



MEETINGS SCHEDULED FOR FEBRUARY

Location:

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

THURSDAY, FEBRUARY 23, 2017

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 23, 2017.

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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Equal Opportunity Housing and Equal Opportunity Employment

AGENDA

Minnesota Housing Board Meeting

Thursