglas	Montevideo, Chippewa
Apple Valley, Dakota	Maple Grove, Hennepin	Baxter, Crow Wing	Monticello, Wright
Blaine, Anoka	Maplewood, Ramsey	Bemidji, Beltrami	Mora, Kanabec
Bloomington, Hennepin	Medina, Hennepin	Brainerd, Crow Wing	Mountain Iron, Saint Louis
Brooklyn Center, Hennepin	Minneapolis, Hennepin	Cambridge, Isanti	New Ulm, Brown
Brooklyn Park, Hennepin	Minnetonka, Hennepin	Cannon Falls, Goodhue	North Branch, Chisago
Burnsville, Dakota	New Brighton, Ramsey	Cloquet, Carlton	North Mankato, Nicollet
Chanhassen, Carver	Oakdale, Washington	Delano, Wright	Northfield, largely Rice
Chaska, Carver	Plymouth, Hennepin	Detroit Lakes, Becker	Owatonna, Steele
Coon Rapids, Anoka	Ramsey, Anoka	Dodge Center, Dodge	Perham, Otter Tail
Eagan, Dakota	Rogers, Hennepin	Duluth, Saint Louis	Red Wing, Goodhue
Eden Prairie, Hennepin	Rosemount, Dakota	Elk River, Sherburne	Rochester, Olmsted
Edina, Hennepin	Roseville, Ramsey	Faribault, Rice	Roseau, Roseau
Golden Valley, Hennepin	Saint Louis Park, Hennepin	Glencoe, McLeod	Saint Cloud, Stearns
Ham Lake, Anoka	Saint Paul, Ramsey	Glenwood, Pope	Saint Michael, Wright
Hopkins, Hennepin	Shakopee, Scott	Grand Rapids, Itasca	Saint Peter, Nicollet
Hugo, Washington	Vadnais Heights, Ramsey	Hermantown, Saint Louis	Sartell, largely Stearns
Inver Grove Heights, Dakota	Waconia, Carver	Hibbing, Saint Louis	Sauk Rapids, Benton
Lake Elmo, Washington	Woodbury, Washington	Hinckley, Pine	Staples, largely Todd
		Lake City, Goodhue-Wabasha	Thief River Falls, Pennington
		Le Sueur, largely Le Sueur	Waite Park, Stearns
		Litchfield, Meeker	Willmar, Kandiyohi
		Luverne, Rock	Winona, Winona
		Mankato, Blue Earth	Wyoming, Chisago
		Marshall, Lyon	

Map 1 - Job Growth Priority Areas



Job Growth Areas

Includes areas within five miles of job growth communities in the Twin Cities Metro with a new job growth of 500 or more, and within ten miles of all job growth communities (for communities with at least 2,000 jobs) in Greater Minnesota.

Minnesota Housing Finance Agency

Source: MN Dept. of Employment and Economic Development Quarterly Census of Employment and Wages (2009 and 2014), 1/5/2016

2.2 Household Growth

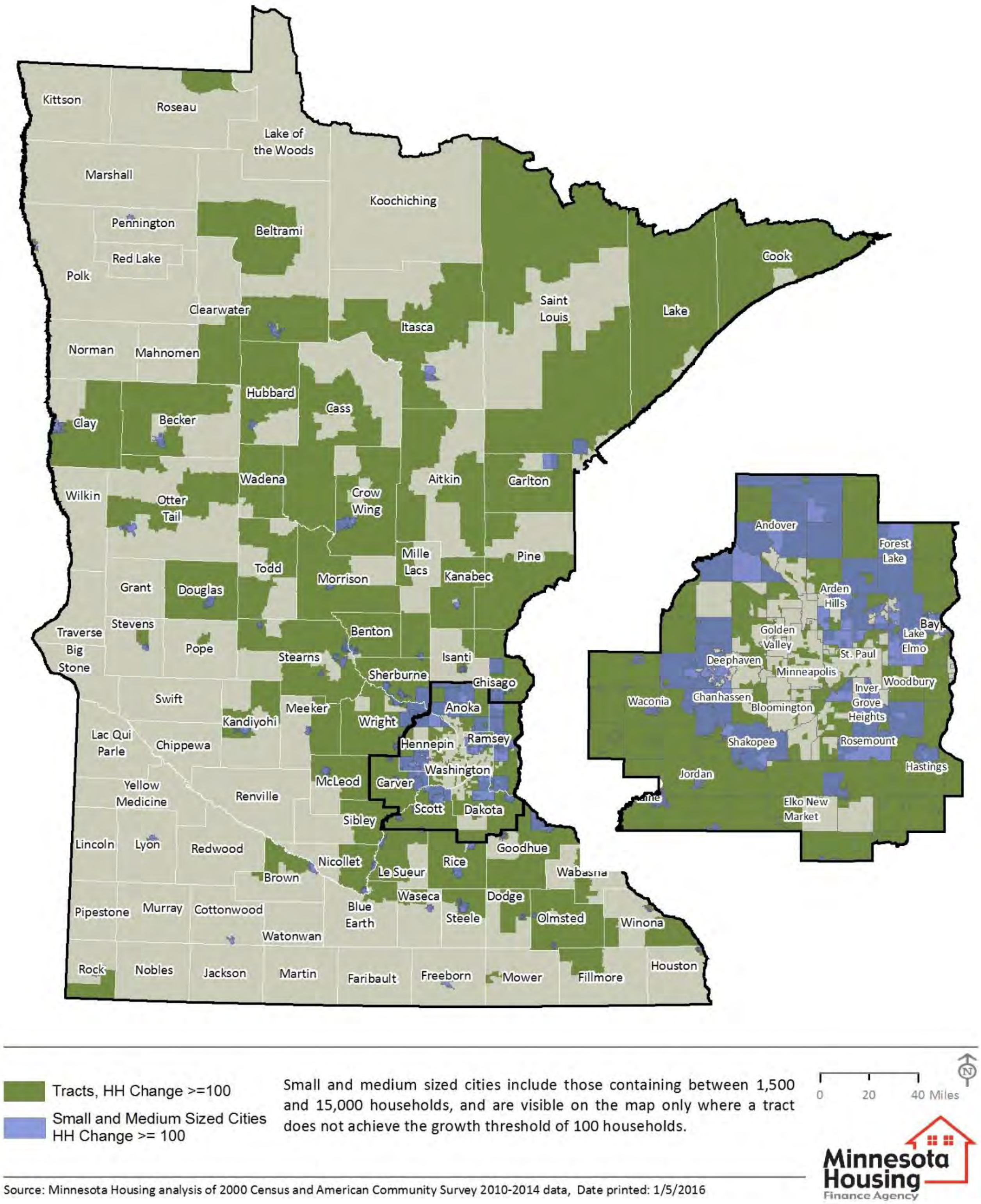
To be identified as a community with household growth, an area is eligible in two ways. First, census tracts with total household growth of 100 or more between 2000 and 2014 are eligible. An increase of 100 households represents the 60th percentile of household change statewide. (60% of census tracts in the state had a change in households less than 100.)

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

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

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

Map 2 - Household Growth Priority Areas

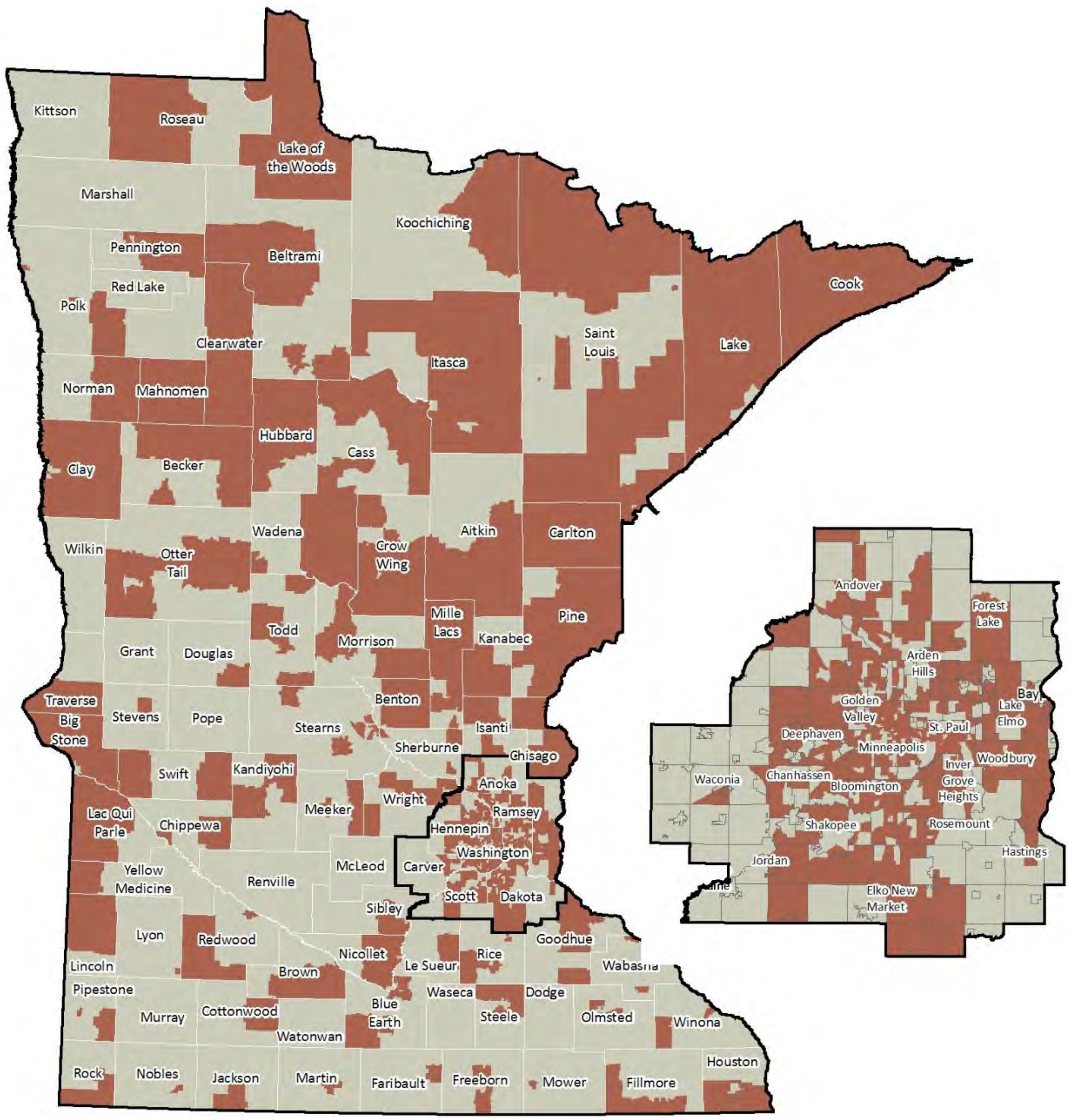


3. Communities with an Affordable Housing Gap Methodology

3.1. Supply and Demand Gap of Affordable Rental Housing

To be identified as a community with a gap in affordable housing, census tracts need to have a gap of affordable housing units as calculated by the difference between the number of renters in a tract that have incomes at or below 50% of Area Median Income (AMI) and the number of rental units that are affordable to households at or below 50% AMI. Using HUD's Comprehensive Housing Affordability Strategy (CHAS) data from 2008-2012, a gap of 5 units represents the 50th percentile of census tracts (50% of tracts have a smaller gap). Map 3 on the following page shows the Statewide and Metro areas with large gaps. Areas in maroon depict tracts that achieve this threshold.

Map 3 - Affordable Unit Gap



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

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

Minnesota Housing Finance Agency

Source: Minnesota Housing analysis of HUD's 2008-2012 Comprehensive Affordability Housing Strategy (CHAS) data, Date printed: 1/5/2016

Community Economic Integration Methodology

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

Communities are eligible for these points in the 7-county Twin Cities metropolitan area and areas in and around Duluth, St. Cloud, and Rochester. For applicants to be awarded 7 or 9 points for community economic integration, the proposed housing needs to be located in a community (census tract) with the median family income meeting or exceeding the region's[1] 40th percentile for 7 points and 80th percentile for 9 points, based on data published in the American Community Survey (ACS) for 2014. For each region, the 40 percent of census tracts with the lowest incomes are excluded from receiving points. The census tract must also meet or exceed a regional threshold for low and moderate wage jobs[2] within five miles of the Census tract based on data published by the Local Employment Dynamics program of the US Census Bureau for 2013. In the Twin Cities metro, the 10 percent of census tracts with the fewest low and moderate wage jobs within five miles of the tract are excluded, and in Greater Minnesota, the 20 percent of census tracts with the fewest low and moderate wage jobs are excluded[3]. To promote economic integration, the criteria identify higher income communities that are close to low and moderate wage job centers.

This document includes maps of the census tracts that meet the two tiers of community economic integration as well as a list of census tracts by county for each tier. Maps 1 and 2 display the Census tracts that meet these criteria, and the corresponding tables show the total number of jobs and median incomes needed to achieve the thresholds by region. In the maps we have identified racially/ethnically-concentrated areas of poverty (R/ECAPs), which are a Census tract-based concept developed by HUD[4]. R/ECAPs are not located in tracts eligible for economic integration points. Interactive tools will be made available for applicants and staff to map project locations and determine economic integration points through the community profiles at www.mnhousing.gov > Policy & Research > Community Profiles.

Areas outside the 7-county Twin Cities metropolitan area, Duluth, Rochester, and St. Cloud are not eligible for economic integration or school performance points, but they are eligible for 10 points under the Rural/Tribal Designated Areas.

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

[2] Low and moderate wage jobs are those with a monthly earning less than or equal to $3,333, using LED data from the US Census (2013).

[3] In the case where an urban-sized Census tract (less than 25 square miles) is completely surrounded by a census tract that meets this eligibility, it is also identified as having access to jobs.

[4] R/ECAPs must have a non-white population of 50 percent or more and has a poverty rate that exceeds 40 percent or is three or more times the average tract poverty rate for the metropolitan/micropolitan area, whichever threshold is lower (http://egis.hud.opendata.arcgis.com/datasets/320b8ab5d0304daaa7f1b8c03ff01256_0).

First Tier Community Economic Integration – 9 Points

Meet or exceed the 80th percentile of median family income and meet or exceed the 20th percentile of low and moderate wage jobs within 5 miles of the Census tract in Greater Minnesota and the 10th percentile of low and moderate wage jobs within 5 miles in the Twin Cities Metro.

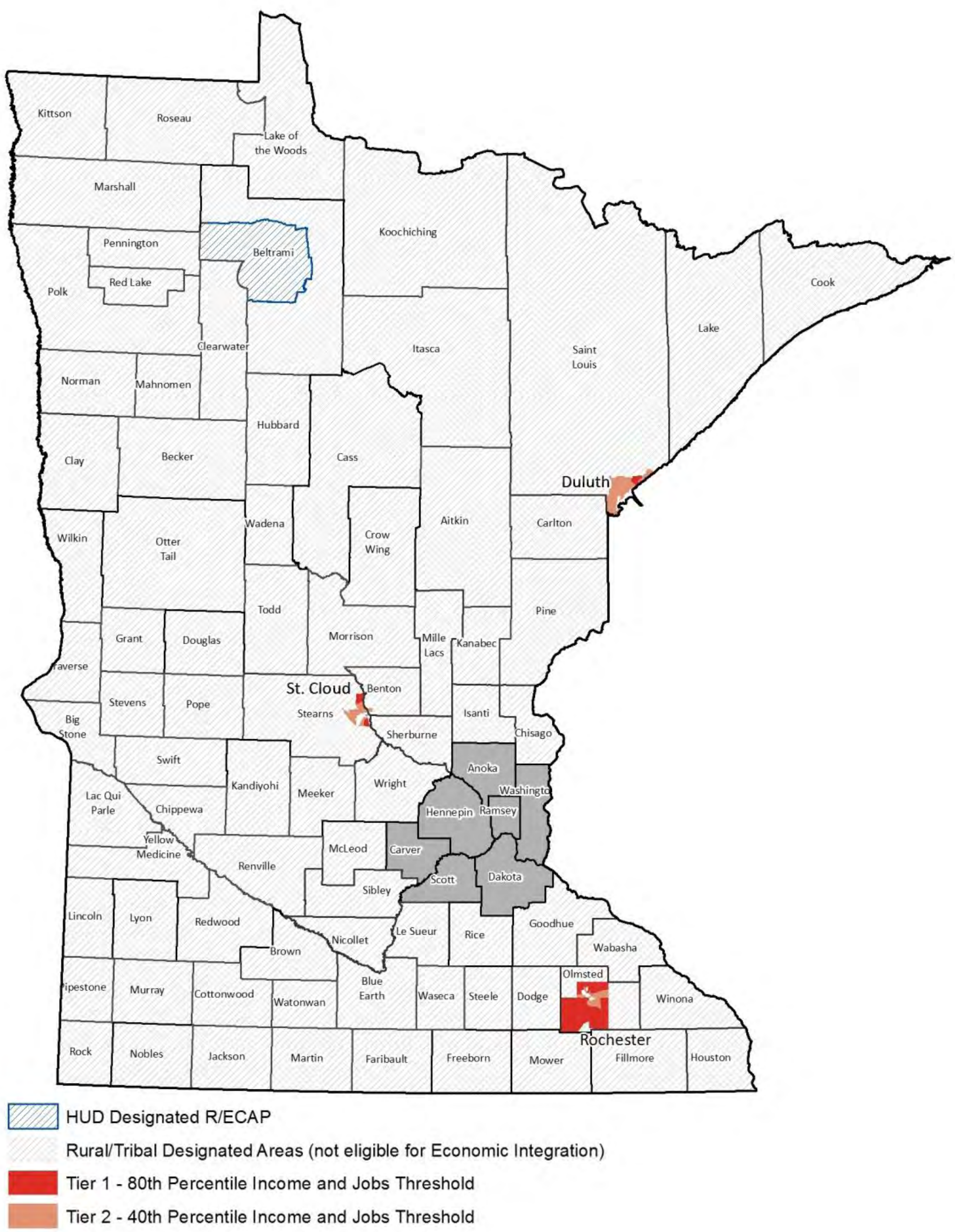
Second Tier Community Economic Integration – 7 Points

Meet or exceed the 40th percentile of median family income (but less than the 80th percentile) and meet or exceed the 20th percentile of low and moderate wage jobs within 5 miles of the Census tract in Greater Minnesota and the 10th percentile of low and moderate wage jobs within 5 miles in the Twin Cities Metro.

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

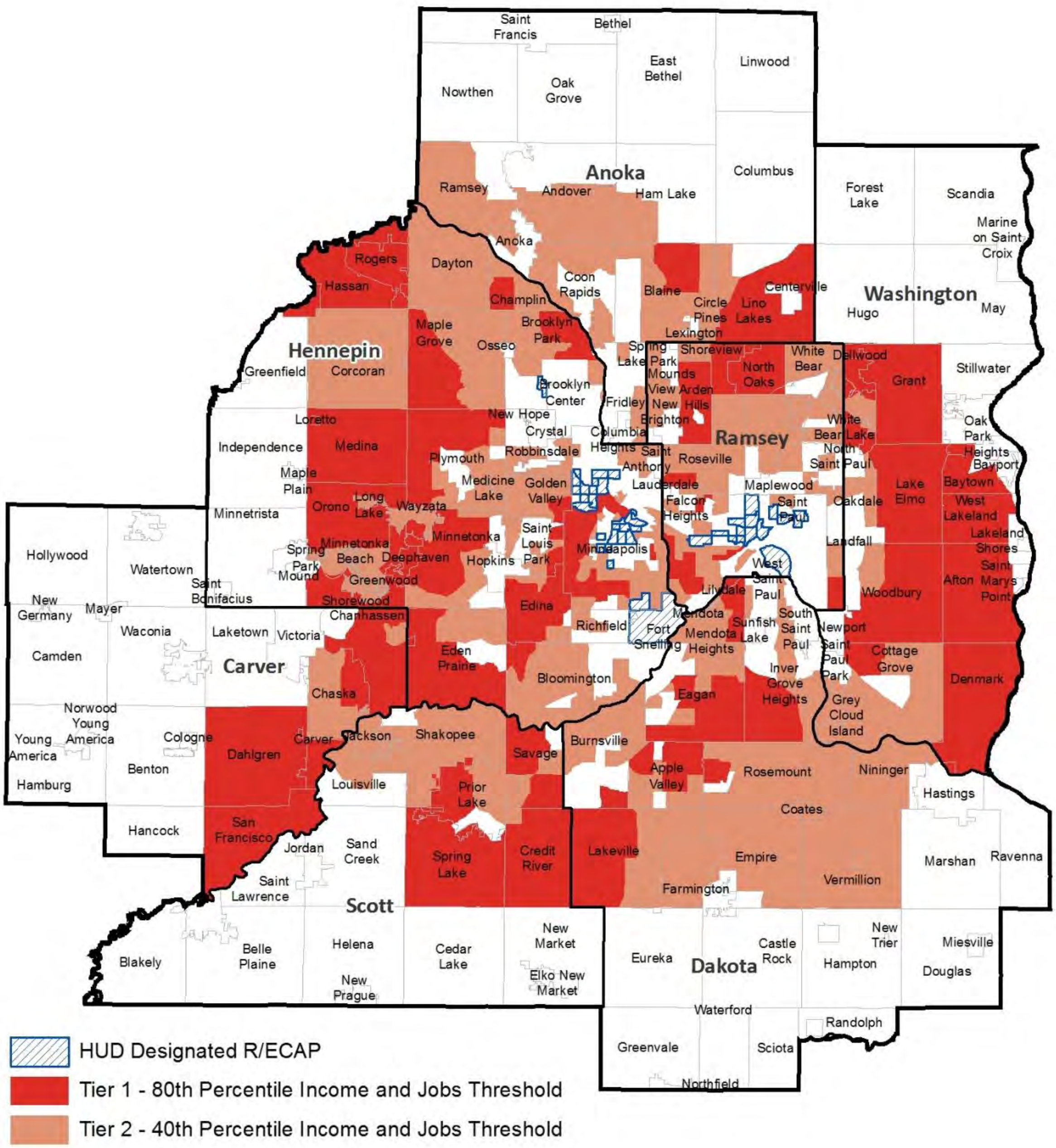
Community Economic Integration *(Twin Cities Metro on next page)*	Non Metro MSAs
Jobs within 5 miles / 20th percentile	3,713
Med Family Income / 40th percentile	$62,083
Med Family Income / 80th percentile	$88,397

MAP 1 – CENSUS TRACTS MEETING REGION'S 40TH AND 80TH PERCENTILE THRESHOLDS FOR MEDIAN INCOME & 20TH PERCENTILE FOR LOW AND MODERATE WAGE JOBS WITHIN 5 MILES (OUTSIDE OF RURAL/TRIBAL AREAS)



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

	Twin Cities 7 County Metro
Jobs within 5 miles / 10th percentile	18,156
Med Family Income / 40th percentile	$73,403
Med Family Income / 80th percentile	$109,718



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

Anoka	
502.08	*
502.15	*
502.19	*
502.2	*
502.21	*
502.22	*
502.23	*
502.24	*
502.26	*
502.27	*
502.28	*
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Access to Higher Performing Schools Methodology

Access to higher performing schools is based on whether a development is located in an area that meets at least two out of three school performance assessments:

- Share of 3rd graders who are reading proficient - 2014/2015 school year -Need to meet or exceed the statewide rate of 58.7%[1]
- Share of 8th graders who are math proficient - 2014/2015 school year -Need to meet or exceed the statewide rate of 57.8%[1]
- Share of high school students that graduate on time - 2013/2014* school year -Need to meet or exceed the statewide rate of 81.17%[2]

Applicants can receive 4 points if the development is located in an area considered to have access to higher performing schools. The same regions eligible for economic integration points are also eligible for access to higher performing school points. This includes the 7-county Twin Cities metropolitan area, along with areas in and around Duluth, Rochester, and Saint Cloud.

Each elementary school, middle school[3], and high school attendance boundary are assessed separately and then combined for a final score. If a school is equal to or greater than the statewide average, it meets that performance threshold for that measure. If at least two of the three measurements achieve the performance threshold, the area is eligible for points.

Access to higher performing schools is based on elementary attendance boundaries[4]. Points for 8th grade math proficiency and high school graduation rate are assigned to the elementary school that feeds into those middle and high schools. Private, charter, and magnet schools are excluded from this analysis.

Minnesota Department of Education has not released 2014/2015 graduation rates. Minnesota Housing will update with 2014/2015 data upon its release if prior to final publication of the Qualified Allocation Plan on April 28, 2016, adding any areas that become eligible with the new data and subtracting areas that no longer qualify.

This document includes maps of the areas eligible for points given their access to higher performing schools. Interactive tools will be made available for applicants and staff to map project locations and determine the high-performing school points through the community profiles at www.mnhousing.gov > Policy & Research > Community Profiles.

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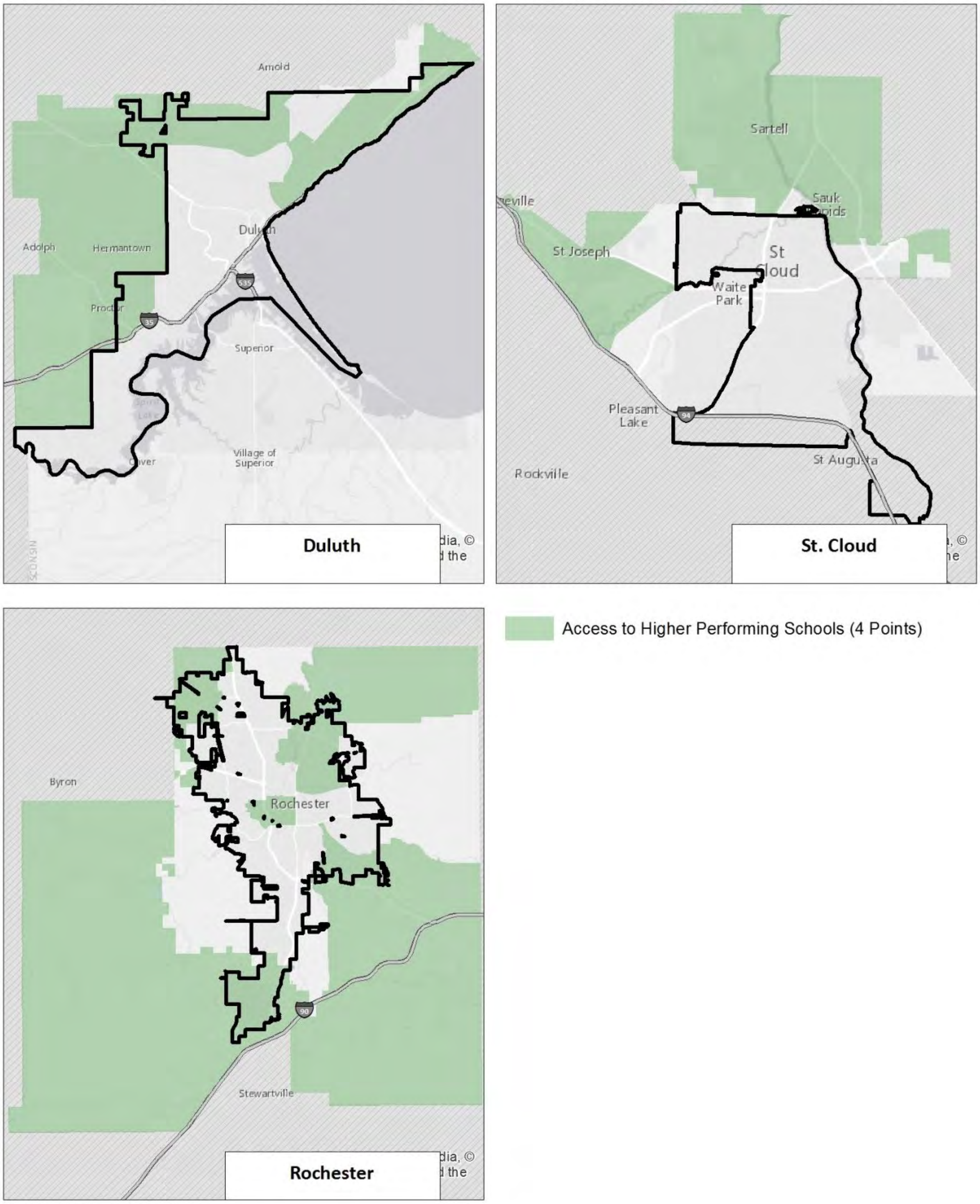
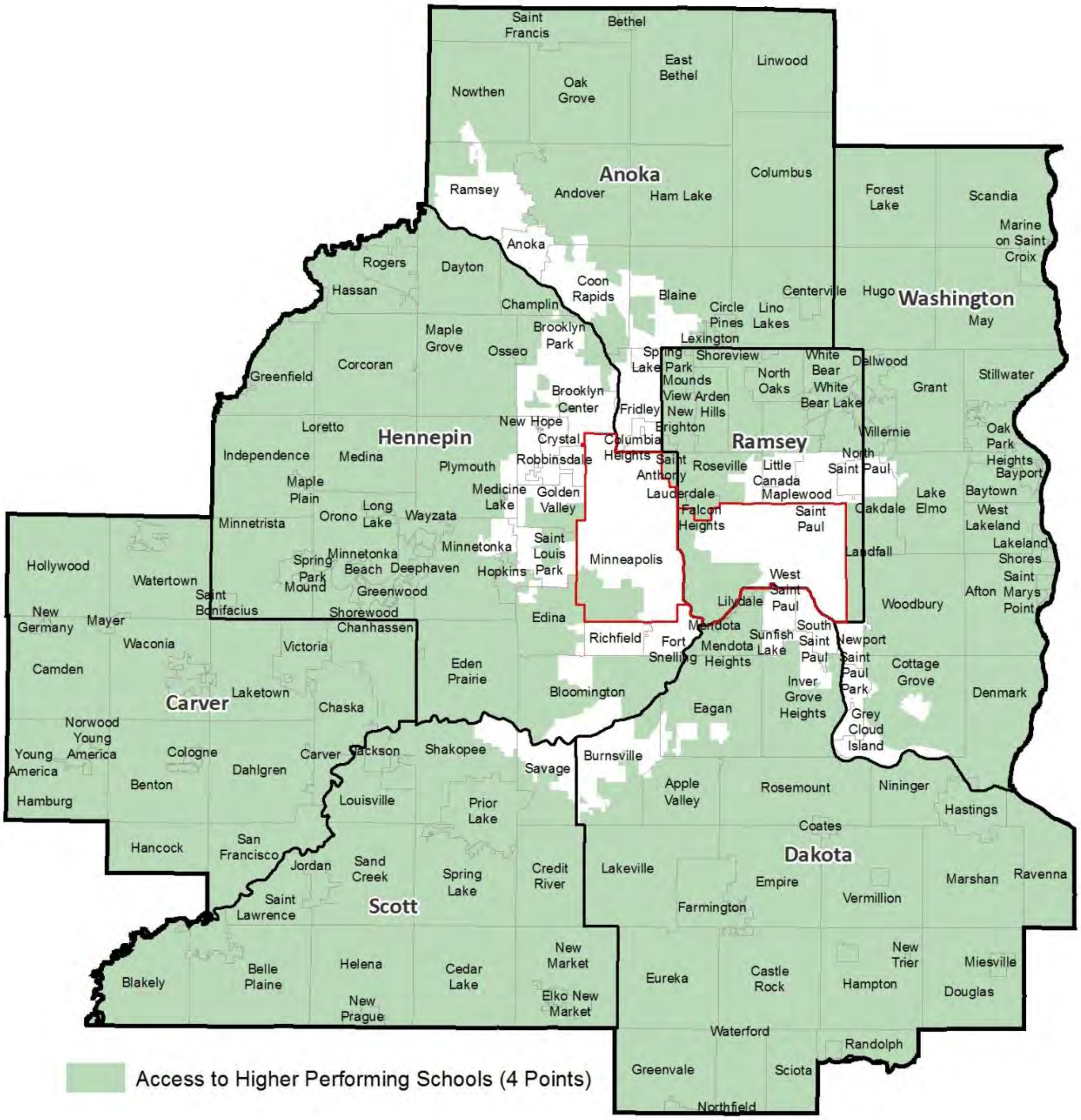
[1] Based on Minnesota Comprehensive Assessments (MCA) Series III test scores by school for 2014/2015 school year – 3rd and 8th grade proficiency. Data source: http://w20.education.state.mn.us/MDEAnalytics/Data.jsp.
[2] Based on 4-year graduation rates by school for 2013/2014 school year. Data source: http://w20.education.state.mn.us/MDEAnalytics/Data.jsp.
[3] If a middle school attendance boundary is not defined or a middle school does not exist, the high school attendance boundary is used.
[4] Data source Minnesota Department of Education via the Minnesota Geospatial Commons: https://gisdata.mn.gov/organization/us-mn-state-mde.

Areas outside the 7-county Twin Cities metropolitan area, Duluth, Rochester, and St. Cloud are not eligible for school performance or economic integration points, but they are eligible for 10 points under the Rural/Tribal Designated Areas.


Arnold
Duluth
Adolph
Hermantown
Superior
Village of Superior
Duluth
Sartell
Sauk Rapids
St Joseph
St Cloud
Waite Park
Pleasant Lake
Rockville
St. Cloud
Byron
Rochester
Stewartville
Rochester
Access to Higher Performing Schools (4 Points)


Anoka
Hennepin
Ramsey
Washington
Carver
Scott
Dakota
Saint Francis
Bethel
East Bethel
Linwood
Nowthen
Oak Grove
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Andover
Ham Lake
Columbus
Anoka
Coon Rapids
Blaine
Circle Pines
Lino Lakes
Centerville
Lexington
Forest Lake
Scandia
Marine on Saint Croix
Hugo
May
Rogers
Dayton
Hassan
Champlin
Brooklyn Park
Maple Grove
Osseo
Corcoran
Greenfield
Brooklyn Center
Fridley
Spring Lake Park
Mounds View
Shoreview
Arden Hills
New Brighton
North Oaks
White Bear
White Bear Lake
Dellwood
Grant
Stillwater
Loretto
Independence
Medina
New Hope
Crystal
Robbinsdale
Columbia Heights
Saint Anthony
Roseville
Little Canada
Maplewood
North Saint Paul
Vadnais Heights
Willernie
Oak Park Heights
Bayport
Baytown
Lake Elmo
Oakdale
West Lakeland
Lakeland
Lakeland Shores
Plymouth
Maple Plain
Medicine Lake
Golden Valley
Lauderdale
Falcon Heights
Saint Paul
Minnetrista
Orono
Long Lake
Wayzata
Minnetonka
Saint Louis Park
Minneapolis
Landfall
Spring Park
Mound
Minnetonka Beach
Deephaven
Hopkins
Greenwood
Hollywood
Watertown
Saint Bonifacius
Shorewood
Chanhassen
Edina
West Saint Paul
Lilydale
Afton
Saint Marys Point
Woodbury
New Germany
Mayer
Waconia
Victoria
Richfield
Fort Snelling
Mendota
Mendota Heights
Sunfish Lake
South Saint Paul
Newport
Saint Paul Park
Cottage Grove
Camden
Eden Prairie
Laketown
Chaska
Bloomington
Eagan
Inver Grove Heights
Grey Cloud Island
Denmark
Norwood Young America
Young America
Cologne
Dahlgren
Carver
Jackson
Shakopee
Savage
Burnsville
Apple Valley
Rosemount
Nininger
Hastings
Benton
Hamburg
Louisville
Prior Lake
Coates
Hancock
San Francisco
Jordan
Sand Creek
Spring Lake
Credit River
Lakeville
Empire
Vermillion
Marshan
Ravenna
Saint Lawrence
Farmington
Blakely
Belle Plaine
Helena
Cedar Lake
New Market
Elko New Market
New Prague
Eureka
Castle Rock
New Trier
Hampton
Miesville
Douglas
Waterford
Randolph
Greenvale
Sciota
Northfield
Access to Higher Performing Schools (4 Points)

Location Efficiency Methodology

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

Twin Cities Metropolitan Area

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

• **Access to Transit (one of the following):** *Applicants can map project locations and determine access to transit points at the Minnesota Housing Community Profiles tool: www.mnhousing.gov > Research & Publications > Community Profiles*		
Proximity to LRT/BRT/Commuter Rail Station	Locations within ½ mile of a planned[1] or existing LRT, BRT, or Commuter Rail Station. As of publication, lines include: Hiawatha, Central Corridor, Bottineau, and Southwest LRT, Northstar Commuter Rail, and stations of the Cedar Ave, Snelling, and I-35W BRT lines.	Points 5
Proximity to Hi-Frequency Transit Network	Locations located within ¼ mile of a fixed route stop on Metro Transit's Hi-Frequency Network.	4
Access to Public Transportation	Locations within one quarter mile of a high service[2] public transportation fixed route stop or within one half mile of an express route bus stop or park and ride lot.	2
• **Walkability (one of the following):**		
Walk Score of 70+	Walk Score is based on results from the following tool: www.walkscore.com. Applicant must submit a dated print out of locations' Walk Score from the Walk Score tool.[3]	2
Walk Score of 50-69		1
• **Transit Oriented Development (1 point if 1 item below is achieved, 2 points if 2 or more items are achieved):** *continued on next page*		

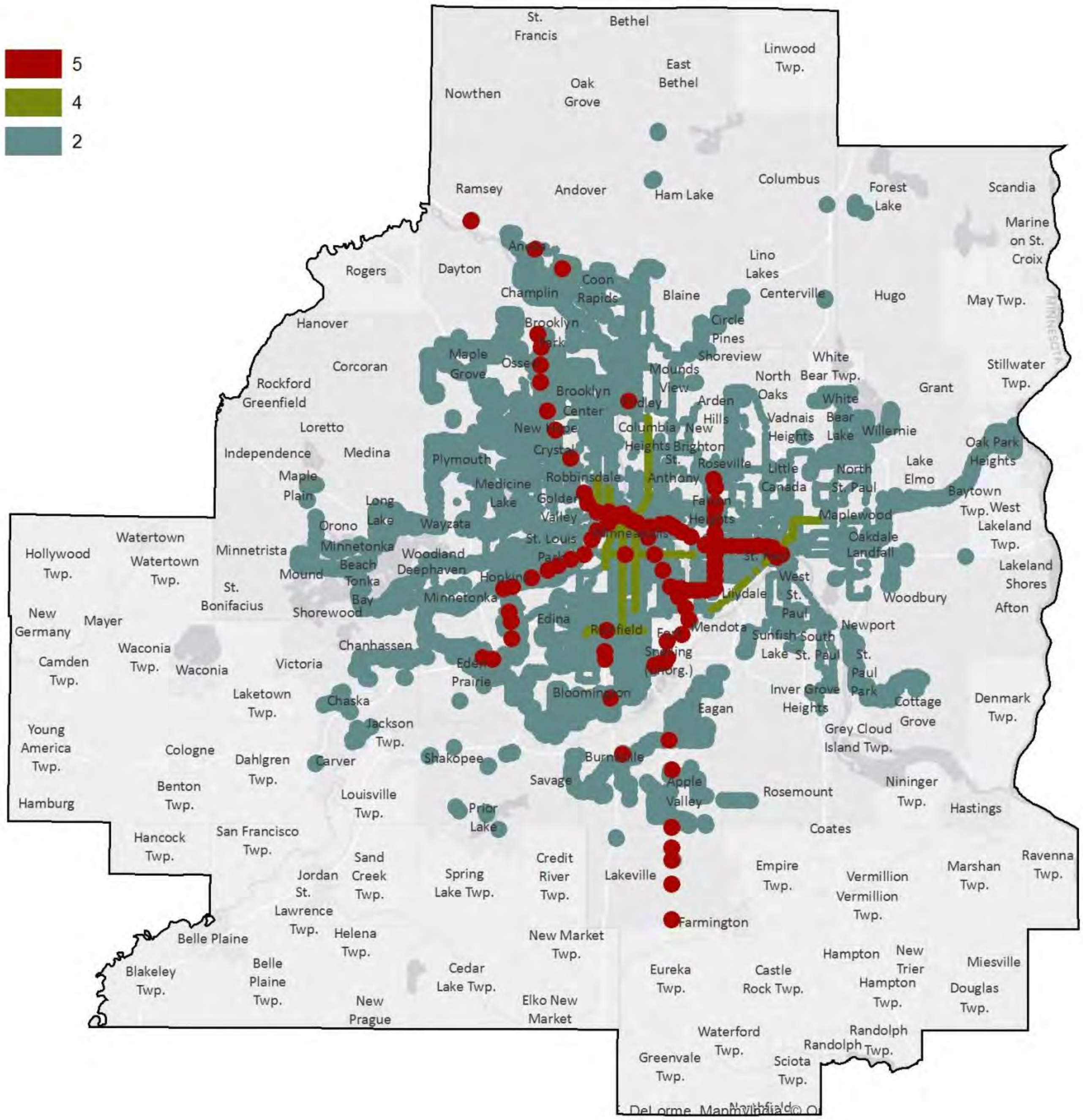
[1] Includes planned stations on future transitways that are in advanced design or under construction. To be considered in advanced design, transitways need to meet the following criteria: issuance of a draft EIS, station area planning underway, and adoption by the Metropolitan Council Transportation Policy Plan. Transitways entering into advanced design after publication will be eligible, but data may not be available using Minnesota Housing scoring tools.
[2] High service fixed route stop defined as those serviced during the time period 6 AM through 7 PM and with service approximately every half hour during that time.
[3] If applicants would like to request revisions of a location's Walk Score, they may contact Walk Score directly with details of the request to mhfa-request@walkscore.com. Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If an address cannot be found in the Walk Score tool, use closest intersection within ¼ mile of the proposed location.

• **Transit Oriented Development (1 point if 1 item below is achieved, 2 points if 2 or more items are achieved):** *To be eligible for any of these points, the location must be within ¼ mile of a planned or existing LRT, BRT, or Commuter Rail Station.*[4]	
Parking	Parking for residential units or visitors is not more than the smallest allowable parking minimum under local zoning requirements. If no residential parking or visitor parking is required under local zoning, no more than 0.2 visitor parking spaces per residential unit can be provided (i.e. 10 stalls in a 50 unit and 20 stalls in a 100 unit building).
Building Orientation and Connections	There must be existing walkable or bikeable connections from the property to the station area via sidewalk or trail or funding must be secured to create such connections, and there must be at least one accessible building entrance oriented toward such connections, and parking cannot be situated between the building and station area.
Density	Site density must be at the maximum allowable density under the local comprehensive plan.
Alternative Means	Alternatives include car sharing (Where one or more passenger automobiles are provided for common use by residents), bike storage, shared parking arrangements with adjacent property owners, etc. which results in a reduction in the local minimum parking requirement, and parking for residential units is not more than the local minimum parking requirement, or if no residential parking is required under local zoning, 10 or fewer parking stalls are provided.

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

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

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



Map Source: Minnesota Housing analysis of MetroTransit data on Hi-Frequency Network, Planned and Existing Transit Lines, bus service, and park and rides (obtained January 2016)

Greater Minnesota

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

A. For areas with fixed route transit service:

• **Access to Transit (one of the following):**		Points
Within ¼ mile of existing or planned[5] fixed route transit stop		7
Between ¼ mile and ½ mile of existing or planned fixed route transit stop		4
Less than ½ mile from an express bus route stop or park and ride lot		4
• **Walkability (one of the following):**		
Walk Score of 70+	Walk Score is based on results from the following tool: www.walkscore.com. Applicant must submit a dated print out of locations' Walk Score from the Walk Score tool.[6]	2
Walk Score of 50-69		1

B. For areas without fixed route transit service:

• **Access to Transit (one of the following):**	Points
Close to jobs and demand response/dial-a-ride service with no more than 1 hour advance notice required to schedule a pickup and no minimum number of riders are required.	7
Close to jobs and demand response/dial-a-ride service with same day pick-up guaranteed if scheduled by 8:00 a.m. or later and no minimum number of riders are required.	4
Close to jobs and demand response/dial-a-ride service not meeting the scheduling terms above.	2
• **Walkability (one of the following):**	
Close to jobs and Walk Score of 50+	2
Close to jobs and Walk Score of 35-49	1
• Jobs: property is located within a census tract that is close to low and moderate wage jobs[1] • *Dial-a-Ride:* The proposed housing has access to regular demand-response/dial-a-ride transportation service Monday through Friday during standard workday hours (7:00 AM to 5:30 PM). Applicants must provide documentation of access and availability of service and describe how the service is a viable transit alternative that	

[5] Greater Minnesota planned transit stops must be for fixed route service. For a Greater Minnesota planned fixed route-transit stop to be eligible for points under the QAP, applicants must provide detailed location and service information including time and frequency of service and estimated service start date, and provide evidence of service availability from the transit authority providing service. The major, federally funded transit authorities in Greater Minnesota are Duluth Transit Authority, East Grand Forks Transit, La Crescent Apple Express, Moorhead Metropolitan Area Transit, Rochester Public Transit, St. Cloud Metro Bus, and Mankato Transit. Other, smaller transit organizations are also eligible, including Tribal transit organizations, provided these organizations must have established fixed-route bus service.

[6] If applicants would like to request revisions of a location's Walk Score, they may contact Walk Score directly with details of the request to mhfa-request@walkscore.com. Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If address cannot be found in the Walk Score tool, use the closest intersection within ¼ mile of the proposed location.

could be used for transportation to work, school, shopping, services and appointments. Applicants can find service providers by county or city at the MN Department of Transportation Transit website: http://www.dot.state.mn.us/transit/riders/index.html.

- Walk Score is based on results from the following tool: www.walkscore.com. Applicant must submit a dated print out of locations' Walk Score from the Walk Score tool.

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

- The maps on page 6 display fixed route stops and ¼ and ½ mile buffers in Duluth, Rochester, Moorhead, Mankato, and St. Cloud.
- The map on page 7 displays the census tracts that are close to low and moderate wage jobs for 2013.
- Table 1 beginning on page 8 lists these census tracts. Interactive maps showing access to low and moderate wage jobs are provided on Minnesota Housing's website: www.mnhousing.gov > Policy & Research > Community Profiles

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

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Figure 2: Transit Access Point Levels in Greater Minnesota

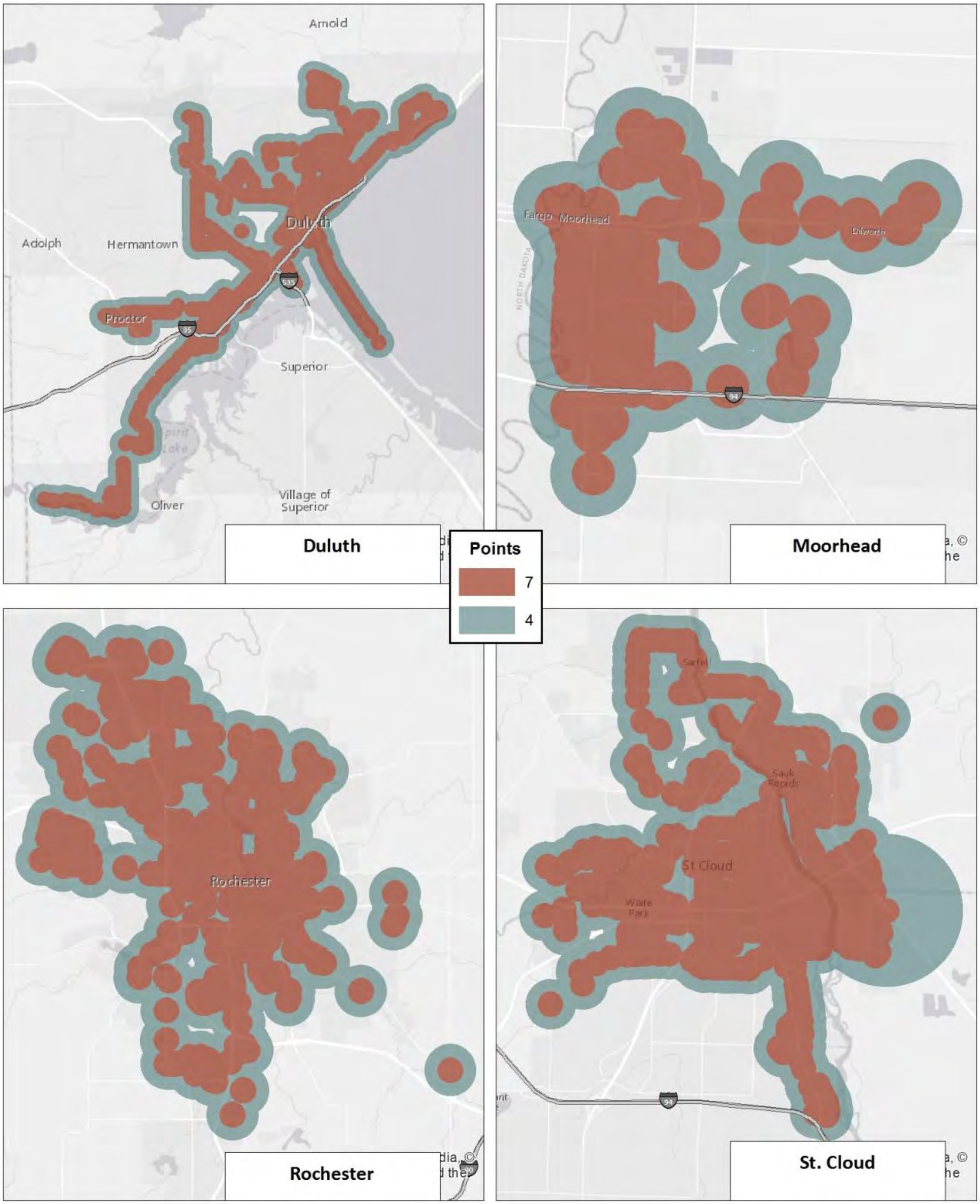
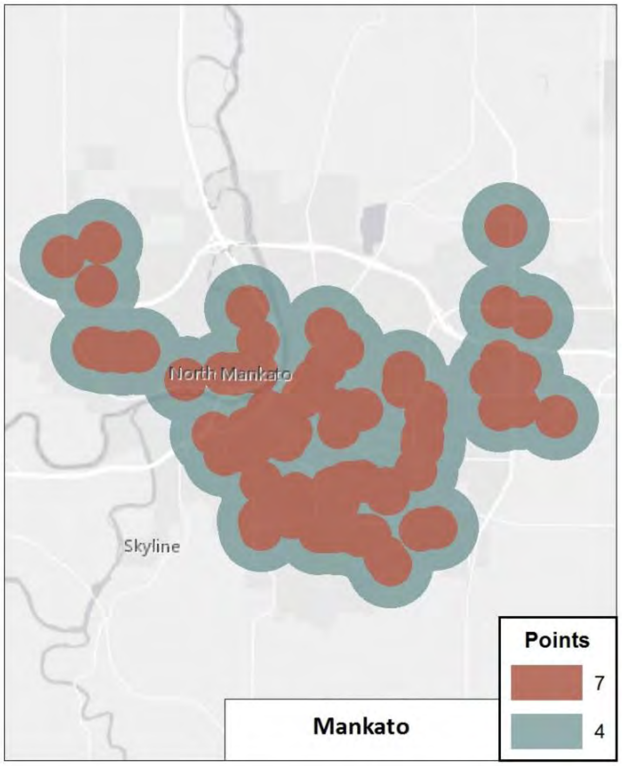
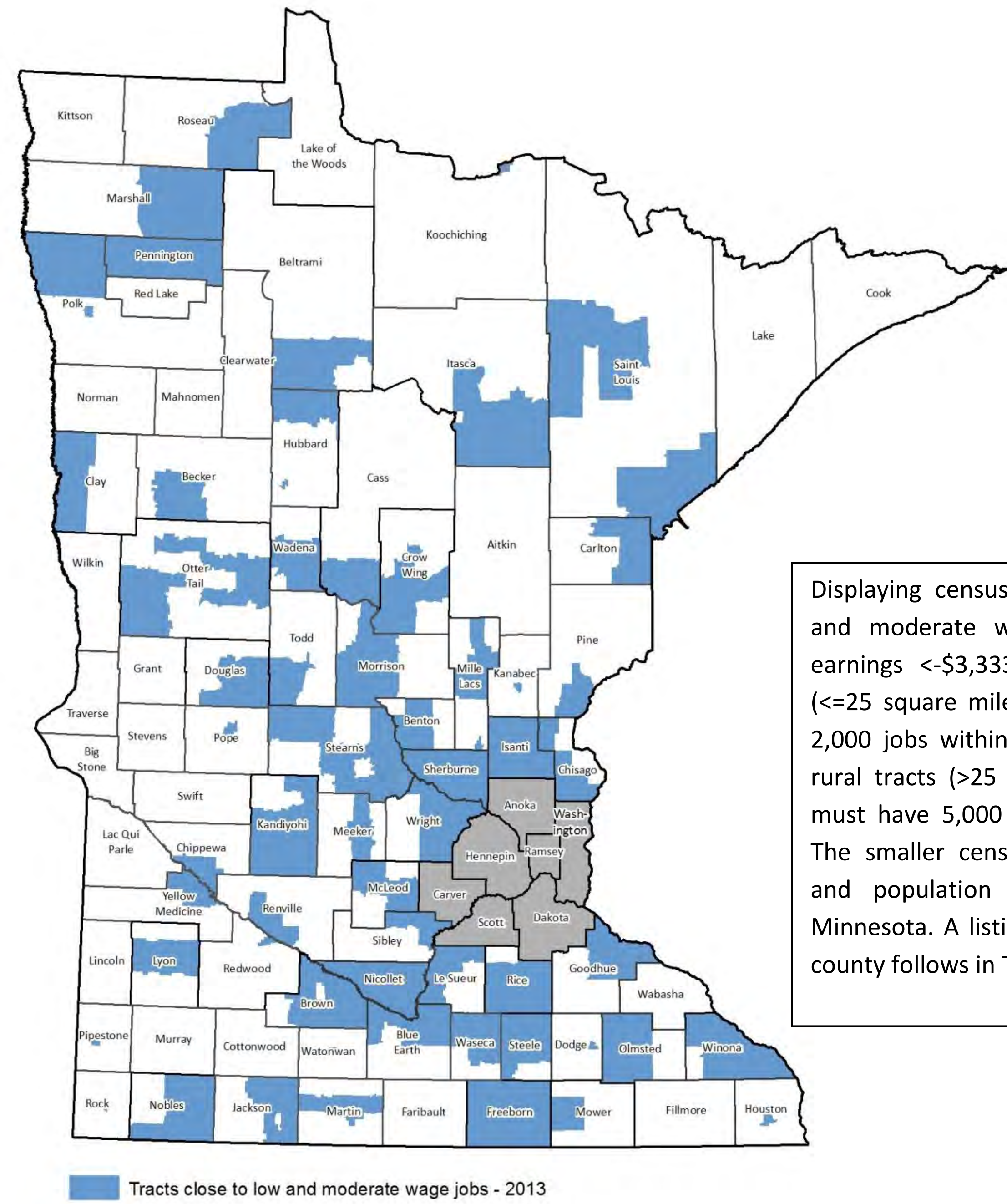


Figure 2: Transit Access Point Levels in Greater Minnesota



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

Figure 3: Jobs in Greater Minnesota



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

Map Source: Minnesota Housing analysis US Census Local Employment Dynamics program data, 2013.

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

Becker	**Brown**	301.03	801.01	7806
4503	9601.01	301.04	801.02	7807
4504	9601.02	301.06	802	7808
4505	9602	301.07	803	7810
4506	9603	**Crow Wing**	804	7811
4507	9604	9505.02	**Houston**	7812
4508	9607	9508	205	**Koochiching**
Beltrami	**Carlton**	9509	**Hubbard**	7901
4501	701	9510	701	7902
4502	702	9511	706	**Le Sueur**
4503	703	9512	**Isanti**	9501
4506	704	9513.01	1301	9502
4507.01	9400	9513.02	1302	9506
4507.02	**Cass**	9514	1303.01	**Lyon**
Benton	9608.01	**Dodge**	1303.02	3602
202.02	9608.02	9505	1304	3603
202.05	**Chippewa**	**Douglas**	1305.01	3604
202.06	9503	4505	1305.02	3605
203	9506	4506	1306	**Marshall**
211.01	**Chisago**	4507.01	**Itasca**	801
211.02	1101	4507.02	4803	**Martin**
212	1103.01	4508	4806	7902
Blue Earth	1103.02	4509	4807	7905
1701	1104.01	4510	4808.01	7906
1702	1104.02	**Freeborn**	4808.02	**McLeod**
1703	1105.01	1801	4809	9502
1704	1105.02	1802	4810	9503
1705	1106	1803	**Jackson**	9504
1706	**Clay**	1804	4801	9506
1707	201	1805	**Kanabec**	9507
1708	202.02	1806	4803	**Meeker**
1709	203	1807	**Kandiyohi**	5602
1711.01	204	1808	7709	5603
1712.02	205	1809	7801	5604
1713	206	1810	7804	**Mille Lacs**
1716	301.02	**Goodhue**	7805	1707

9703

Morrison

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Otter Tail

9604
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9610
9611
9613
9617

Pennington

901
902
903
904
905

Pine

9506
9507

Pipestone

4602
4603

Polk

201
202
203
204
206
207

Pope

9704

Redwood

7502
7503

Renville

7904

Rice

702
703
704
705.01
705.03
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707
708
709.01
709.02

Rock

5702

Roseau

9704

Sherburne

301.01
301.02
302
303
304.02
304.03
304.04
305.02
305.03
305.04
315

Sibley

1701.98

St. Louis

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9901
Stearns
3.01
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4.01
4.02
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6.01
6.02
7.01
8.01
9.01
10.01
101.01
101.02
102
105
106
111
112
113.01
113.04
114
115
116
Steele
9601
9602
9603
9604
9605
9606
9607
Todd
7906
7907
Wadena
4802
Waseca
7901
7903
7904
7905
Watonwan
9502
Winona
6701
6702
6703
6704
6705
6706
6707
6708
6709
Wright
1001
1002.02
1002.03
1002.04
1003
1007.01
1007.02
1007.03
1008.01
1008.02
1009
1010
1011
Yellow Medicine
9701

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Qualified Census Tracts (QCT), Tribal Equivalent Areas Methodology

QCT are based on Census Tract boundaries, but the boundaries of larger Census Tracts and reservations in greater Minnesota do not always align. Thus, large geographic areas of some low-income reservations are not classified as QCTs. Reservations that meet the criteria for designation as a QCT are treated as a QCT equivalent area if either (1) the entire reservation meets the definition of a QCT or (2) if a tract within the reservation is eligible under current HUD QCT criteria[1] . Applicants will find interactive maps to identify whether a property falls within these areas on Minnesota Housing's website – www.mnhousing.gov > Policy & Research > Community Profiles.

Eligible Areas

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

- Areas are eligible based on income thresholds if 50% or more of households have incomes below the average household size adjusted income limit for at least two of three evaluation years (2011-2013).
- Areas are eligible based on the poverty threshold if the poverty rate is 25% or higher for at least two of three evaluation years (2011-2013).

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

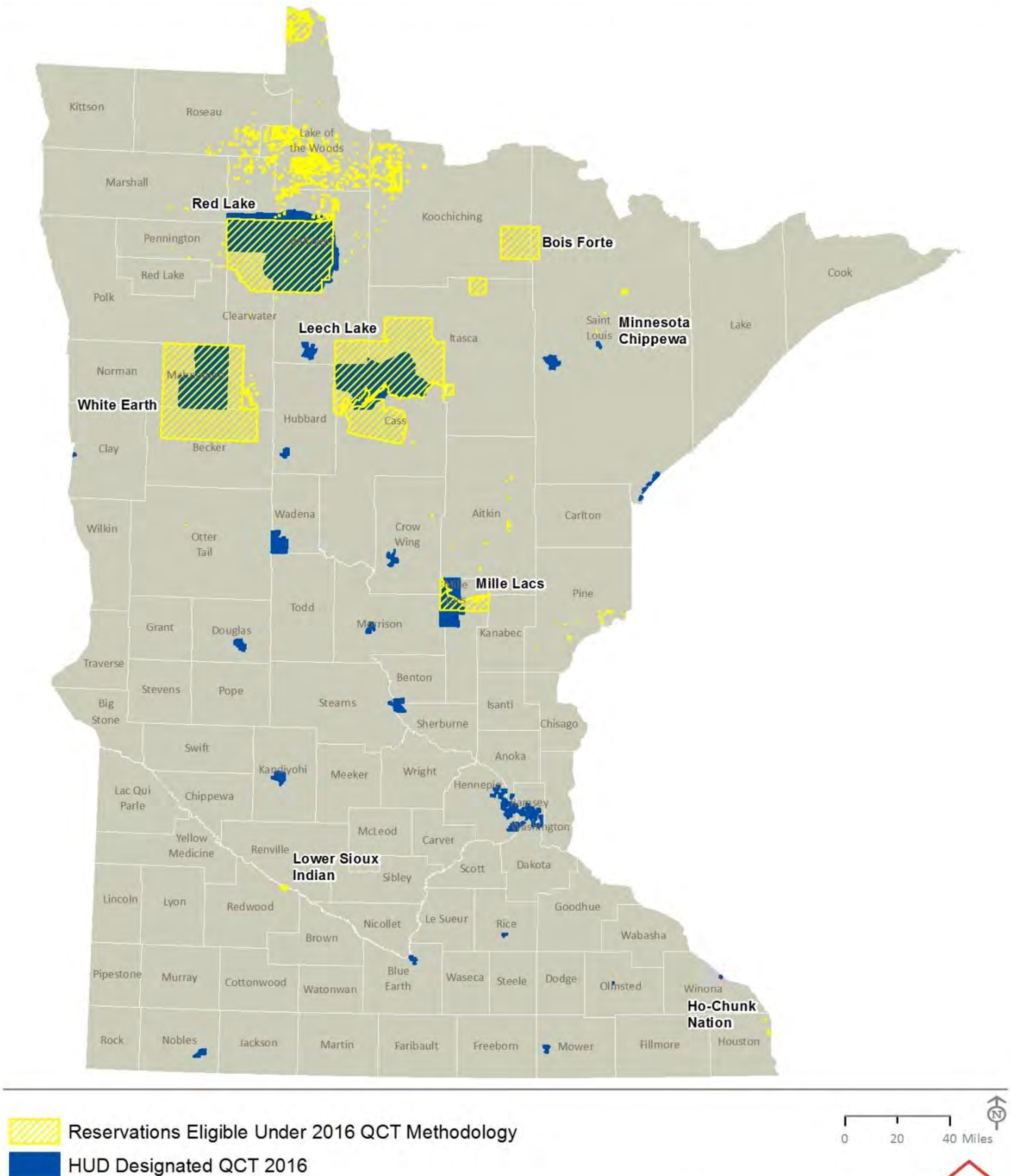
Indian Reservation	Years Eligible Based on Income	Years Eligible based on Poverty
Bois Forte Reservation, MN	2	0
Ho-Chunk Nation Reservation and Off-Reservation Trust Land, WI--MN	3	3
Leech Lake Reservation and Off-Reservation Trust Land, MN	1	2
Lower Sioux Indian Community, MN	1	3
Mille Lacs Reservation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

Sources: Decennial Census, HUD Income Limits (Statewide for Very Low Income, 50%), American Community Survey 2007-2011, 2008-2012, and 2009-2013 samples.

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

[1] HUD QCT Designation Algorithm found here: http://qct.huduser.org/tables/QCT_Algorithm_2016.htm

Qualified Census Tracts and Tribal Lands Eligible Under QCT Methods



Source: Minnesota Housing Analysis of American Community Survey Data for three periods, 2009-2013, 2008-2012 and 2007-2011. Tribal lands are 2014 boundaries from the US Census of American Indian, Alaska Native, and Native Hawaiin geographies.

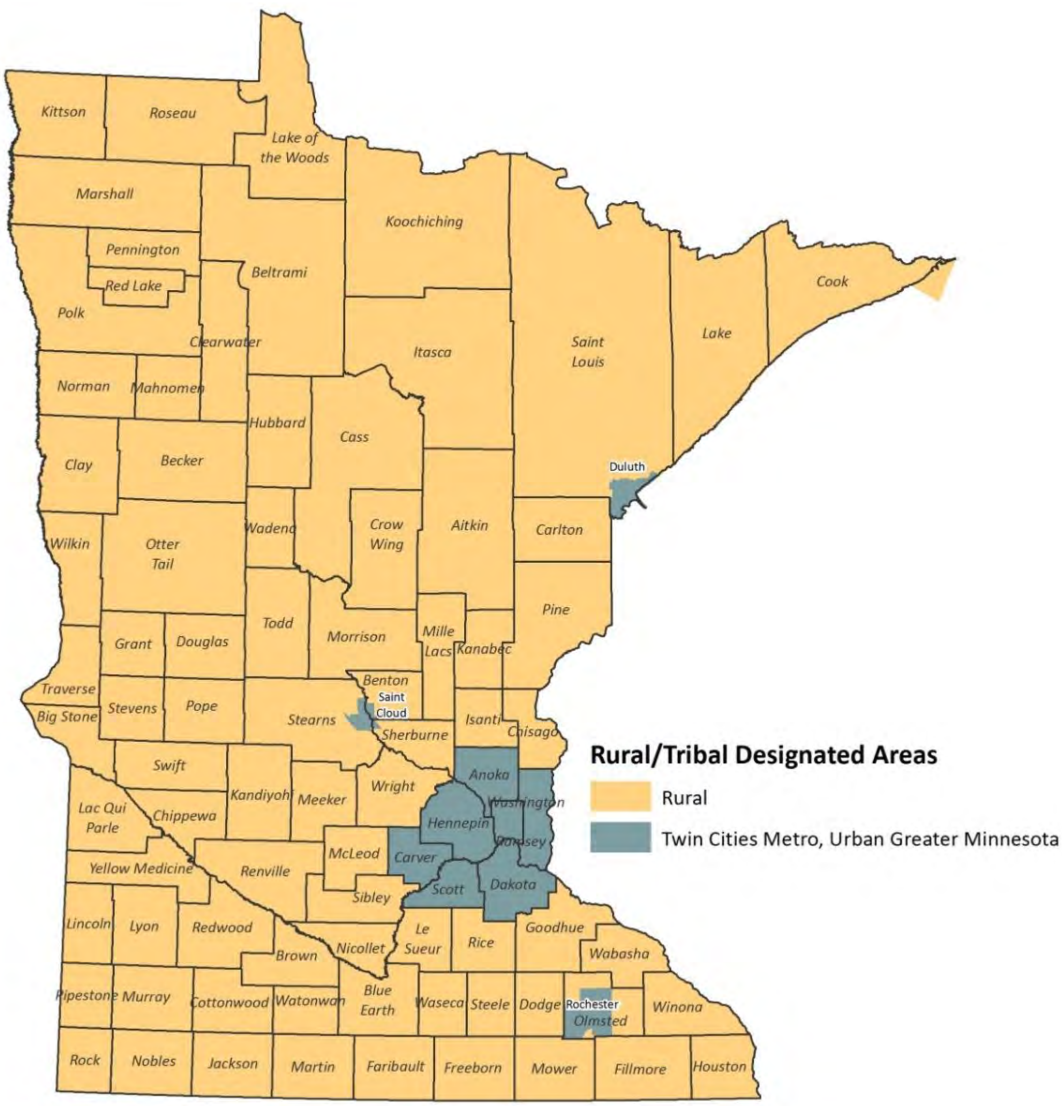
Minnesota Housing Finance Agency

Rural/Tribal Designated Areas[1]

Because communities in rural parts of Minnesota are not eligible for economic integration or school performance priority points, the selection process has a 10 point criterion for rural communities in order to maintain balance in the allocation plan.

Minnesota Housing defines rural communities as Census tracts outside of the Twin Cities 7 County Metropolitan Area and Census tracts largely outside Greater Minnesota cities with a population over 50,000. These cities include tracts in, Duluth, Rochester, and St Cloud.

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



Tracts Eligible for Rural/Tribal Designation Points

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

9503
Blue Earth
1701
1702
1703
1704
1705
1706
1707
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1713
1714
1715
1708
1712.02
1716
1711.01
Brown
9601.01
9601.02
9602
9603
9604
9605
9606
9607
Carlton
701
702
703
704
705
706
9400
Cass
9400.01
9400.02

9601
9602
9603.01
9603.02
9606
9607
9608.01
9608.02
Chippewa
9503
9504
9505
9506
Chisago
1101
1102
1103.01
1103.02
1104.02
1105.01
1105.02
1106
1107
1104.01
Clay
201
202.02
203
204
205
206
301.02
301.07
302.01
302.02
301.06
301.03
301.04

Clearwater
1
2
3
Cook
4801
4802
Cottonwood
2701
2702
2703
2704
Crow Wing
9501
9502.04
9504
9505.01
9505.02
9507
9508
9509
9510
9511
9512
9513.01
9513.02
9514
9516
9517
Dodge
9501
9502
9503
9504
9505
Douglas
4501
4502

4505
4506
4507.01
4507.02
4508
4509
4510
Faribault
4601
4602
4603
4604
4605
4606
Fillmore
9601
9602
9603
9604
9605
9606
Freeborn
1801
1802
1803
1804
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Goodhue
801.01
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Grant
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Houston
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Hubbard
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Isanti
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1303.02
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1305.02
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Itasca
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4808.01
4808.02
4809

4810
9400
Jackson
4801
4802
4803
4804
Kanabec
4801
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Kandiyohi
7709
7801
7802
7803
7804
7805
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7807
7808
7810
7811
7812
Kittson
901
902
Koochiching
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7902
7903
7905
Lac Qui Parle
1801
1802
1803
Lake
3701
3703
3704

Lake of the Woods
4603
4604
Le Sueur
9501
9502
9503
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Lincoln
2010.01
2010.02
Lyon
3601
3602
3603
3604
3605
3606
3607
Mahnomen
9401
9403
Marshall
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Martin
7901
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McLeod
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Meeker
5601
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Mille Lacs
1704
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9703
Morrison
7801
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Mower
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Murray
9001

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Nicollet
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4805.01
4805.02
Nobles
1051
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Norman
9601
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Olmsted
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Otter Tail
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Pine
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9506
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9508
Pipestone
4601
4602
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Polk
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Pope
9701

9702
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Red Lake
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Redwood
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7502
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7506
Renville
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7903
7904
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Rice
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709.01
709.02
Rock
5701
5702

5703
Roseau
9701
9702
9703
9704
9705
Saint Louis
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124
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Sherburne
301.01
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304.02
304.03
304.04
305.02
305.03
305.04
Sibley
1701.98
1702
1703
1704
Stearns
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104.01
104.02
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113.02
113.04
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Steele
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Stevens
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4802
4803
Swift
9601
9602
9603
9604
Todd
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7902
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7904
7905
7906
7907
7908
Traverse
4601
4602
Wabasha
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Cost Containment Methodology – 2018 QAP

Background

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

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

To address the issue of varying costs among developments for singles, families, and large families, the calculation of TDC per unit includes adjustment factors to bring these costs into equivalents terms. The adjustments reflect historical differences. For example, new construction costs for family/mixed developments are typically 16% higher than the costs for developments for singles. Thus, to make the costs for singles equivalent to those for families/mixed, TDCs per unit for singles are increased by 16% when making cost comparisons.

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

The purpose of the criterion is to give developers an incentive to "sharpen their pencils" and eliminate unnecessary costs and/or find innovative ways to minimize costs. Minnesota Housing does not want developers to compromise quality, durability, energy-efficiency, location desirability, and ability to house lower-income and vulnerable tenants. To ensure that these priorities are not compromised, all selected developments must meet Minnesota Housing's architectural and green standards. In addition, the Agency has intentionally set the points awarded under the cost containment criterion (6 points) to be equal to or less than the points awarded under other criterion, including economic integration, location efficiency, workforce housing, permanent supportive housing for households experiencing homelessness, and others.

Process for Awarding Points

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

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

- Adjust the costs for developments for singles and large families to make them equivalent to the costs for family/mixed developments. See the second column of Table 1 for the adjustments. For example, the TDC per unit for large-family new-construction projects is multiplied by 0.95 to make it equivalent to the costs for a family/mixed development. Specifically, if the TDC per unit is $240,000 for a large-family new-construction development, it is multiplied by 0.95 to compute the equivalent cost of $228,000.

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

- Within each group, award 6 points to the 50% of proposals with the lowest TDCs per unit.

  - If the number of proposals in a group is even, the number of proposals eligible to get points =
    (Number of proposals in group)/2

  - If the number of proposals in a group is odd, the number of proposals eligible to get points =
    (Number of proposals in group)/2
    Rounded down to nearest whole number

  However,

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

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

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

Table 1: 2018 QAP - Adjustment Factors and Thresholds to Determine if Middle Proposal Gets Points if Odd Number in Group

	Cost Adjustment to Families/ Mixed	Threshold Test if Odd Number of Proposals
New Construction Metro for Singles	1.16	$247,000
New Construction Metro for Families/Mixed	1.00	
New Construction Metro for Large Families	0.95	
New Construction Greater MN for Singles	1.16	$196,000
New Construction Greater MN for Families/Mixed	1.00	
New Construction Greater MN for Large Families	0.95	
Rehabilitation Metro for Singles	1.23	$197,000
Rehabilitation Metro for Families/Mixed	1.00	
Rehabilitation Metro for Large Families	0.83	
Rehabilitation Greater MN for Singles	1.23	$156,000
Rehabilitation Greater MN for Families/Mixed	1.00	
Rehabilitation Greater MN for Large Families	0.83	

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

Implementation Details

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

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

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

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

The "applicable cost threshold" will be determined by the cost-containment selection process. Within each of the 4 development/location types, the cost per unit of the proposal at the 50th percentile (using the identification process identified earlier) will represent the "applicable cost threshold" that projects receiving cost-containment points will need to meet (with appropriate adjustments for single, family/mixed, and large family developments). For example, if the 50th percentile proposal for new construction in Greater Minnesota is a family/mixed development with a per unit cost of $195,000, all new construction developments in Greater Minnesota receiving the cost-containment points will need to have a final cost per unit at or below this threshold when the project is completed. In making the assessment, the final costs for new-construction single developments will be multiplied by 1.16 and compared with the $195,000 threshold. Likewise, the final costs for large family developments will be multiplied by 0.95.

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

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

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

Predictive Cost Model And Cost Reasonableness

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

Continuum of Care (CoC) Priorities for the 2018 QAP

Priority Household Type Options: Singles, Families, Youth (age 24 and younger; includes singles or parenting youth)

Central	
County	**Household Type**
Benton	Singles
Cass	Families
Chisago	Singles
Crow Wing	Singles
Isanti	Singles
Kanabec	Families
Mille Lacs	Families
Morrison	Singles
Pine	Families
Sherburne	Families
Stearns	Singles
Todd	Singles
Wright	Families
Hennepin County	
Hennepin	Families
Northeast	
Aitkin	Singles
Carlton	Singles
Cook	Families
Itasca	Families
Koochiching	Singles
Lake	Families
Northwest	
Beltrami	Youth
Clearwater	Families
Hubbard	Families
Kittson	Families
Lake of the Woods	Families
Mahnomen	Families
Marshall	Families
Norman	Families
Pennington	Families
Polk	Families
Red Lake	Families
Roseau	Families
Ramsey County	
Ramsey	Singles

Southeast	
County	**Household Type**
Blue Earth	Singles
Brown	Singles
Dodge	Families
Faribault	Singles
Fillmore	Families
Freeborn	Families
Goodhue	Families
Houston	Families
Le Sueur	Singles
Martin	Singles
Mower	Families
Nicollet	Singles
Olmsted	Families
Rice	Families
Sibley	Singles
Steele	Families
Wabasha	Families
Waseca	Families
Watonwan	Singles
Winona	Families
St Louis County	
St Louis	Singles
Southwest	
Big Stone	Singles
Chippewa	Singles
Cottonwood	Singles
Jackson	Singles
Kandiyohi	Families
Lac qui Parle	Singles
Lincoln	Singles
Lyon	Singles
McLeod	Families
Meeker	Families
Murray	Families
Nobles	Families
Pipestone	Families
Redwood	Singles
Renville	Families
Rock	Families
Stone	Singles
Yellow Medicine	Singles
Suburban Metro Area	
County	**Household Type**
Anoka	Singles
Carver	Singles
Dakota	Singles
Scott	Singles
Washington	Singles
West Central	
Becker	Families
Clay	Families
Douglas	Families
Grant	Families
Otter Tail	Families
Pope	Families
Stevens	Families
Traverse	Families
Wadena	Families
Wilkin	Families

These priorities were determined and approved by each COC governing body. The COC is required to invite broad community input, including tribal representatives if the COC region includes tribal land, and must broadly advertise the meeting to vote on the priority. The COC must use the most recent, reliable local data and needs assessment to determine the priority. Recommended methodology is to use the local Point in Time Data (PIT), Housing Inventory Chart (HIC), and the HUD HDX formula for calculating need. Data from coordinated entry or local housing studies may also be used. The Minnesota Interagency Council on Homelessness verifies that the prioritization process is valid.

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Board Agenda Item: 8.A
Date: 2/25/2016

Item: 2016 Affordable Housing Plan and 2016-19 Strategic Plan: First Quarter Progress Report

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:
Staff has attached for your review the first quarter progress report for the 2016 Affordable Housing Plan and the 2016-19 Strategic Plan.

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):
- 2016 Affordable Housing Plan and 2016-19 Strategic Plan: First Quarter Progress Report

2016 Affordable Housing Plan and 2016-19 Strategic Plan First Quarter Progress Report

(October 1, 2015 – September 30, 2016)

February 18, 2016

Overview

Tables 1-3 summarize the Agency's activities through the first quarter of the 2016 AHP. The notes after the tables provide a brief discussion of each line item. After the first quarter, there are two key items of interest:

1. Single family mortgage production continues to be very robust; and based on the first few months of activity, 2016 lending should be similar to 2015 levels. Because the possibility of rising interest rates and home prices made the expected level of 2016 lending uncertain, we only budgeted $510 million for the Home Mortgage Loan program, rather than the $680 million reached in 2015. With continued robust lending, staff will likely come to the Board and request an increase in funding for first mortgages later this year. However, last month, staff came to the Board and obtained approval to implement changes to our down-payment and closing-cost assistance programs that support first-mortgage lending. These changes will stretch existing resources further, which will allow us to serve more borrowers, and we wanted to make these changes a soon as possible to efficiently use this scarce resource. In addition, the Board approved additional funds for these assistance programs because the program changes alone will be insufficient to meet the additional demand.

2. We likely will fall short of our forecasted production for multifamily new construction and rehabilitation. Minnesota Housing funding per rental unit for these developments was higher than expected. The line notes later in this document provide more details. Tables 4-5 provide historical data on total development costs and agency funding per unit

Table 6 at the end of this document shows funding changes in the 2016 AHP since the Board originally approved it in September of 2015.

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

Quarter 1 of 2016 AHP (25% through AHP)

	Original AHP Forecast	Actual To-Date	Portion of AHP Forecast Completed
Single Family Production – Homes			
1. First Mortgages (Net Commitments)	3,543	949	27%
2. Other Opportunities*	231	236	102%
3. Owner-Occupied Home Improvement/Rehabilitation	1,431	313	22%
4. Total	*5,205*	*1.498*	*29%*
Homebuyer Education, Counseling and Training - Households			
5. Homebuyer Education*	13,540	2,438	18%
Multifamily Production – Rental Units			
6. New Rental Construction	791	589	74%
7. Rental Rehabilitation	2,799	482	17%
8. Asset Management	138	0	0%
9. Total	*3,728*	*1,071*	*29%*
Rental Assistance and Operating Subsidies - Households			
10. Agency Funded Rental Assistance and Operating Subsidies*	4,082	2,331	57%
11. Section 8 and 236 Contracts	30,786	31,254	102%
12. Total	*34,868*	*33,585*	*96%*
Homeless Prevention			
13. Family Homeless Prevention and Assistance Program (FHPAP)* & Housing Opportunities for Persons with AIDS (HOPWA)	7,621	1,875	25%
Build Sustainable Housing			
14. Percentage of New Construction or Rehabilitation Units that Meet Standard of Green Communities Certification or B3:			
a. Single Family	50%	57%	**
b. Multifamily	95%	96%	**
Increase Homeownership for Households of Color			
15. Percentage of First-Time Homebuyer Mortgages Going to Households of Color or Hispanic Ethnicity	27%	34.4%	**
Earn Revenue to Sustain Agency and Fund Pool 3			
16. Return on Net Assets – State Fiscal Year 2016	***	$6.8 million	**
17. Annualized Return on Net Assets (%) – State Fiscal Year 2016	***	1.9%	**

* Funds for Habitat for Humanity, homebuyer education, multifamily rent assistance and operating subsidies, and FHPAP are committed by the Board in July-September, at the end of an AHP. Thus, funds committed under the 2015 AHP (in July-September 2015) fund program activity in 2016 (October 1, 2015 to September 30, 2016). To reflect 2016 program activity for these programs, this table shows the households supported in 2016 with 2015 AHP funds. For all other programs, the table shows the households and housing units supported by funds provided in the 2016 AHP.

** Not Applicable.

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

Table 2: Distribution of Resources
Quarter 1 of 2016 AHP (25% through AHP)

	AHP Forecast	Actual To-Date
18. Percentage of Originally Budgeted Funds that are Committed Under the AHP	>95% by end of the year	35%

Table 3: Management of Loan Assets
Quarter 1 of 2016 AHP (25% through AHP)

	AHP Forecast/Benchmark	Actual To-Date
19. Delinquency Rate for Combined Whole Loan & MBS Single-Family Portfolio (6/30/15)	2.36%*	4.49%**
20. Foreclosure Rate for Combined Whole Loan & MBS Single-Family Portfolio (6/30/15)	0.40%*	1.16%**
21. Percentage of Multifamily Developments with Amortizing Loan on Watch List	Under 10%	8.0%
22. Percentage of Outstanding Multifamily Loan Balances on Watch List	Under 10%	5.0%

* This is a benchmark, rather than a forecast, and it is based on a Minnesota Housing analysis of all mortgages in the state as reported by the Mortgage Bankers Association. The benchmark applies to September 2015.
**The information presented is on an Agency-wide basis and includes both whole loan and MBS production as part of the loan portfolio. As such, the information is not directly relevant to the security of any bonds of the Agency and should not be relied upon for that purpose. The Agency publishes separate disclosure reports for each of its bond resolutions.

Discussion of Items in the Table

- **Line 1:** Lending for single-family first mortgages continues to be very robust, with production at 27% of the original forecast when we are 25% of the way through the year and have not yet reached the prime home-buying season of spring and summer. If lending trends from the first few months of the AHP continue, production in 2016 should be similar to 2015 levels, when we reached 4,580 loans and $680 million of net commitments.

- **Line 2:** These housing opportunities include new construction and acquisition/rehabilitation funded through the Single-Family Division's Impact Fund. With the completion of the Impact Fund's RFP, we have already reached our forecasted production for the year. This line item also includes the Habitat for Humanity Initiative, which will see additional activity during the year as more homes are financed.

- **Line 3:** Overall, owner-occupied home improvement/rehabilitation production is relatively on track. Very strong production under the owner-occupied rehabilitation portion of the Impact Fund RFP has offset slower than forecasted activity under the Fix-Up Fund. Demand for the Fix-Up Fund continues to be lower than we would ideally want, in all likelihood, because home values are up and homeowners are using refinancing and home equity lines of credit for their financing.

- **Line 4:** Overall, production in the Single Family – Homes category was been strong, particularly for first-mortgage lending and the Impact Fund.

- **Line 5:** Production for Homebuyer Education is a little behind the first quarter benchmark of 25%, which applies to pipeline programs. However, we have not hit the prime home-buying season of spring and summer. Production should pick up in the next few months.

- **Line 6**: After completing the selection process for the Multifamily Division's Consolidated RFP, we are a little short of our forecasted production of 791 new rental units. With the possibility of some pipeline deals, production may rise. However, we achieved the current production by devoting 17% more funding than anticipated to new construction. Given the state's low vacancy rates, additional funding for new construction is appropriate.

  As Table 4 shows, our funding per unit for new construction in 2016 is much higher than previous years. The per-unit funding level was $169,000, when we forecasted $108,000. There are several explanations for this outcome.

  - As shown in Table 5, the average TDC per unit in 2016 was been higher than expected - $229,000 rather than the anticipated $200,000 to $210,000. Construction costs are currently rising faster than the general rate of inflation, primarily because of labor costs. Developers may have been conservative in their proposed construction budgets this year with the expectation that this trend would continue. Also, we have anecdotally heard that some developers have decided to not pursue and claim cost-containment points when applying for housing tax credits because of the uncertainty in containing construction costs. In the draft 2018 Qualified Allocation Plan (QAP) for tax credits, we are proposing to increase the cost containment priority from 4 to 6 points, which will increase the incentive for developers to pursue cost containment.

Table 4: Average Minnesota Housing Funding per Unit, by AHP Year

	2013	2014	2015	2016*	2013-2014 Combined	2015-2016 Combined
New Construction	123,000	94,000	87,000	169,000	$109,000	$112,000
Rehabilitation	47,000	36,000	36,000	101,000	$40,000	$46,000
*Partial Year Activity SOURCE: Minnesota Housing, Results Management Reports						

Table 5: Average Total Development Costs (TDC) per Unit, by AHP Year

	2013	2014	2015	2016	2013-2014 Combined	2015-2016 Combined
New Construction	$208,000	$210,000	189,000	229,000	$209,000	$200,000
Rehabilitation	$106,000	$115,000	98,000	128,000	$109,000	$103,000
SOURCE: Minnesota Housing, RFP Selection Reports for the Board						

  - The projects funded under the 2016 AHP were less effective in leveraging other resources. For example, the projects (both new construction and rehabilitation) that we funded under the 2015 AHP will receive about $84 million of syndication proceeds from 4% tax credits, while projects funded under the 2016 AHP are only expected to receive $19 million. The 2015 AHP was unusual because it included $80 million of Housing Infrastructure Bond proceeds, which is a great resource to pair with and leverage 4% tax credits. The 2016 AHP only has $22 million of Housing Infrastructure Bond proceeds. Nevertheless, we had hoped that the 2016 projects would access a little over $34 million in syndication proceeds from 4% credits, rather than the $19 million that occurred.

  - In some years, the stars align, and developers propose projects that use housing resources from the Agency very efficiently; in other years, they do not align as well. Last year (2015) was a great year. As shown in Tables 4 and 5, TDC and agency-funding per unit were substantially lower than other years. This year (2016) was not a great year. However, if you combine the two years, the averages are similar to what we have seen in previous years, as shown in the last two columns of each table.

  While the TDC and funding levels per unit for 2016 are a concern, outcomes from just one year do not make a trend. Nevertheless, we will continue to monitor and evaluate costs and funding levels and take action if needed.

- **<u>Line 7:</u>** After completing the selection process under the Multifamily Division's Consolidated RFP, we only reached 17% of our forecasted production for rental rehabilitation. There are two primary explanations:

  - The factors leading to the high costs and limited leveraging that applied to new construction also apply to rehabilitation. See the rehabilitation lines of Tables 4 and 5.

  - Finally, so far this year, we have only awarded 35% of the anticipated funding for rehabilitation. While a shift of funds to new construction accounted for part of the shortfall, unused funds account for the rest. Production will increase as we award and commit some of these funds. For example, the Rental Rehabilitation Deferred Loan (RRDL) program ($8.1 million) has not yet had its RFP. There is also a sizable amount of funding still available for pipeline deals, including first mortgages and deferred loans. For example, there are currently over $6 million available from the Preservation Affordability Rental Investment Fund (PARIF); and with the recent federal appropriations, there are over $6 million available for preservation through the HOME program.

- **<u>Line 8:</u>** There has been no production under Asset Management. We have reoriented this program to focus on shorter-term and immediate needs of the properties in our portfolio, and we are directing properties to the RFP funding process for longer-term and permanent needs. By targeting the program on shorter-term and immediate needs, forecasting the amount and timing of program demand is more uncertain.

- **<u>Line 9:</u>** Overall, as discussed in the previous discussion, rental production has been lower than forecasted.

- **<u>Line 10:</u>** Production for rental assistance and operating subsidies is right on track. The rent assistance programs are serving about 80% of their forecasted households. With the turnover of vouchers to new households, the programs should come close to their forecasted production by the end of the year. Rental units receiving operating subsidies will increase over the year as more funds are disbursed.

- **<u>Line 11:</u>** The administration of Section 8 contracts is performing as expected. This is a very stable program with consistent funding and households served.

- **<u>Line 12:</u>** Overall, rent assistance and operating subsidy production (federal and state) is performing as expected.

- **<u>Line 13:</u>** FHPAP is performing as expected, reaching 25% of the forecasted households after the first quarter.

- **<u>Line 14:</u>** The majority of Minnesota Housing's production meets sustainable design criteria.

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

  Typically, the multifamily percentage is typically close to 100%. In a given year, a few projects have circumstances that make them exempt from the sustainable design criteria.

- **<u>Line 15:</u>** The Agency continues to meet its goal of serving communities of color or Hispanic ethnicity through homeownership. The Agency estimates that just over 25% of renter households that are income eligible for Minnesota Housing first mortgages are of color or Hispanic ethnicity. The achievement of 34% indicates that the Agency has no disparities in its lending, which is a challenge in the current credit and regulatory environment.

- **<u>Lines 16 and 17:</u>** In the first six months of state fiscal year 2016, we achieved a 1.9% annualized return on our net assets, which is lower than we would ideally want but consistent with a low-interest rate environment.

- **<u>Line 18</u>:** We committed 35% of the funds originally budgeted in the 2016 AHP in the first quarter, which is right on track. While we expect pipeline programs to commit about 25% of their funds in the first quarter, we have already completed two large RFPs, which commit all their funds at one time. The Agency's two largest programs (Home Mortgage Loans with $510 million and Section 8 Contract Administration with $181 million) operate on a pipeline basis with funding spread throughout the year.

- **Lines 19-20:** The Agency's delinquency rate (4.49%) for single family first mortgages (whole loan and MBS) is higher than the market-wide benchmark (2.36%) for Minnesota, which is based on data from the Mortgage Bankers Association. The Agency's foreclosure rate is also higher than the benchmark. This includes all first mortgages (whole loan and MBS) originated under the Agency's programs and currently being serviced. Minnesota Housing often lends to borrowers who face a barrier to homeownership.

  The Agency also looks closely at delinquency rates for recently purchased loans that go into our Mortgage Backed Securities (MBS) to determine if our policies and practices need to be adjusted. According to US Bank, which services our MBS loans, our delinquency rate for loans purchased in the last 24 months was 3.15% in December 2015, which is below our "peer" benchmark of 3.80%, which is based on data from other housing finance agencies.

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

Changes to 2016 AHP Funding Levels

Table 5 presents funding changes to the 2016 AHP since the plan was approved by the Board in September 2015.

Table 6: 2016 AHP - Changes in Funding Levels

	2016 AHP Original Budget	Delegated Changes	Board Approved AHP Amendment	Total Changes	Revised Budget
Monthly Payment Loans (Pool 2)	$11,300,000	$287,100[1&2]	$4,000,000[2]	$4,287,100	$15,587,100
Deferred Payment Loans (State Appropriation & Pool 3)	$11,000,000	$390,500[1&3]	$1,429,550[3]	$1,820,050	$12,820,050
Single Family Interim Lending (Pool 2 and Pool 3)	$1,562,000		-$429,550[3]	-$429,550	$1,130,550
Strategic Contingency Fund (Pool 3)	$2,000,000		-$1,000,000[3]	$1,000,000	$1,000,000
HOME – Preservation (Federal Appropriation)	$814,938	$5,900,000[4]		$5,900,000	$6,714,938

1. 2016 loan cancellations of 2015 commitments.
2. Pool 2 resources.
3. Pool 3 resources.
4. From recent federal appropriation. The funds allocated to Minnesota have not been finalized but this is our current estimate.

Board Agenda Item: 8.B
Date: 2/25/2016

Item: Financial Results for the Six Months Ending December 31, 2015

Staff Contact(s):
Terry Schwartz, 651-296-2404, terry.schwartz@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☒ Discussion
- ☐ Information

Summary of Request:
At the board meeting of February 23, 2012, the board requested that staff provide the Agency's financial results every six months. This report presents the financial results for the first six months of FY2016.

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):
- Report Highlights
- Balance Sheet
- Operating Results

Operating Results

- Revenue over expenses for the Sustainable Core is $6.9 million, a $1.5 million decrease compared to the same six-month period last fiscal year. This is due to the extraordinary income from a RMIC single family mortgage insurance reimbursement in FY15 in the comparable period.

- Financing expense of $8.4 million decreased $1.9 million compared to the same six-month period last fiscal year. The majority of the difference is due to hedging activities. Financing expense was a new expense category in FY15 that consists of cost of bond issuance, single family loan interest rate hedging cost, variable rate debt -related fees, and other financing expenses. These expenses were previously presented as a component of interest expense. The majority of financing expense is recovered in future fiscal years in the spread between loan interest income and bond interest expense.

Balance sheet

- Cash and investments increased by $305 million since June 30, 2015 due to a net runoff of loans of $76 million and net bond issuance of $229 million.

Minnesota Housing Finance Agency
Balance Sheet for the Sustainable Core and Pool 3
As of December 31, 2015 and June 30, 2015
Unaudited
($ millions)

line number		Sustainable Core: General Reserve and Bond Funds, Excluding Pool 3			Pool 3	Total General Reserve and Bond Funds
	Assets	As of Dec. 31, 2015	As of June 30, 2015	Change from Prior Year, Increase (Decrease)	As of Dec. 31, 2015	As of Dec. 31, 2015
1	Loans receivable, net	$ 1,203.0	$ 1,272.6	$ (69.6)	$ 43.5	$ 1,246.5
2	Investments- program mortgage-backed securities, ex Unreal.	1,228.5	1,106.7	121.8	-	1,228.5
3	Cash, cash equivalents, and other investments, ex Unreal.	632.2	448.5	183.7	40.1	672.3
4	Real estate owned and FHA/VA insurance claims, net	8.8	8.6	0.2	-	8.8
5	Interest receivable and other assets	15.1	16.1	(1.0)	0.1	15.2
6	Total assets, excluding Unrealized Appr on Investments	$ 3,087.6	$ 2,852.5	$ 235.1	$ 83.7	$ 3,171.3
7	Unrealized Appr on Investments	43.0	40.2	2.8	0.7	43.7
8	Total Assets	$ 3,130.6	$ 2,892.7	$ 237.9	$ 84.4	$ 3,215.0
	Liabilities					
10	Bonds payable	$ 2,262.1	$ 2,033.3	$ 228.8	$ -	$ 2,262.1
11	Funds held for others	65.8	66.2	(0.4)	-	65.8
12	Accounts payable, interest payable, and other liabilities	70.6	62.9	7.7	(30.0)	40.6
13	Total liabilities, excluding Interest Rate Swap Agreements	2,398.5	2,162.4	236.1	(30.0)	2,368.5
14	Interest rate swap agreements	10.5	12.6	(2.1)	-	10.5
15	Total Liabilities	2,409.0	2,175.0	234.0	(30.0)	2,379.0
16	Deferred inflow (outflow) of resources, net	11.2	6.9	4.3	-	11.2
	Net Position					
17	Restricted net assets, excluding unrealized inv. G/L and current year realized gain/loss in on inter-fund sale of inv.	665.5	667.6	(2.1)	113.7	779.2
18	Restricted net assets attributable to unrealized gain/loss on investments	43.0	40.2	2.8	0.7	43.7
19	Restricted net assets attributable to realized gain/loss on inter-fund sale of inv.		0.5	(0.5)	-	-
20	Invested in capital assets	1.9	2.5	(0.6)	-	1.9
21	Total net position	710.4	710.8	(0.4)	114.4	824.8
22	Total liabilities, deferred inflow/outflow, and net position	$ 3,130.6	$ 2,892.7	$ 237.9	$ 84.4	$ 3,215.0

This report is for internal use only since the format does not conform to GASB requirements.

Minnesota Housing Finance Agency
Analysis of Operating Results for the Sustainable Core and Pool 3
Six Months Ending December 31, 2015 and December 31, 2014
Unaudited
($ millions)

line number		Sustainable Core: General Reserve and Bond Funds, Excluding Pool 3				Pool 3	Total General Reserve and Bond Funds
	Revenues	**Six Months Ending Dec. 31, 2015**	**Six Months Ending Dec. 31, 2014**	**Change from Prior Year, Favorable (Unfavorable)**		**Six Months Ending Dec. 31, 2015**	**Six Months Ending Dec 31, 2015**
1	Interest earned on loans	$ 35.4	$ 40.0	$ (4.6)	NIM	$ -	$ 35.4
1a	Interest earned on loans- yield compliance extinguishment	**-**	**2.3**	**(2.3)**		-	-
2	Interest earned on investments- program MBS	19.6	16.0	3.6	NIM	-	19.6
3	Interest earned on investments- other	3.5	4.0	(0.5)	NIM	0.4	3.9
4	Gain on sale of MBS held for sale and HOMES certificates	2.4	1.2	1.2		-	2.4
5	Administrative reimbursement	10.2	9.4	0.8		-	10.2
6	Fees earned and other income	6.2	5.8	0.4		0.3	6.5
7	Total revenue	77.3	78.7	(1.4)		0.7	78.0
	Expenses						
8	Interest	34.6	36.6	2.0	NIM	-	34.6
9	**Financing**[2]	8.4	10.3	1.9		-	8.4
10	Loan administration and trustee fees	2.1	2.4	0.3		-	2.1
11	Administrative reimbursement	8.9	8.2	(0.7)		0.6	9.5
12	Salaries and benefits	11.9	11.4	(0.5)		-	11.9
13	Other general operating	2.5	3.2	0.7		1.6	4.1
14	Reduction in carrying value of certain low-interest rate deferred loans	(0.3)	-	0.3		1.7	1.4
15	Provision for loan loss- single family loans	2.6	0.9	(1.7)		0.3	2.9
15a	Provision for loan loss- single family loans, RMIC receipt	**-**	(1.8)	(1.8)		-	-
16	Provision for loan loss- multifamily loans	(0.3)	(0.9)	(0.6)		-	(0.3)
17	Total expenses	70.4	70.3	(0.1)		4.2	74.6
18	**Revenues over (under) expenses, eligible for transfer to Pool 3 at fiscal year end**	**6.9**	**8.4**	**(1.5)**		NA	NA
19	Unrealized gains (losses) on securities	3.9	21.0	(17.1)		(0.1)	3.8
20	Realized gain/(loss) on inter-fund sale of investments	-	-	-		-	-
21	Revenues over (under) expenses per financial statements	10.8	29.4	(18.6)		(3.6)	7.2
22	Transfer between Pool 3 and Pool 2	-	-	-		-	-
23	Change in Net Position per financial statements	$ 10.8	$ 29.4	$ (18.6)		$ (3.6)	$ 7.2
	Memo information:						
24	**Net Interest Margin (NIM)**	**$ 23.9**	**$ 23.4**	**0.5**			

Notes
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Board Agenda Item: 9.A
Date: 2/25/2016

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

Staff Contact(s):
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Laird Sourdif, 651-296-9795, Laird.sourdif@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☐ Discussion
- ☒ Information

Summary of Request:
On May 23, 2013, the board approved several delegations of authority to the Commissioner. Delegations numbered 004, 005, and 006 authorize the Commissioner to approve certain funding modifications for selected developments in deferred loan programs, the Low and Moderate Income Rental (LMIR) program, and Asset Management and Preservation programs. On October 24, 2013 the board approved delegation number 015 authorizing the Commissioner to approve certain operating subsidy and rental assistance grant modifications.

The delegated authority to approve funding modifications results in greater efficiencies for staff and the Board, and promotes expedited loan closings. The attached report sets forth a list of those loans for which these delegated authorities were exercised during 2015.

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
- 2015 Increases and Decreases to Deferred and Amortizing Loan Commitments
- Summary of Modifications

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

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

Board delegation policy also permits the Commissioner to reduce or to modify operating subsidies and rental assistance grants so long as such modifications are less than the greater of $50,000, or 10 percent of the grant or subsidy amount, up to a maximum of $200,000.

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

The attached summary of modifications provides a program level summary of the net impacts of the modifications processed by staff during 2015.

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

Topic	Brief Description of Authority Delegated	Delegation Number
LMIR Loan Funding Modifications	Commissioner may make certain loan funding modifications under the LMIR Program. (Supersedes Board Report dated September 26, 2002)	004
Deferred Loan Funding Modifications	Commissioner may authorize certain loan funding modifications under deferred loan programs. (Supersedes Board Report dated December 20, 2001)	005
Asset Management and Preservation Loan Funding Modifications	Commissioner may approve certain loan funding modifications under the asset management and preservation programs. (Supersedes Board Report dated July 22, 2004)	006
Modifications to Grants	Commissioner may make certain modifications to operating subsidy and rental assistance grants.	015

SUMMARY OF MODIFICATIONS

2015 total **increases** to deferred and amortizing loan commitments:

Asset Management Fund	$ 41,811
Bridges	$ 25,670
Bridges RTC-DHS	$ 20,000
Economic Development and Housing Challenge (EDHC)	$ 631,010
HOME Affordable Rental Preservation	$ 976,408
Housing Infrastructure Bonds (HIB)	$ 7,816,577
Housing Trust Fund LTH Rental Assistance	$ 19,000
Housing Trust Fund Rental Assistance	$ 185,000
Low and Moderate Income Rental (LMIR) 1st Mortgage	$ 7,583,000
Low and Moderate Income Rental (LMIR) Bridge Loan	$ 7,450,000
Preservation Affordable Rental Investment Fund (PARIF)	$ 1,400,000
Publicly Owned Housing Program (POHP)	$ 51,648
Rental Rehabilitation Deferred Loan (RRDL)	$ 19,149
Total	$ 26,187,273

2015 total **decreases** to deferred and amortizing loan commitments:

Economic Development and Housing Challenge (EDHC)	$ 1,842,870
Financing Adjustment Factor / Financing Adjustment (FAF/FA)	$ 746,521
Flexible Financing Cap Cost (FFCC)	$ 344,000
HOME Affordable Rental Preservation	$ 1,828,845
Housing Infrastructure Bonds (HIB)	$ 6,800,446
Housing Trust Fund LTH Rental Assistance	$ 13,000
Housing Trust Fund Rental Assistance	$ 19,130
Low and Moderate Income Rental (LMIR) 1st Mortgage	$ 8,759,270
Low and Moderate Income Rental (LMIR) Bridge Loan	$ 130,000
Preservation Affordable Rental Investment Fund (PARIF)	$ 22,900
Publicly Owned Housing Program (POHP)	$ 308,189
Rental Rehabilitation Deferred Loan (RRDL)	$ 2,047
Total	$ 20,817,218

Dev ID # Project#	Development Name City	Original Funding and Estimated Total Development Cost (TDC)	Original Amount	Revised Funding Modification and Estimated and/or Total Development Cost (TDC)	Modification Amount	Increase or (Returned Funding)	Modification Date
D0753	Hickory Ridge	LMIR 1st Mortgage	$1,542,000	LMIR 1st Mortgage	$0	($1,542,000)	12/22/2015
M16745	Maple Grove						
Recommended Funding Modification: Twin Cities Housing Development Corporation decided to use a MAP loan originated by Dougherty.							
D0753	Hickory Ridge	FAF/FA	$746,521	FAF/FA	$0	($746,521)	12/17/2015
M16720	Maple Grove						
Recommended Funding Modification: Twin Cities Housing Development Corporation decided to use a MAP loan originated by Dougherty, no longer requiring Agency deferred funds.							
D0837	The Lonoke (fka 1926 - 3rd Ave S)	EDHC	$470,000	EDHC	$645,454	$175,454	2/3/2015
M16624	Minneapolis						
Recommended Funding Modification: The recommended modification amount has decreased due to further underwriting by Minnesota Housing staff.							
D2178	Tracy Area Housing	RRDL SWMHP	$298,779	RRDL SWMHP	$298,111.50	($668)	1/29/2015
M16501	Tracy						
Recommended Funding Modification: This is an RRDL Administrator Model construction loan that didn't use all of its contingency monies. The Administrator has returned the difference to Minnesota Housing.							
D2514	John Carroll Apartments	POHP	$383,040	POHP	$259,631	($123,409)	10/22/2015
M16941	South Saint Paul						
Recommended Funding Modification: Reduce award due to bids being under budget. Owner will contribute 20% of TDC, which was the leverage amount at selection.							
D2538	Crestview Community Expansion (fka Crestview Apts)	Deferred Loan Request	$278,740	Asset Management Fund	$320,551	$41,811	1/20/2015
M16879	Saint Paul						
Recommended Funding Modification: Construction costs have increased since selection.							
D3120	Nan Mckay High Rise Building	POHP	$300,960	POHP	$194,556	($106,404)	10/22/2015
M16940	South Saint Paul						
Recommended Funding Modification: Reduced award to bids being under budget. Owner will continue to contribute 20% of TDC, which was the leverage amount at selection.							

D3299	Cardinal Homes Apts	PARIF	$2,160,692	PARIF	$2,137,792	($22,900)	3/17/2015
M16913	Fergus Falls						
Recommended Funding Modification: Total development cost has decreased since selection.							
D3470	Jamestown Apartments	Flexible Financing Cap Cost	$344,000	Flexible Financing Cap Cost	$0	($344,000)	12/17/2015
M16865	Saint Paul	LMIR 1st Mortgage	$3,185,000	LMIR 1st Mortgage	$0	($3,185,000)	
Recommended Funding Modification: Twin Cities Development Corporation decided to use a MAP loan originated by Dougherty.							
D3534	Scott County HRA	Bridges	$150,000	Bridges	$155,735	$5,735	5/20/2015
MRA16462	Shakopee					$0	
Recommended Funding Modification: Increase of $8,000 on 5/20/2015 Close out of Grand on 9/30/2015 - recapturing $2,265.							
D3736	Cambridge Economic Development Authority (EDA)	Bridges	$234,000	Bridges	$253,935	$19,935	5/20/2015
MRA16444	Cambridge					$0	
Recommended Funding Modification: Extend term of the grant for up to two months and provide additional funding for rental assistance for existing households. This will allow the transition of the program to the Mora HRA to occur with more preparation. Close out of grant on 9/30/2015 - recapturing $65							
D3863	The Wellstone-(FranklinPortlandGateway Phase III)	HTF LTH Rental Assistance	$18,000	HTF LTH Rental Assistance	$5,000	($13,000)	12/9/2015
MRA16523	Minneapolis					$0	
Recommended Funding Modification: Extending grant term to September 20, 2017 and reducing funding amount based on utilization history.							
D3875	YWCA of St. Paul Supportive Housing Program	HTF Rental Assistance	$25,000	HTF Rental Assistance	$5,870	($19,130)	1/20/2015
MRA16505	Saint Paul					$0	
Recommended Funding Modification: On April 1, 2012, the YWCA assumed the administration of HTF rental assistance for 8 households formerly served by Elim Transitional Housing, whose organization dissolved. The intent was to serve households in order that they not become homeless, but to work with them to transition from this subsidy and then terminate the HTF RA grant. In August 2014, the last of these households transitioned from the subsidy. A termination letter giving 30 days' notice of termination was sent to the YWCA on December 8, 2014. Grant end date 1/31/15.							

D5786	Ashby Apartments I	RRDL HRA of Clay County	$146,817	RRDL HRA of Clay County	$165,966	$19,149	3/17/2015
M16915	Ashby						
Recommended Funding Modification: The funding increase will address additions to the scope of work of excavation, repair of all mold damage, and addition ' of drainage, waterproofing, and insulation. These items are considered critical in nature due to health and safety.							
D5787	Ashby Apartments II	RRDL HRA of Clay County	$111,768	RRDL HRA of Clay County	$110,389	($1,379)	6/8/2015
M16916	Ashby						
Recommended Funding Modification: Total development cost decreased since selection.							
D5895	Audubon Crossing (Lowry Apts)	HTF LTH Rental Assistance	$30,000	HTF LTH Rental Assistance	$49,000	$19,000	11/24/2015
MRA16517	Minneapolis					$0	
Recommended Funding Modification: Modification to increase funding for Sponsor Based HTF LTH Rental Assistance grant, utilized at Audubon Crossing for 4 LTH families. Funding shortage is due to administrator error late in previous grant term, resulting in reduction of funds carryover and higher average monthly costs than used in determining funding need for current grant term.							
D6179	Parkview Villa	HOME Affordable Rental Pres	$1,828,845	HOME Affordable Rental Pres		($1,828,845)	3/17/2015
H16338	Columbia Heights			LMIR 1st Mortgage	$2,214,000	$2,214,000	
M17013				LMIR Bridge Loan	$7,450,000	$7,450,000	
				PARIF	$1,400,000	$1,400,000	
Recommended Funding Modification: Development was selected in 2012 for HOME HARP funds. Due to ongoing negotiations with HUD regarding the Public Housing Deposition process, the development was not able to meet the deadlines of the HOME Written Agreement. Although Mortgage Credit approved a 12-month extension of its funding to June 30, 2015, the Agency determined that another development presented a better fit for the HOME funds and agreed to replace the commitment of HOME funds with PARIF funds. Increase of LMIR Bridge Loan.							
D6280	MHR Temp RA for Families with Children	Bridges RTC-DHS	$733,000	Bridges RTC-DHS	$753,000	$20,000	11/24/2015
MRA16231	Saint Paul					$0	
Recommended Funding Modification: Added 10 households							
D6379	Dow Towers	POHP	$517,000	POHP	$535,327	$18,327	10/15/2015
M16934	Hopkins						
Recommended Funding Modification: Increased construction cost since selection. Any unused construction contingency - will be returned to the agency, as a condition of this modification.							

D7594	River Pointe Townhomes	EDHC Workforce	$554,451	EDHC Workforce	$679,451	$125,000	7/7/2015
M16569	Thief River Falls	LMIR 1st Mortgage	$540,000	LMIR 1st Mortgage	$587,000	$47,000	
Recommended Funding Modification: The increase is due to an 17% increase in construction costs. The development team has value engineered the project by scaling back materials and revising plans and specifications. The development team secured additional sources of funding from the syndication proceeds and an increased deferred developer fee.							
D7595	Prior Crossing	Hsg Infrastructure Bonds HTF	$5,067,401	Hsg Infrastructure Bonds HTF	$0	($5,067,401)	8/5/2015
M16789	Saint Paul			Hsg Infrastructure Bonds EDHC	$5,225,954	$5,225,954	
				Hsg Infrastructure Bonds EDHC	$400,000	$400,000	
Recommended Funding Modification: Switched the Housing Infrastructure Bonds from HTC to EDHC, and allocated additional funding to address the increased construction costs. $400,000 in additional HIB proceeds to meet the 50% bond test, making the development eligible to receive 4% tax credits, after construction completion the $400,000 HIB funds will be returned to the Agency to be reallocated.							
D7597	The Commons at Penn Avenue	EDHC MF	$1,249,975	EDHC MF	$1,299,000	$49,025	10/29/2015
M16606	Minneapolis						
Recommended Funding Modification: Constructions costs increasing since selection.							
D7602	VA Housing St. Cloud	Hsg Infrastructure Bonds HTF	$1,930,641	Hsg Infrastructure Bonds HTF	$300,000	($1,630,641)	12/22/2015
M16363	Saint Cloud	MN Hsg Infrastructure Bonds	$3,920,380	Hsg Infrastructure Bonds HTF	$5,197,704	$1,277,324	
M16845							
Recommended Funding Modification: HIB funds no longer needed due to the addition of tax credit syndication proceeds.							
D7639	Lyndale Gardens	EDHC Workforce	$451,000	EDHC Workforce		($451,000)	5/20/2015
M16566	Richfield						
Recommended Funding Modification: Lyndale Gardens is now 100% market rate. The developer submitted a letter declining Minnesota Housing funds.							
D7649	Tamarack Place	EDHC Workforce	$2,400,000	EDHC Workforce	$2,539,825	$139,825	3/15/2015
M16590	Roseau	LMIR 1st Mortgage	$1,582,000	1st Mortgage	$1,530,000	($52,000)	
Recommended Funding Modification: Constructions costs increasing since selection and a lack of available sub-contractors in the area. The developer will defer almost 50% of their developer fee and Polaris is providing a $300,000 deferred loan and GMHF will increase their funding by $32,000							

D7650	Street E Townhomes (aka Eagle Ridge Townhomes)	EDHC Workforce	$857,214	EDHC Workforce	$998,920	$141,706	4/23/2015
M16594	Jackson						
Recommended Funding Modification: Constructions costs increasing since selection.							
D7659	Veterans East	Hsg Infrastructure Bonds HTF	$7,436,000	Hsg Infrastructure Bonds HTF	$7,731,000	$295,000	10/27/2015
M16846	Minneapolis					$0	
Recommended Funding Modification: Construction costs and capitalized reserves increasing since selection.							
D7713	Seward Towers East & West	1st Mortgage	$22,214,000	1st Mortgage	$29,750,000	$7,536,000	7/9/2015
M16773	Minneapolis	HOME Affordable Rental Pres	$3,649,195	HOME Affordable Rental Pres	$4,625,603	$976,408	
Recommended Funding Modification: The development was selected for a partial funding award in 2014 and had a gap of nearly $2.8 million. Predevelopment activities and detailed analyses have tightened cost estimates, the first mortgage has been maximized and the developer has secured additional funding sources.							
D7714	Hiawatha Bluffs Living	Hsg Infrastructure Bonds HTF	$2,631,701	Hsg Infrastructure Bonds HTF	$3,000,000	$368,299	7/16/2015
M16774	Winona					$0	
Recommended Funding Modification: The increase is due to a funding gap as a result of not being awarded Federal Home Loan Bank funds in 2014.							
D7716	Gage East Apartments	Hsg Infrastructure Bonds HTF	$7,890,254	Hsg Infrastructure Bonds HTF	$7,787,850	($102,404)	9/22/2015
M16778	Rochester					$0	
Recommended Funding Modification: Due to the additional sales tax rebate the HIB funding was able to be decreased.							
D7721	Sunwood Village	Hsg Infrastructure Bonds EDHC	$4,220,000	Hsg Infrastructure Bonds EDHC	$4,470,000	$250,000	9/7/2015
M16792	Ramsey	LMIR 1st Mortgage	$1,433,000	LMIR 1st Mortgage	$1,375,000	($58,000)	
		LMIR Bridge Loan	$3,200,000	LMIR Bridge Loan	$3,070,000	($130,000)	
Recommended Funding Modification: Constructions costs increased since selection.							
D7724	Northgate Apartments	EDHC Workforce MF	$216,870	EDHC Workforce MF		($216,870)	9/7/2015
M16797	Owatonna	LMIR 1st Mortgage	$738,000	LMIR 1st Mortgage		($738,000)	
Recommended Funding Modification: Due to secured permanent financing from Wells Fargo with favorable terms and increase credit pricing, Minnesota Housing funding has been returned.							

D7725	Carver Crossing	LMIR 1st Mortgage	$3,184,270	LMIR 1st Mortgage		($3,184,270)	9/14/2015
M16798	Carver					$0	
Recommended Funding Modification: Due to secured permanent financing with favorable terms and increase credit pricing, Minnesota Housing funding has been returned.							
D7741	Twin Lakes Apartments	EDHC MF	$1,175,000	EDHC MF		($1,175,000)	9/14/2015
M16864	Roseville						
Recommended Funding Modification: Sherman Associates, Inc. could not find a resolution to the funding issues to move the project forward. Therefore, Sherman Associates, Inc. is no longer requesting funding from Minnesota Housing through the EDHC program and 4% Tax Credit program.							
D7793	Eveleth HRA Hilltop Homes Energy Improvements	POHP	$147,000	POHP	$112,375	($34,625)	10/29/2015
M16966	Eveleth					$0	
Recommended Funding Modification: Construction costs and project soft costs were lower than originally anticipated.							
D7803	Lincoln Apartments	POHP	$289,000	POHP	$245,249	($43,751)	10/29/2015
M16976	Litchfield					$0	
Recommended Funding Modification: Construction costs and project soft costs were lower than originally anticipated.							
D7811	Fairview Manor	POHP	$245,000	POHP	$278,321	$33,321	10/22/2015
M16984	Red Lake Falls					$0	
Recommended Funding Modification: Construction costs are higher than originally anticipated.							
D6194	PPL-NAZ	HTF Rental Assistance	$810,000	HTF Rental Assistance	$859,000	$49,000	12/9/2015
MRA16661	Minneapolis					$0	
Modification of grant to extend term and increase funding to allow full 24 months of rental assistance to all active participants.							
D3859	AHWF_Highly Mobile Student HTF Pilot	HTF Rental Assistance	$885,000	HTF Rental Assistance	$978,000	$93,000	12/9/2015
MRA16664	Saint Paul					$0	
Modification of grant to extend term and increase funding to allow full 24 months of rental assistance to all active participants.							
D5967	Clay Cty HRA CARES for Kids	HTF Rental Assistance	$335,000	HTF Rental Assistance	$378,000	$43,000	12/9/2015
MRA16663	Dilworth					$0	
Modification of grant to extend term and increase funding to allow full 24 months of rental assistance to all active participants.							

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

Staff Contact(s):
Will Thompson, 651.296.9813, will.thompson@state.mn.us
Tom O’Hern, 651.296.9796, tom.o'hern@state.mn.us

Request Type:

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

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

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

Fiscal Impact:
There were 57 instances of potential conflicts of interests, alleged misused funds and alleged fraudulent activity for the 61-month period beginning December 2010 and ending January 2016. A total of $523,217 has not been recovered: $445,674 in misused funds (an increase of $28,964 from last quarter), and $77,543 in fraudulent activity (unchanged from last quarter).

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

Reporting Non-Compliance with Agency Policy and Procedures

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

An updated report will be delivered to the Board quarterly, with the next report due May 26, 2016.

Complaints Received by Agency or Chief Risk Officer

Complaint	Status		
Resolution	Closed	In Process	Grand Total
Conflict of Interest	**14**		**14**
External Employment Approved	2		2
Insufficient Evidence	3		3
Seller Repurchase	2		2
Issue Resolved	2		2
Seller Indemnification	5		5
Fraud / Embezzlement	**7**		**7**
Funding Transferred to Different Entity	1		1
Insufficient Evidence	3		3
FBI Investigation Initiated	1		1
Seller Repurchase	2		2
Misuse of Funds	**34**	**2**	**36**
Insufficient Evidence	4		4
Issue Cured	4		4
Negotiated Settlement	10		10
None – Nonviable Counterparty	2		2
OLA Forwarded Complaint to County	1		1
Revenue Recapture	4		4
Entry of Judgment	2		2
None Yet		2	2
None - Affordability Period Expired	3		3
Funds Returned to Agency	4		4
Grand Total	**55**	**2**	**57**

Key Trends:

- One new alleged misuse of funds case opened from November 2015 through January 2015
- Three cases closed from November 2015 through January 2016

Report Legend:

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

Board Agenda Item: 9.C
Date: 2/25/2016

Item: Semi-annual Variable Rate Debt and Swap Performance Review as of January 1, 2016

Staff Contact(s):

Terry Schwartz, 651-296-2404, terry.schwartz@state.mn.us
Paula Rindels, 651-296-2273, paula.rindels@state.mn.us

Request Type:

☐ Approval
☐ Motion
☐ Resolution

☐ No Action Needed
☐ Discussion
☒ Information

Summary of Request:

The Agency's board-approved Debt Management Policy calls for the ongoing review and management of swap transactions including regular reporting to the board. This reporting is accomplished through the Semi-annual Variable Rate Debt and SWAP Performance Report

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):

- Report Highlights
- Report: Semi-annual Variable Rate Debt and SWAP performance Review as of January 1, 2016

- All of the Agency's swap contracts were evaluated and determined to be effective hedges, at this point in time, under the accounting guidance provided by GASB 53.

- Basis Risk: During the period July, 2015 to December, 2015 the variable interest received on swaps and the variable interest paid on variable rate bonds performed with the anticipated correlation.

- Staff continues to expect that, over time, the two rates will track each other as originally anticipated.

- Counterparty/Termination Risk: The market value of swaps, which the Agency would owe to the counterparties only if the swaps were terminated, decreased from $15.3 million on July 1, 2015 to $10.5 million on January 1, 2016. While the market value of a swap is a means to quantify current termination risk, it is not a suitable measure to evaluate the original decision to enter into the swap contract. Swap contracts' market values will evaporate as they approach their maturity date. The Agency does not intend to prematurely terminate any of the swap contracts, barring termination events.

- Liquidity Risk: The short-term credit ratings of all the Agency's liquidity providers were unchanged from July 1, 2015 to January 1, 2016.

- Long-term Debt, Fixed vs. Variable graph: Total outstanding variable rate debt remained steady at 9% of total long-term debt at January 1, 2016.
  During the six months from July 1, 2015 to January 1, 2016 the 2006C swap was terminated and a new 2015D swap was entered into as part of the RHFB 2015ABCD bond transaction. The 2004G swap was terminated and a new 2015G swap was entered into as part of the RHFB 2015EFG bond transaction.

Minnesota Housing
Finance Agency

Semi-annual Variable-Rate Debt and Swap Performance Report

January 1, 2016

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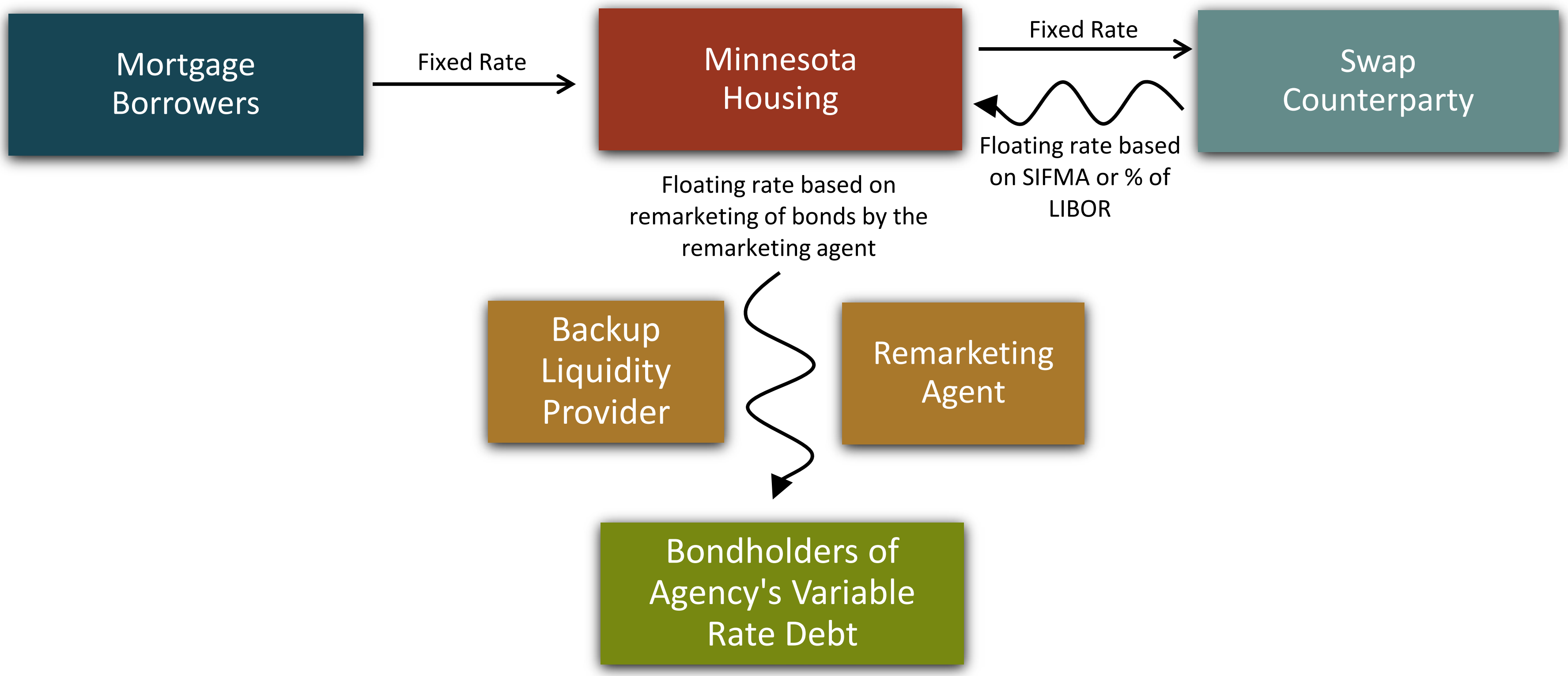
Floating-to-Fixed Interest Rate Swap Structure: Overview

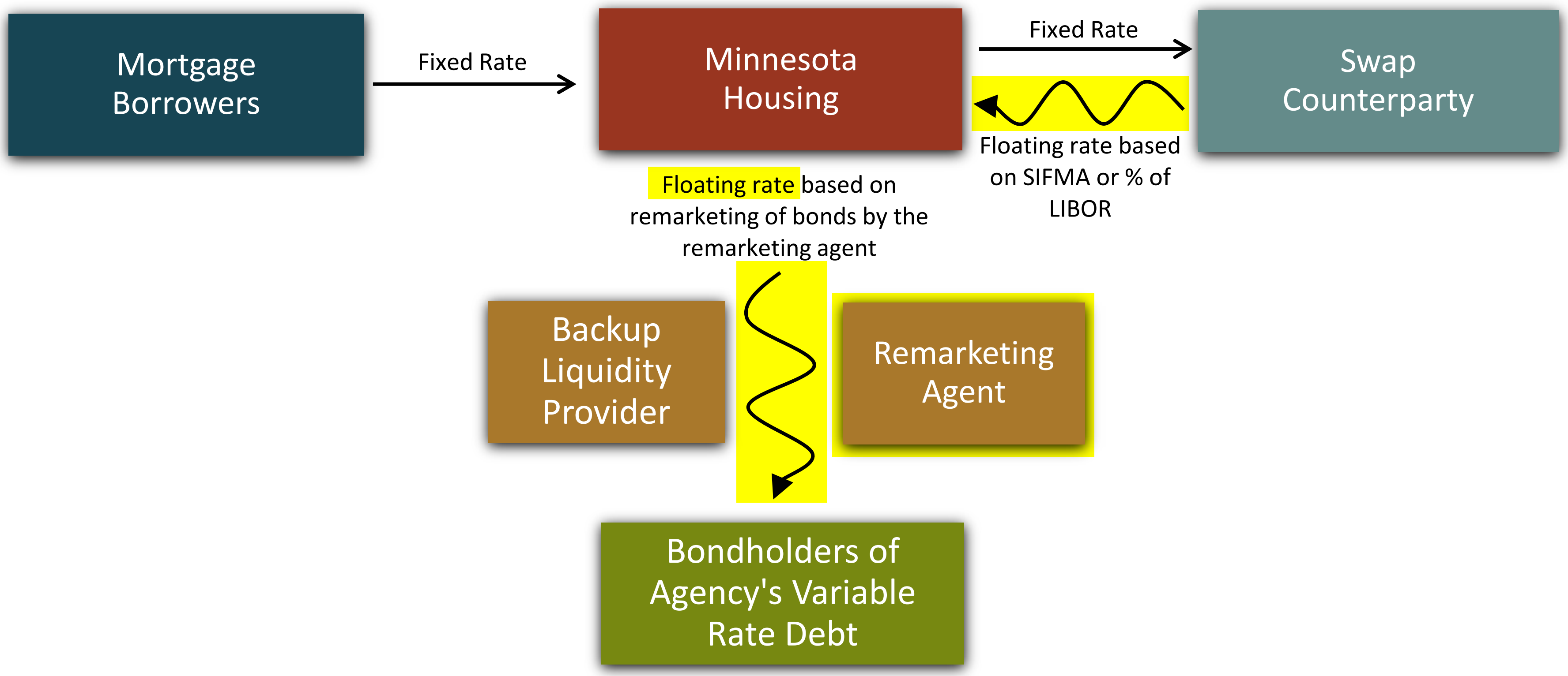


Overview of Swaps

January 1, 2016

Bond Series	Issue Date	Original Notional Amount of Swap	Notional Amount Outstanding	Counterparty	Floating Rate Received
RHFB 2003 B	07/23/2003	$ 25,000,000	$ 9,365,000	The Bank of New York Mellon	65% of LIBOR + 23 basis points
RHFB 2003 J	10/15/2003	25,000,000	7,640,000	The Bank of New York Mellon	65% of LIBOR + 23 basis points
RHFB 2007 E (Taxable)	03/07/2007	25,000,000	5,610,000	Royal Bank of Canada	One-month LIBOR
RHFB 2007 J (Taxable)	05/17/2007	37,500,000	8,365,000	Royal Bank of Canada	One-month LIBOR
RHFB 2007 S	12/19/2007	18,975,000	17,280,000	The Bank of New York Mellon	100% of SIFMA Index Rate + 6 basis points
RHFB 2007 T (Taxable)	12/19/2007	37,160,000	12,480,000	The Bank of New York Mellon	One-month LIBOR
RHFB 2008 C	08/07/2008	40,000,000	30,345,000	Royal Bank of Canada	64% of LIBOR + 30 basis points
RHFB 2009 C	02/12/2009	40,000,000	40,000,000	Royal Bank of Canada	64% of LIBOR + 30 basis points
RHFB 2009 F	12/01/2009	34,120,000	6,285,000	Royal Bank of Canada	100% of SIFMA + 8 basis points
RHFB 2015 D	08/11/2015	18,225,000	18,225,000	Royal Bank of Canada	67% of LIBOR
RHFB 2015 G	12/08/2015	35,000,000	35,000,000	Royal Bank of Canada	67% of LIBOR
	Totals	**$ 335,980,000**	**$ 190,595,000**		.

Floating-to-Fixed Interest Rate Swap Structure: Basis Risk



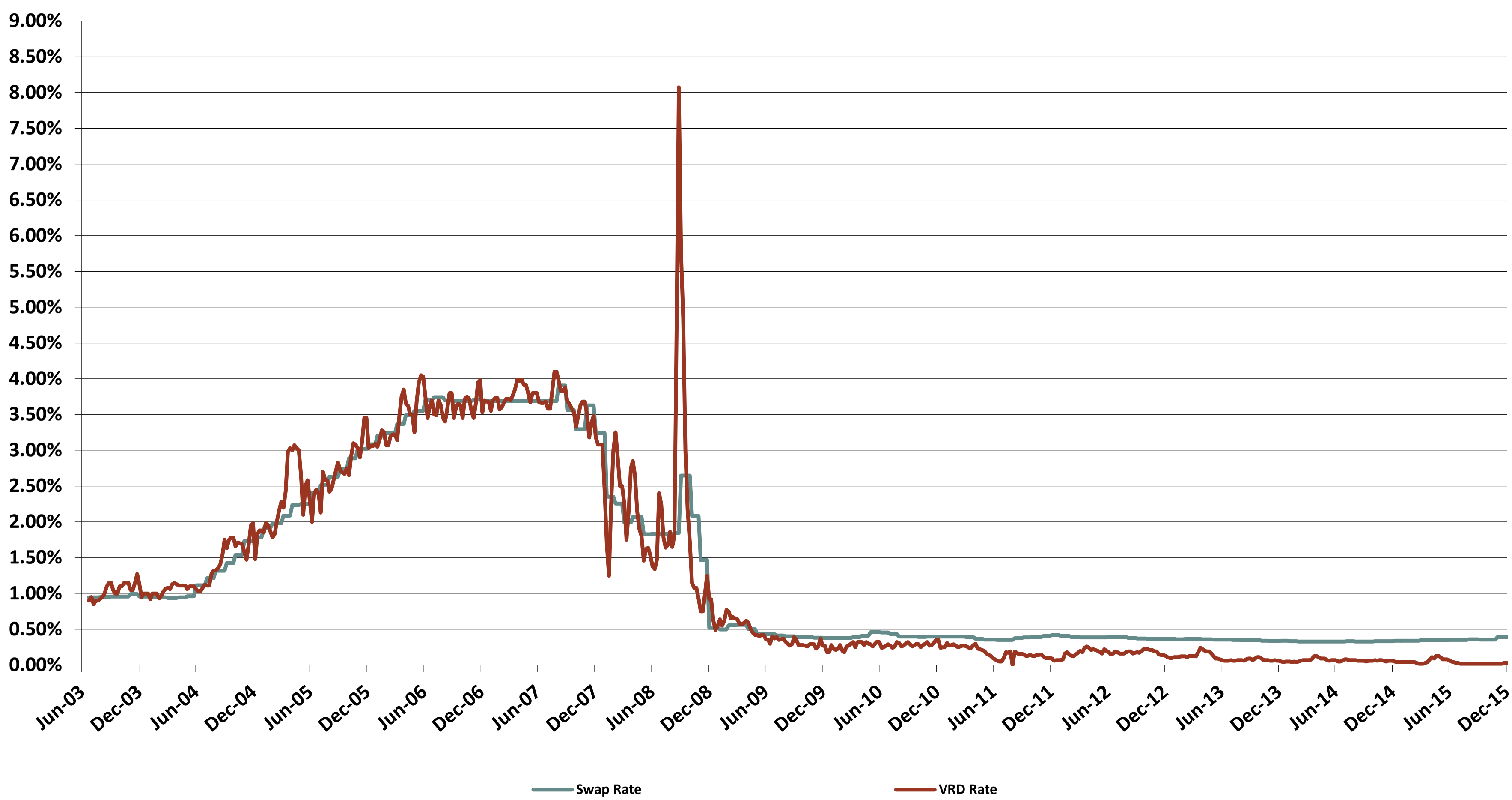
Basis Risk

January 1, 2016

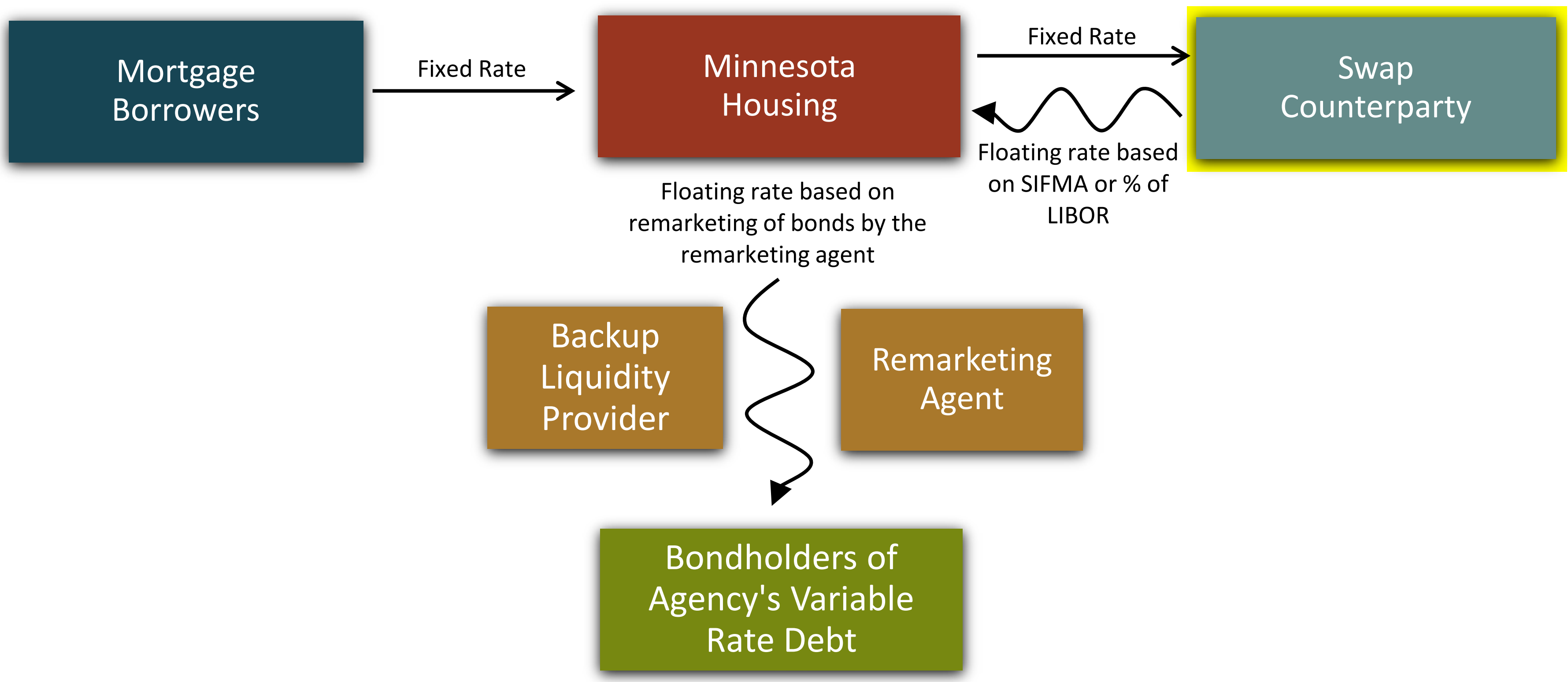
Bond Series	Issue Date	VRDO's and Swaps Outstanding	Net Variable Interest Paid (Received) Basis Risk	Contractual Swap Fixed Rate	Effective Swap Fixed Rate	Effective Rate As a Percentage of Swap Fixed Rate
RHFB 2003 B	07/23/2003	$ 9,365,000	$ (219,069)	3.532%	**3.455%**	97.82%
RHFB 2003 J	10/15/2003	7,640,000	(155,591)	4.183%	**4.119%**	98.47%
RHFB 2007 E (Taxable)	03/07/2007	5,610,000	123,348	5.738%	**5.821%**	101.45%
RHFB 2007 J (Taxable)	05/17/2007	8,365,000	195,204	5.665%	**5.754%**	101.57%
RHFB 2007 S	12/19/2007	17,280,000	(72,392)	4.340%	**4.292%**	98.89%
RHFB 2007 T (Taxable)	12/19/2007	12,480,000	318,382	4.538%	**4.681%**	103.15%
RHFB 2008 C	08/07/2008	30,345,000	(592,410)	4.120%	**3.916%**	95.05%
RHFB 2009 C	02/12/2009	40,000,000	(860,407)	4.215%	**3.903%**	92.60%
RHFB 2009 F	12/01/2009	6,285,000	(91,923)	2.365%	**2.300%**	97.25%
RHFB 2015 D	08/11/2015	18,225,000	(9,014)	2.343%	**2.216%**	94.58%
RHFB 2015 G	12/08/2015	35,000,000	(5,213)	1.953%	**1.720%**	88.07%
	Totals	**$ 190,595,000**	**$ (1,369,085)** [1]			

[1]The cumulative net of total variable interest paid on all outstanding VRDO's ($16,660,699) and all variable interest received on the outstanding swaps ($18,029,784).

Basis Risk - Representative Series
RHFB 2003, Series B



Floating-to-Fixed Interest Rate Swap Structure: Counterparty/Termination Risk



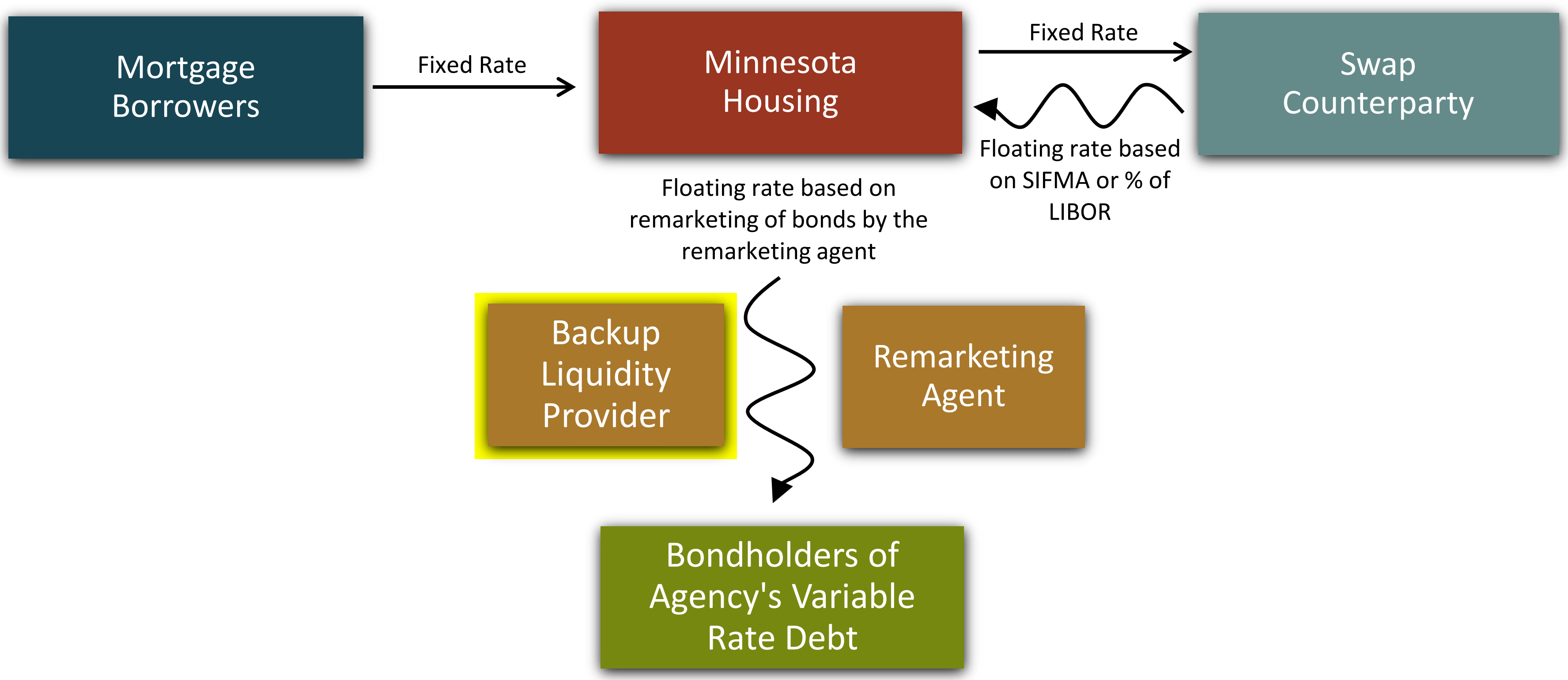
Counterparty/Termination Risk

January 1, 2016

Bond Series	Counterparty	Short-term Credit rating	Long-term Credit Rating of Provider at Swap Inception	Long-term Credit rating	Long-term Credit Outlook	Notional Amount Outstanding	Swap Maturity	Swap Average life at 100% PSA (years)	Swap Fixed Rate	Market Value[1] as of 12/31/2015
RHFB 2003 B	The Bank of New York Mellon	P-1/A-1+	Aa1/AA+	Aa1/AA-	Stable/Stable	$ 9,365,000	01/01/2033	21	3.532%	$ (916,988)
RHFB 2003 J	The Bank of New York Mellon	P-1/A-1+	Aa1/AA+	Aa1/AA-	Stable/Stable	7,640,000	07/01/2033	14.3	4.183%	(1,076,100)
RHFB 2007 S	The Bank of New York Mellon	P-1/A-1+	Aaa/AA	Aa1/AA-	Stable/Stable	17,280,000	07/01/2038	27.4	4.340%	(803,958)
RHFB 2007 T	The Bank of New York Mellon	P-1/A-1+	Aaa/AA	Aa1/AA-	Stable/Stable	12,480,000	07/01/2038	11.8	4.538%	(598,712)
	Total The Bank of New York Mellon					**46,765,000**				**(3,395,758)**
RHFB 2007 E	Royal Bank of Canada	P-1/A-1+	Aaa/AA-	Aa3/AA-	Negative/Stable	5,610,000	07/01/2038	12	5.738%	(141,653)
RHFB 2007 J	Royal Bank of Canada	P-1/A-1+	Aaa/AA-	Aa3/AA-	Negative/Stable	8,365,000	07/01/2038	11.8	5.665%	(208,200)
RHFB 2008 C	Royal Bank of Canada	P-1/A-1+	Aaa/AA-	Aa3/AA-	Negative/Stable	30,345,000	07/01/2048	20.6	4.120%	(2,015,156)
RHFB 2009 C	Royal Bank of Canada	P-1/A-1+	Aaa/AA-	Aa3/AA-	Negative/Stable	40,000,000	07/01/2039	18.9	4.215%	(3,645,795)
RHFB 2009 F	Royal Bank of Canada	P-1/A-1+	Aaa/AA-	Aa3/AA-	Negative/Stable	6,285,000	07/01/2039	4.2	2.365%	(89,998)
RHFB 2015 D	Royal Bank of Canada	P-1/A-1+	Aa3/AA-	Aa3/AA-	Negative/Stable	18,225,000	01/01/2046	27.4	2.343%	(478,246)
RHFB 2015 G	Royal Bank of Canada	P-1/A-1+	Aa3/AA-	Aa3/AA-	Negative/Stable	35,000,000	01/01/2034	15.7	1.953%	(529,255)
	Total Royal Bank of Canada					**143,830,000**				**(7,108,303)**
	Total All Swaps					**$ 190,595,000**				**$ (10,504,061)**

[1]A positive market value represents money due the Agency from the Counterparty upon termination. A negative number represents money payable by the Agency upon termination. Valuations are provided by BLXSwap.

Floating-to-Fixed Interest Rate Swap Structure: Liquidity Risk



Liquidity Risk
January 1, 2016

Bond Series	Current Liquidity Provider	Short-term Credit Rating	Long-term Credit Rating	Long-term Credit Outlook	VRDO's Outstanding	VRDO Maturity	Liquidity Facility Maturity	Liquidity Fee	Original Liquidity Fee
RHFB 2003 B	Royal Bank of Canada	P-1/A-1+	Aaa/AA-	Negative/Stable	$ 9,365,000	01/01/2033	07/16/2018	0.500%	0.300%
RHFB 2003 J	Royal Bank of Canada	P-1/A-1+	Aaa/AA-	Negative/Stable	7,640,000	07/01/2033	07/16/2018	0.500%	0.300%
RHFB 2015 D	Royal Bank of Canada	P-1/A-1+	Aaa/AA-	Negative/Stable	18,225,000	01/01/2046	08/11/2022	0.650%	0.650%
RHFB 2015 G	Royal Bank of Canada	P-1/A-1+	Aaa/AA-	Negative/Stable	35,000,000	01/01/2034	01/02/2023	0.650%	0.650%
	Royal Bank of Canada subtotal				**70,230,000**				
RHFB 2007 E	Wells Fargo	P-1/A-1+	Aa1/AA-	Stable/Stable	5,610,000	07/01/2038	03/10/2017	0.450%	0.092%
RHFB 2007 J	Wells Fargo	P-1/A-1+	Aa1/AA-	Stable/Stable	8,365,000	07/01/2038	03/10/2017	0.450%	0.092%
RHFB 2007 S	Wells Fargo	P-1/A-1+	Aa1/AA-	Stable/Stable	17,280,000	07/01/2038	03/10/2017	0.450%	0.092%
RHFB 2007 T	Wells Fargo	P-1/A-1+	Aa1/AA-	Stable/Stable	12,480,000	07/01/2048	03/10/2017	0.450%	0.092%
	Wells Fargo subtotal				**43,735,000**				
RHFB 2008 C	FHLB - Des Moines[1]	P-1/A-1+	Aaa/AA+	Stable/Stable	30,345,000	07/01/2048	08/07/2018	0.450%	0.250%
RHFB 2009 C	FHLB - Des Moines[1]	P-1/A-1+	Aaa/AA+	Stable/Stable	40,000,000	07/01/2036	2/12/2019[2]	0.250%	0.250%
RHFB 2009 F	FHLB - Des Moines[1]	P-1/A-1+	Aaa/AA+	Stable/Stable	6,285,000	07/01/2031	12/01/2016	0.250%	0.250%
	FHLB - Des Moines subtotal				**76,630,000**				
	Total All Liquidity Providers				**$ 190,595,000**				

[1] Federal Home Loan Bank of Des Moines
[2] Effective 2/12/16 the Liquidity Fee will be .45%

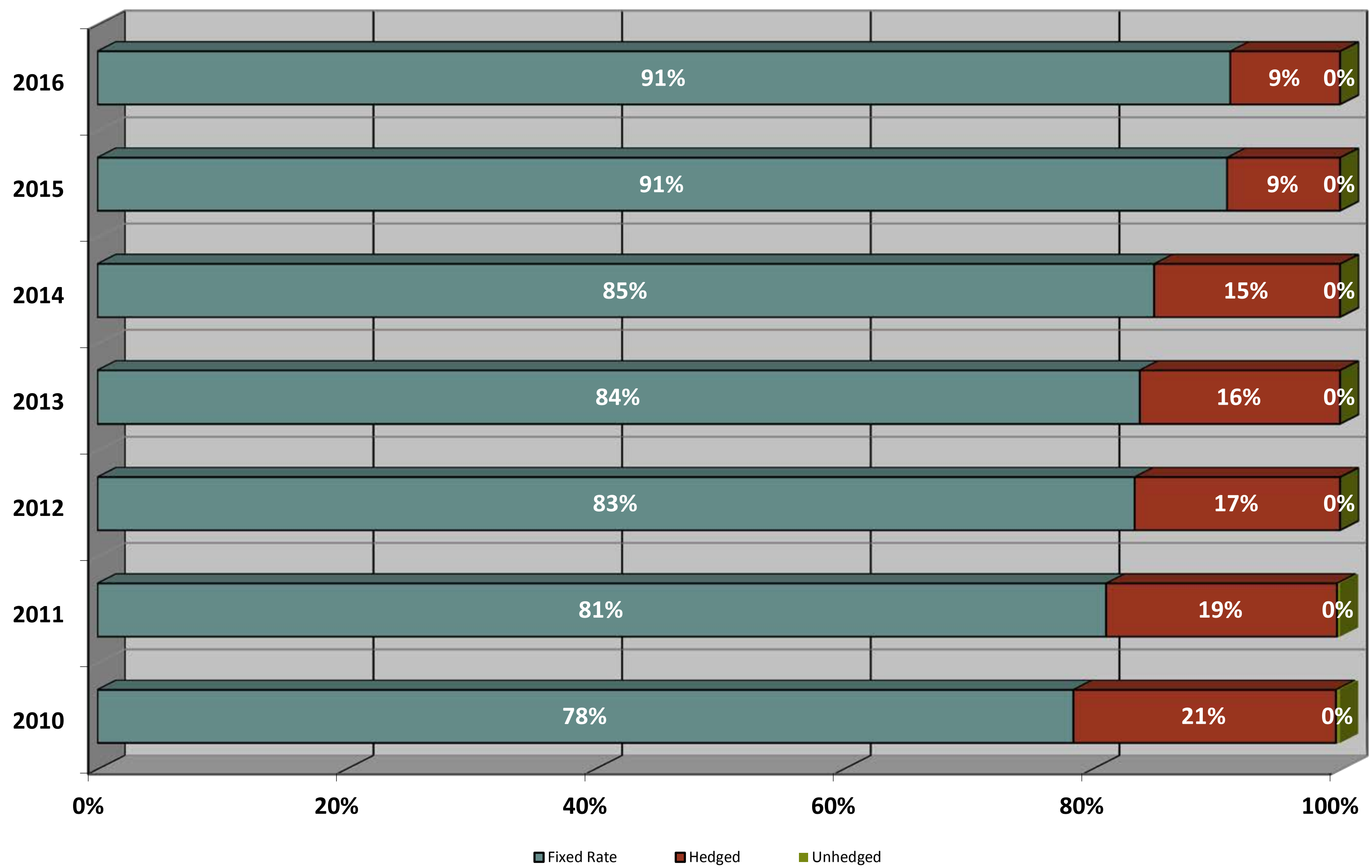
Liquidity Renewal Requirements

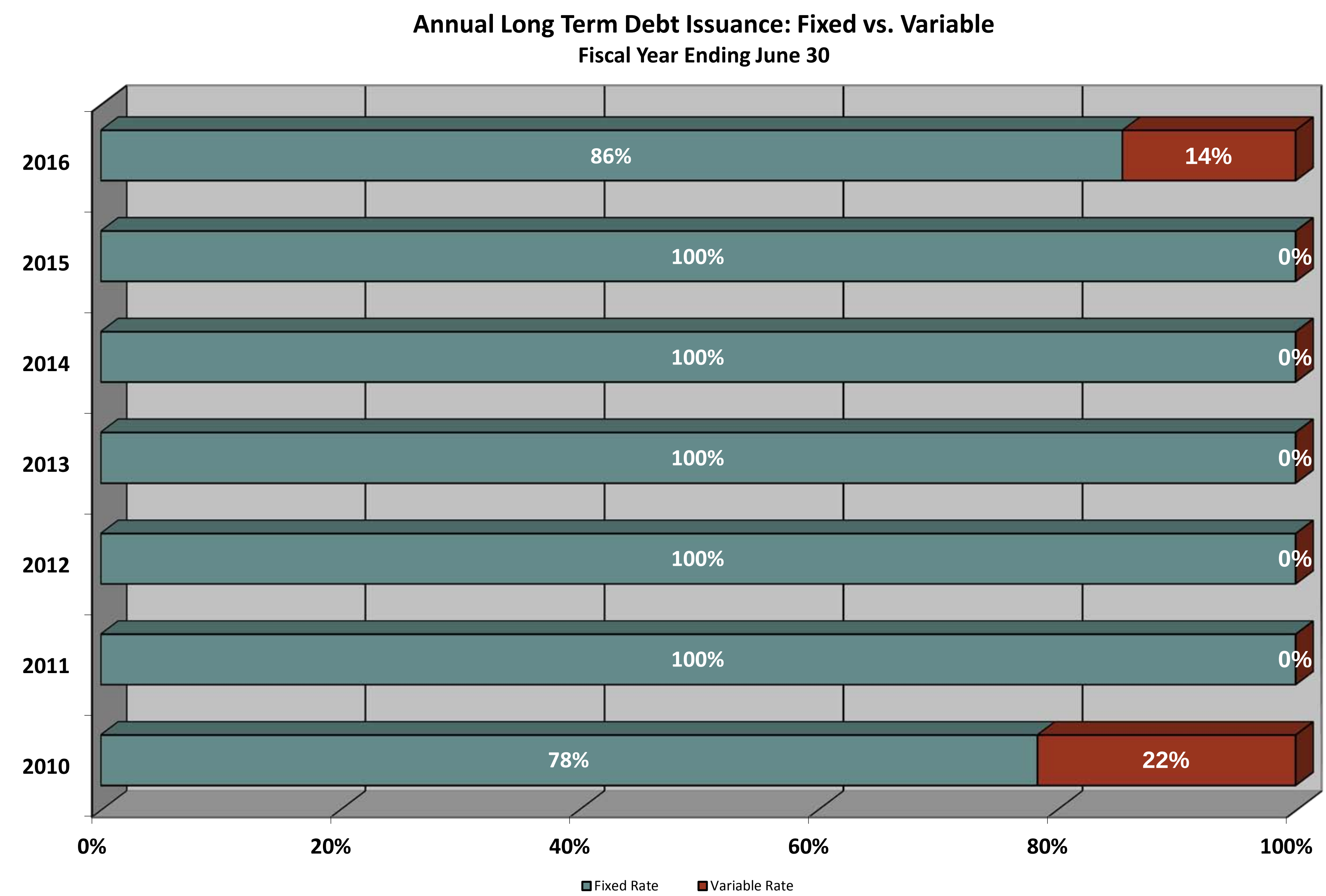
January 1, 2016

Issue	Liquidity Provider	Final Swap Maturity	Full Optional Termination Date	Liquidity Expiration Date	Original Notional Amount	Outstanding Notional Amount as of 01/01/2016	Scheduled Notional Amount Outstanding at Liquidity Expiration	Minimum Notional Amount Outstanding at Liquidity Expiration	Swap Counterparty
2003 B	Royal Bank of Canada	01/01/2033	01/01/2022	07/16/2018	25,000,000	9,365,000	9,365,000	7,200,000	BNY[1]
2003 J	Royal Bank of Canada	07/01/2033	01/01/2023	07/16/2018	25,000,000	7,640,000	6,975,000	5,840,000	BNY[1]
2015 D	Royal Bank of Canada	01/01/2046	01/01/2023	08/11/2022	18,225,000	18,225,000	18,225,000	-	RBC[2]
2015 G	Royal Bank of Canada	01/01/2034	07/01/2022	01/02/2023	35,000,000	35,000,000	35,000,000	-	RBC[2]
	Royal Bank of Canada subtotal				103,225,000	70,230,000	69,565,000	13,040,000	
2007 E	Wells Fargo	07/01/2038	07/01/2016	03/10/2017	25,000,000	5,610,000	5,150,000	-	RBC[2]
2007 J	Wells Fargo	07/01/2038	07/01/2016	03/10/2017	37,500,000	8,365,000	7,685,000	-	RBC[2]
2007 S	Wells Fargo	07/01/2038	07/01/2017	03/10/2017	18,975,000	17,280,000	17,280,000	15,235,000	BNY[1]
2007 T	Wells Fargo	07/01/2046	07/01/2017	03/10/2017	37,160,000	12,480,000	9,615,000	9,615,000	BNY[1]
	Wells Fargo subtotal				118,635,000	43,735,000	39,730,000	24,850,000	
2008 C	FHLB - Des Moines[3]	07/01/2048	07/01/2018	08/07/2018	40,000,000	30,345,000	30,345,000	-	RBC[2]
2009 C	FHLB - Des Moines[3]	07/01/2036	01/01/2019	02/12/2019	40,000,000	40,000,000	40,000,000	-	RBC[2]
2009 F	FHLB - Des Moines[3]	01/01/2017	NA	12/01/2016	34,120,000	6,285,000	2,480,000	2,480,000	RBC[2]
	FHLB - Des Moines subtotal				114,120,000	76,630,000	72,825,000	2,480,000	
	Total All Liquidity Providers				335,980,000	190,595,000	182,120,000	40,370,000	

[1]The Bank of New York Mellon [2]Royal Bank of Canada [3]Federal Home Loan Bank of Des Moines

Total Long Term Debt: Fixed vs. Variable
Fiscal Year Ending June 30




Annual Long Term Debt Issuance: Fixed vs. Variable
Fiscal Year Ending June 30
2016
86%
14%
2015
100%
0%
2014
100%
0%
2013
100%
0%
2012
100%
0%
2011
100%
0%
2010
78%
22%
0%
20%
40%
60%
80%
100%
Fixed Rate
Variable Rate

Glossary of Terms

The following are explanations of certain terms used in this presentation:

Amortization Risk

Minnesota Housing is subject to amortization risk on its hedged VRDOs because the prepayments from mortgage loans securing the bonds may cause the outstanding principal amount of bonds to decline faster than the nominal amount of the swap. To manage amortization risk, termination options have been structured into its outstanding swaps to enable Minnesota Housing in certain circumstances to reduce the nominal amounts of the swaps to correspond to the outstanding principal amount of the bonds hedged by the swap. Additionally, Minnesota Housing may terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Basis Risk

Basis risk refers to a mismatch between the floating interest rate received from the swap counterparty and the interest actually paid on the related series of Minnesota Housing's variable rate bonds. Under its outstanding swaps, Minnesota Housing pays a fixed interest rate and in return receives a floating variable rate based on LIBOR or the SIFMA Municipal Swap index, plus a specified spread if the swap relates to tax-exempt bonds. Minnesota Housing's bonds hedged by its swaps bear interest at a variable rate that is reset weekly, based on market conditions. Minnesota Housing's risk is that the variable interest payments received from the counterparty will be less than the variable interest payments actually paid on the bonds. This mismatch between the actual bond interest rate and the swap floating interest rate would cause additional interest expense to Minnesota Housing. A mismatch could occur for various reasons, including an increased supply of tax-exempt bonds, deterioration of the credit quality of Minnesota Housing or the liquidity facility provider, or a reduction of federal income tax rates for corporations and individuals. Basis risk varies over time due to inter-market conditions. Tax risk is a form of basis risk.

Counterparty Risk

Counterparty risk is the risk that the swap counterparty will not perform pursuant to the swap contract's terms, either in making regular payments or termination payments. Under a fixed payor swap, for example, if the counterparty defaults, Minnesota Housing could be exposed to unhedged variable rate bonds. The creditworthiness of the counterparty is indicated by its senior unsecured long-term credit rating. The outstanding swap agreements contain varying collateral requirements based on the respective parties' credit ratings and the fair value of the swaps to mitigate potential credit risk exposure.

LIBOR

London Interbank Offered Rate.

Glossary of Terms (continued)

Liquidity Risk
Issuers of VRDOs face liquidity risk due to the ability of holders of the bonds to tender them for purchase upon short notice. The bonds are to be remarketed by a remarketing agent appointed by the issuer, but if the remarketing were to fail, the liquidity facility provider providing liquidity support to cover tenders would be required to purchase the bonds. In such event, the bonds, known as "bank bonds," would bear interest at a higher "bank rate" and be subject to principal amortization over a much shorter period than their stated terms. The bank rate typically floats at a few percentage points higher than the prime rate. Because of turmoil in the financial markets, substantially fewer financial institutions are providing liquidity facilities and at a substantially higher cost. Consequently, at the expiration of a liquidity facility, Minnesota Housing may have difficulty obtaining a replacement liquidity facility or may have to pay substantially higher fees.

SIFMA
Securities Industry and Financial Markets Association.

Tax Risk
All issuers who issue tax-exempt variable rate debt inherently accept risk arising from changes in marginal federal income tax rates. For variable rate tax-exempt bonds hedged with LIBOR-based swaps, basis risk may be realized if changes in the federal tax code alter the historical relationship between taxable and tax-exempt short-term rates on which the swap was structured.

Termination Risk
Termination risk is the risk that the swap may be terminated as a result of any of events specified in the swap, which may include a ratings downgrade for Minnesota Housing or its counterparties, covenant violation by either party, bankruptcy of either party, swap payment default by either party, events of default under the bond resolution and certain specified termination events.

Upon a termination of the swap at fair value, a termination payment may be due by one party to the other based upon the fair value of the swap at the time (even if the payment is owed to the defaulting party). The potential termination risks to Minnesota Housing are
the liability for a termination payment to the counterparty or the inability to replace the swap with favorable financial terms, in which event the variable rate bonds would no longer be hedged. Under its outstanding swaps, Minnesota Housing has the ability in certain circumstances to terminate the swap in whole or in part at par, rather than at fair value, in order to mitigate amortization risk.

VDROs
Variable Rate Demand Obligations ("VDROs") are floating rate bonds that have a stated long-term maturity but bear interest at a short-term rate that is reset periodically (generally weekly). The holder of the bonds has the option to tender the bonds for purchase upon short notice (generally seven days). If the bonds cannot be remarketed by the remarketing agent, the liquidity facility provider (and not the issuer) is obligated to purchase the bonds.

Board Agenda Item: 9.D
Date: 2/25/2016

Item: Post-Sale Report, Homeownership Finance Bonds, 2016 Series A

Staff Contact(s):
Terry Schwartz, 651-296-2404, terry.schwartz@state.mn.us
Paula Rindels, 651-296-2273, paula.rindels@state.mn.us

Request Type:

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

Summary of Request:
The Agency sold $97,273,565 of Homeownership Finance Bonds, 2016 Series A (Non-AMT) on January 12, 2016 which settled on January 26, 2016. Pursuant to the Debt Management Policy, the attached post sale report is provided by the Agency's financial advisor, CSG Advisors. This is an information item and does not require approval.

Fiscal Impact:
None

Meeting Agency Priorities:
☒ 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):
- Post Sale Report
- Minnesota Pricing Comps

CSG | advisors

Via Email Delivery

MEMORANDUM

Date: **January 21, 2016**

To: **Minnesota Housing Finance Agency**

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

Re: **Post-Sale Report**
$ 97,273,565 Homeownership Finance Bonds (HFB)
2016 Series A (Non-AMT)

BOND CRITERIA

The 2016 Series A Housing Finance Bonds were issued under last fall's Board authorization for additional single-family monthly pass-through bonds. As with all of Minnesota Housing's bond issues to finance single-family new production, there are four key criteria for issuing the debt.

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

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

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

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

KEY RESULTS FOR MINNESOTA HOUSING

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

1. Achieve full spread utilizing the least amount of zero participations (or generating zero participations to finance future production).

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

Accomplishments. The results were successful:

- ***Full Spread.*** Minnesota Housing obtained an approximate full spread on the transaction of 1.11%, very close to the maximum IRS limit of 1.125% for single-family housing issuers.

- ***Attractive Bond Yield.*** Bond yield was 2.95% versus a yield of approximately 3.35% on a traditionally structured tax-exempt issue. This differential has narrowed but pass-through bonds still provide better execution than a separate new, traditional all fixed-rate bond issue.

- ***Return to Minnesota Housing.*** The relative benefits to Minnesota Housing from issuing the bonds depend on how long the mortgages remain outstanding, on average. For bond issues since 2010, the break-even prepayment speed has averaged about 130% of the PSA prepayment standard.
    - The break-even speed on 2016 A was approximately 188% compared to an MBS sale. Thus, the net present value to Minnesota Housing is greater from bonds than from having directly sold the MBS, so long as mortgages prepay no more quickly than 188% of the PSA standard.[1]
    - The net present value (after all hedging costs and net service release premiums) is projected to be approximately $1.93 million at the 188% break-even prepayment speed.
- ***Zero Participations.*** The issue used approximately $8.2 million of zero participations to help toward getting very close to full spread. Minnesota Housing has approximately $42 million in zeros remaining for future transactions. (In general over the course of a year, the Agency has been able to create zeros on refunding and other transactions in its RHFB indenture, and deploy such zeros on pass-through bond issues).
- ***Hedging.*** The loan production pipeline remained fully hedged until bonds were sold. Inclusion of the hedge economics into the bond yield calculation permits Minnesota Housing to earn the maximum allowable spread, while minimizing interest rate risk.
- ***Sizing.*** This was the largest new money MBS pass-through issue that Minnesota Housing or any other housing finance agency has completed in the last several years. It helped Minnesota Housing finance a significant amount of its loan pipeline.
- ***Continuing to Build Investor Demand.*** With $215 million of orders from 12 investors, RBC continued to expand the market and liquidity for future tax-exempt pass-through bond issues.

Implications. Key implications include:

- ***Viability of Pass-Through Approach.*** Minnesota Housing's pass-through issues since June 2014 demonstrate the renewed viability of this approach for financing production on-balance sheet.
- ***Size.*** The Agency and RBC as senior manager have approached these transactions cautiously, starting with issue sizes of approximately $50 million to build up investor demand. The $97 million size of this issue, in fact, helped attract investors by offering them the liquidity of owning bonds in a larger transaction. Early January was also a time of great investor demand for tax-exempt bonds, so it may be too soon to assume that such larger size issues will attract as many orders as on this transaction.
- ***Balance Sheet Management.*** Minnesota Housing remains the national leader in finding ways to both fully hedge its pipeline while financing more than three-quarters of that pipeline on the Agency's balance sheet. One potential future constraint is that Minnesota Housing's single-family production has increased so much (as well as multi-family issuance in the State), that *private activity volume cap*

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[1] (This break-even prepayment speed differs by issue, partly because the cost of hedge losses is different. The break-even figure was approximately 142% on 2015 Series D, 202% on 2015C, 137% on 2015 B, 160% on 2015 Series A, 165% on 2014 Series D, 130% on 2014 Series B/C and 144% on 2014 Series A. The key criterion is to assure that a bond issue breaks even compared to an MBS issue at a 130% prepayment speed. The break-even speed measures how fast mortgages can prepay while still assuring Minnesota Housing at least the same present value as an MBS sale.)

may become a constraint on tax-exempt issuances for the first time in many years. Bonds can be structured with short taxable bonds, if needed, to help address this.

TIMING AND STRUCTURE

Timing. The issue was priced on Tuesday, January 12th with closing scheduled for Tuesday, January 26th.

Sizing. The sizing was based on specific hedged MBS in Minnesota Housing's pipeline.

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

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

- Include both Fannie Mae and Ginnie Mae MBS in the issue, with no percentage limit on either. This provides Minnesota Housing the ability to adjust to the actual mix of loans in its pipeline. Ginnie Mae MBS were approximately 80% of this issue, a major increase from earlier in 2015. This is primarily due to the President cutting the up-front FHA insurance premium in half last year.

- Schedule the closing so as to allow losses on hedges that terminated on January 8th (immediately following the pricing) to be included in the bond yield. (Only hedges which terminate not more than 14 days before closing can be included in bond yield.) [2]

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

Hedging. Minnesota Housing has remained fully hedged on its pipeline until the bonds are sold or MBS are delivered to mortgage buyers. This protects the Agency from risk if interest rates rise between the time the loans are committed and they are packaged into MBS (for either bond or TBA sale). In this case long-term rates had dropped since loans were reserved. Minnesota Housing was able to sell the bonds at a lower yield, offsetting higher costs to terminate the hedges that had protected the Agency in case rates had risen. The result, and the purpose of this strategy, is to help make the Agency largely indifferent to changes in rates.

BOND SALE RESULTS. Key highlights are:

1. ***Investor Interest for Series 2016A.*** There was good institutional interest, with $215 million of investor orders. Twelve investors placed orders, continuing to build a depth of interest in the product.

2. ***Timing.*** After the Federal Reserve began to raise short-term rates in December 2015 for the first time in 8 years, long-term Treasury rates began to rise. The drop in the Chinese stock market followed by a more modest drop in the U.S. stock market drove investors toward the safety of bonds, and yields fell at the beginning of January. Municipal bonds have outperformed Treasuries and their levels have dropped significantly, with significant demand and very little early year supply. MBS yields, on the other hand, have moved hardly at all.

3. ***Successful Sale.*** The sale was well-priced. The bonds were initially priced at 3.0% to attract

[2]Because the bond pricing was moved up, one day earlier than originally scheduled because of investor interest, the hedges were similarly terminated a day earlier, and the closing was moved up.

institutional interest. Although modestly oversubscribed, RBC was able to reprice down by 5 basis points to 2.95%.

4. ***Comparison to GNMA Yields.*** Investors compare yields on pass-through issues to current-coupon GNMAs, as well as Treasuries and municipals. Compared to GNMAs, Minnesota bonds provide much less liquidity in the global markets but do offer tax-exemption. On this transaction, Minnesota Housing was able to set bond yields approximately 20 basis points lower than GNMA yields – a benefit similar to what was achievable in most of Minnesota Housing's pass-through sales. Such execution helped make this a successful bond sale.

	2014 B **Tax-Exempt**	**2014 C** **Tax-Exempt**	**2015 A** **Tax-Exempt**	**2015 B** **Tax-Exempt**	**2015 C** **Tax-Exempt**	**2015 D** **Tax-Exempt**	**2016 A** **Tax-Exempt**
	August 2014	October 2014	January 2015	March 2015	May 2015	October 2015	January 2016
Minnesota Housing bond yield	**2.95%**	**2.875%**	**2.80%**	**3.00%**	**3.05%**	**2.90%**	**2.95%**
Yield on GNMA 4.0 current coupon, at 150% prepayment speed	3.16%	3.12%	3.05%	3.08%	3.04%	3.12%	**3.15%**
Minnesota Housing compared to GNMA yield	**21 basis points lower**	**24.5 basis points lower**	**25 basis points lower**	**8 basis points lower**	**1 basis point higher**	**22 basis points lower**	**20 basis points lower**

5. ***Comparable Single-Family Pass-Through Bond Transactions:*** Other than Minnesota's own prior pass-through issues, there had been few single-family new money tax-exempt pass-through bond issues in recent months. The day following Minnesota's sale, Texas brought its $31.5 million issue to market; these are structured slightly differently because of Texas' indenture and legal provisions and are rated one notch lower at Aa1 / AA+. They achieved a yield of 3.0%, 5 basis points higher than Minnesota. (By comparison, when Texas similarly followed Minnesota's last pass-through issue in October their spreads had been much wider to Minnesota.)

All in all, Series A achieved very good results.

UNDERWRITING

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

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

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ISSUE DETAILS

Key Dates:	2016 A Bond Pricing under HFB Indenture	
	Institutional Order Period:	Tuesday, January 12, 2016
	Closing Date:	Tuesday, January 26, 2016

Economic Calendar. In the first week of January, Construction Spending and Consumer Credit came in slightly weaker than forecast. No other key economic data was released prior to the sale.

Treasuries. The 10-year Treasury bond yields have fluctuated based on perceived strength of the domestic economy, expectations of Federal Reserve rate increases, and overseas conditions.

The 10-year Treasury yields began 2015 at 2.12% and rose as high as 2.40% in July, as improving employment reports led investors to expect the Federal Reserve to begin raising short-term rates in September. With the summer downturn in the Chinese stock market and domestic stock fears, the Fed took no action in September. Treasury yields dropped. When Minnesota Housing priced its last pass-through issue on October 8th, the 10 year Treasury yield was at 2.12% as it had been at the beginning of the year..

In the Fall, with increasing domestic employment, the Fed increased short-term rates in December for the first time in 7 years. Treasury yields reached the 2.30's. Since the Fed announcement, the same cycle of Chinese stock market news and domestic stock fears led to Treasury yields dropping again. By the Friday before Minnesota Housing's bonds sale, the 10 year Treasury yield had dropped to 2.13%. It increased on Monday January 11th to 2.17% and dropped during the day of the bond sale to the same 2.12% as on the last pass-through.

From a longer-term point of view, the slowing of economic growth in China, further potential drops in the yuan, the low price of oil and continuing weak growth in the Eurozone are likely to moderate domestic economic growth and increase international demand for U.S. Treasuries and Agencies. This will likely keep the Fed's short-term rate increases – and their impact on long-term rates – quite modest. Indeed the main result since the Fed's December announcement has been a flattening of the yield curve, with short-term rates rising and long-term rates dropping.

Municipals. Since the last pass-through issue in October, municipal bonds have dropped significantly. While *Treasury's are at the same level* they were in October, the 10-year MMD Index for AAA-rate *municipal bonds dropped 26 basis points*. Unfortunately, investors in pass-through issues have been much more sensitive to changes in Ginnie Mae yields, which have remained about the same.

Key municipal factors include:

- Supply and Demand. In the last four months of 2015, municipal issuance dropped significantly. At the same time there have been net positive inflows to tax-exempt funds. Declines in the stock market have led investors to consider fixed income generally, and municipals especially. As a result, there is a much greater level of demand related to municipal supply than last spring or summer. The very light municipal calendar at the beginning of the year leads to an even further imbalance between demand and supply.

- Low rates. Recognition that the Federal Reserve's tightening will be quite slow and modest has made investors more willing to shift to longer maturities for higher yields. Despite the absolute low level of rates, there has been ongoing investor interest.

- Credit spreads. Credit spreads widened in 2015, partly as a result of Puerto Rico bankruptcy news. The spread between AAA and AA is now 45 basis points for both 10 year and 30 bonds. The spread between AAA and A is approximately 53 basis points.

Issue	Date	10-Year Treasury	10-Year MMD	MMD/ Treasury Ratio	30-Year Treasury	30-Year MMD	MMD/ Treasury Ratio
2013 RHFB A/B/C	5/14/13	1.96%	1.81%	92.3%	3.17%	2.93%	92.4%
2013 HFB C	6/17/13	2.19%	2.23%	101.8%	3.35%	3.50%	104.4%
2014 RHFB A	2/11/14	2.75%	2.52%	91.6%	3.69%	3.87%	104.9%
2014 RHFB B	4/16/14	2.65%	2.30%	86.8%	3.45%	3.51%	101.7%
2014 HFB A	6/10/14	2.64%	2.33%	88.3%	3.47%	3.36%	98.0%
2014 HFB B & C	8/7/14	2.46%	2.16%	87.0%	3.27%	3.21%	98.2%
2014 HFB D	10/10/14	2.31%	2.01%	87.0%	3.03%	2.92%	96.3%
2014 RHFB CDE	12/3/15	2.28%	2.08%	91.2%	3.00%	2.99%	99.7%
2015 HFB A	1/12/15	1.92%	1.84%	95.8%	2.49%	2.63%	105.6%
2015 HFB B	3/10/15	2.14%	2.18%	102.0%	2.73%	3.0%	110.0%
2015 HFB C	5/13/15	2.28%	2.24%	98.2%	3.02%	3.21%	106.3%
2015 RHFB ABCD	7/30/15	2.28%	2.23%	97.8%	2.96%	3.14%	106.1%
2015 HFB D	**10/08/15**	**2.12%**	**2.04%**	**96.2%**	**2.96%**	**3.09%**	**104.4%**
2015 RHFB EFG	11/24/15	2.24%	2.04%	91.1%	3.00%	2.98%	99.3%
2016 HFB A	**1/12/16**	**2.12%**	**1.78%**	**84.0%**	**2.89%**	**2.73%**	**94.5%**
Change from 2015 HFB D	n.a.	**0 bp**	**-26 bp**	**-12.2%**	**-7 bp**	**-36 bp**	**-8.9%**

Municipal Calendar. For the week of the sale, The Bond Buyer's 30-day visible supply was $13 billion, up from the very light $8 billion for the first week of January. The largest issues were two Michigan hospital issues totaling $581 million.

The Minnesota competitive sale calendar was busy early in the week. This included two school issues on Monday totaling $88 million as well as a $7 million local GO bond, and two school issues on Tuesday totaling $ 41 million. There were no other Minnesota negotiated issues.

Minnesota's 2016 A was the first housing issue priced in the new year. The other single-family pass-through issue priced in the same week was a Texas issue later in the week, including a tax-exempt series of $35 million rated Aa1 / A. Traditionally structured tax-exempt issues included South Carolina and Vermont.

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

Type	Delivery	Coupon	Measure	Aug. 12, 2014	Oct. 10, 2014	Jan. 12, 2015	March 10, 2015	May 13, 2015	October 8, 2015	Jan. 12, 2016
GNMA	Current	4.0	Price	106.38	106.70	107.27	106.97	107.20	106.59	106.48
			Yield*	**3.16%**	**3.12%**	**3.05%**	**3.08%**	**3.05%**	**3.13%**	**3.15%**
FNMA	Current	4.5	Price	107.73	108.33	108.38	108.59	108.53	108.47	108.20
			Yield*	**3.46%**	**3.39%**	**3.38%**	**3.35%**	**3.36%**	**3.37%**	**3.40%**
10-Year Treasury	n/a	n/a	Yield	2.46%	2.31%	1.92%	2.14%	2.27%	2.12%	2.12%
GNMA to 10-Year Treasury	n/a	n/a	Yield*	**128.58 %**	**135.06 %**	**158.61 %**	**144.13 %**	**134.51 %**	**147.82%**	**148.58 %**
GNMA to 10-Year MMD	n/a	n/a	Yield*	**146.44 %**	**155.19 %**	**165.50 %**	**141.48 %**	**136.31 %**	**153.62%**	**176.97 %**

*at 150% PSA[3]

As can be seen, GNMA yields have risen only 2 basis points since the last pass-through issue, in line with Treasuries. The GNMA to 10 year Treasury yield is thus almost the same. During the same period, tax-exempt bond rates have dropped significantly, so the GNMA yield is a much higher percentage of the 10 year MMD.

[3] (For consistency of analysis, the MBS yields for each sale date are computed at a 150% prepayment speed, to be similar to that assumed for break-even in the use of bonds compared to outright sales of the MBS.)

SINGLE FAMILY TAX-EXEMPT PASS-THROUGH BOND PRICING COMPARABLES, 1/1/15 TO DATE

Pricing Date	1/14/16		1/12/16		12/9/15		10/15/15		10/8/15	
Amount	$31,510,000		$97,273,565		$15,580,000		$19,870,000		$52,365,441	
Issuer	Texas DHCA		Minnesota HFA		Pinellas Co., Florida HFA		Texas DHCA		Minnesota HFA	
Series	2016 Series A		2016 Series A		2015 Series B		2015 Series B		2015 Series D	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aa1 / AA+ / -		Aaa / - / -		Aaa / - / -		Aa1 / AA+ / -		Aaa / - / -	
Tax Status	Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT	
Use of Funds	New Money		New Money		New Money		New Money		New Money	
Maturity	2046		2046		2046		2046		2045	
Price	100.000		100.000		102.041		100.000		100.000	
Coupon/Yield	3.000		2.950		3.125		3.125		2.900	
Indicator	Indicative Yield 1/14/16	Spread	Indicative Yield 1/12/16	Spread	Indicative Yield 12/9/15	Spread	Indicative Yield 10/15/15	Spread	Indicative Yield 10/8/15	Spread
5-Year US Treasury	1.520	+148	1.550	+140	1.640	+149	1.340	+179	1.400	+150
10-Year US Treasury	2.100	+90	2.120	+83	2.220	+91	2.040	+109	2.120	+78
GNMA I @ 100% PSA	2.779	+22	2.779	+17	2.847	+28	2.741	+38	2.791	+11
GNMA I @ Dlr Forecast	2.694	+31	2.694	+26	2.787	+34	2.643	+48	2.711	+19
10-Year MMD	1.790	+121	1.780	+117	1.970	+116	2.020	+111	2.040	+86
MBS PREPAY HISTORY (%PSA)										
Past 3 months	-		-		-		-		-	
Past 6 months	-		-		-		-		-	
Past 12 months	-		-		-		-		-	
Since issuance	-		-		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)										
At 100% PSA	10.8		10.6		10.5		11.0		10.7	
At 150% PSA	8.8		8.6		8.5		9.0		8.7	
At 200% PSA	7.3		7.2		7.0		7.5		7.2	
At 300% PSA	5.5		5.3		5.2		5.6		5.4	
WEIGHTED AVERAGE MORTGAGE RATE	4.60%		3.96%		4.19%		4.62%		4.21%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	4.10%		3.49%		3.69%		4.12%		3.51%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	358		357		353		-		357	
Notes					3.35% coupon priced at 102.041 to yield 3.125% at the average life at 100% PSA					
Sr Manager	JP Morgan		RBC Capital Markets		RBC Capital Markets		Morgan Stanley		RBC Capital Markets	

SINGLE FAMILY TAX-EXEMPT PASS-THROUGH BOND PRICING COMPARABLES, 1/1/15 TO DATE

Pricing Date	5/14/15		5/12/15		3/10/15		2/5/15		1/12/15	
Amount	$15,230,000		$40,225,586		$54,530,172		$30,450,738		$60,013,152	
Issuer	Pinellas Co., Florida HFA		Minnesota HFA		Minnesota HFA		Ohio HFA		Minnesota HFA	
Series	2015 Series A1		2015 Series C		2015 Series B		2015 Series A		2015 Series A	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -	
Tax Status	Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT	
Use of Funds	New Money		New Money		New Money		New Money		New Money	
Maturity	2045		2045		2045		2044		2045	
Price	100.000		100.000		100.000		102.200		100.000	
Coupon/Yield	3.150		3.050		3.000		2.780		2.800	
Indicator	Indicative Yield 5/14/15	Spread	Indicative Yield 5/12/15	Spread	Indicative Yield 3/10/15	Spread	Indicative Yield 2/5/15	Spread	Indicative Yield 1/12/15	Spread
5-Year US Treasury	1.510	+164	1.580	+147	1.620	+138	1.300	+148	1.390	+141
10-Year US Treasury	2.230	+92	2.280	+77	2.140	+86	1.830	+95	1.920	+88
GNMA I @ 100% PSA	2.806	+34	2.818	+23	2.755	+24	2.650	+13	2.647	+15
GNMA I @ Dlr Forecast	2.731	+42	2.748	+30	2.663	+34	2.521	+26	2.516	+28
10-Year MMD	2.250	+90	2.240	+81	2.180	+82	1.860	+92	1.840	+96
MBS PREPAY HISTORY (%PSA)										
Past 3 months	-		-		-		-		-	
Past 6 months	-		-		-		-		-	
Past 12 months	-		-		-		-		-	
Since issuance	-		-		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)										
At 100% PSA	10.5		10.6		10.7		10.0		10.7	
At 150% PSA	8.5		8.6		8.6		8.0		8.7	
At 200% PSA	7.1		7.1		7.2		6.6		7.2	
At 300% PSA	5.3		5.3		5.4		4.7		5.4	
WEIGHTED AVERAGE MORTGAGE RATE	3.99%		4.21%		4.35%		4.27%		4.47%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	3.49%		3.54%		3.63%		3.74%		3.85%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	356		355		356		343		356	
Notes							3.05% coupon priced at 102.2 to yield 2.78%			
Sr Manager	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		George K Baum		RBC Capital Markets	

SINGLE FAMILY TAX-EXEMPT PASS-THROUGH BOND PRICING COMPARABLES, 1/1/15 TO DATE

Pricing Date	5/14/15		5/12/15		3/10/15		2/5/15		1/12/15	
Amount	$15,230,000		$40,225,586		$54,530,172		$30,450,738		$60,013,152	
Issuer	Pinellas Co., Florida HFA		Minnesota HFA		Minnesota HFA		Ohio HFA		Minnesota HFA	
Series	2015 Series A1		2015 Series C		2015 Series B		2015 Series A		2015 Series A	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -	
Tax Status	Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT	
Use of Funds	New Money		New Money		New Money		New Money		New Money	
Maturity	2045		2045		2045		2044		2045	
Price	100.000		100.000		100.000		102.200		100.000	
Coupon/Yield	3.150		3.050		3.000		2.780		2.800	
Indicator	Indicative Yield 5/14/15	Spread	Indicative Yield 5/12/15	Spread	Indicative Yield 3/10/15	Spread	Indicative Yield 2/5/15	Spread	Indicative Yield 1/12/15	Spread
5-Year US Treasury	1.510	+164	1.580	+147	1.620	+138	1.300	+148	1.390	+141
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GNMA I @ 100% PSA	2.806	+34	2.818	+23	2.755	+24	2.650	+13	2.647	+15
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10-Year MMD	2.250	+90	2.240	+81	2.180	+82	1.860	+92	1.840	+96
MBS PREPAY HISTORY (%PSA)										
Past 3 months	-		-		-		-		-	
Past 6 months	-		-		-		-		-	
Past 12 months	-		-		-		-		-	
Since issuance	-		-		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)										
At 100% PSA	10.5		10.6		10.7		10.0		10.7	
At 150% PSA	8.5		8.6		8.6		8.0		8.7	
At 200% PSA	7.1		7.1		7.2		6.6		7.2	
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WEIGHTED AVERAGE MORTGAGE RATE	3.99%		4.21%		4.35%		4.27%		4.47%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	3.49%		3.54%		3.63%		3.74%		3.85%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	356		355		356		343		356	
Notes							3.05% coupon priced at 102.2 to yield 2.78%			
Sr Manager	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		George K Baum		RBC Capital Markets	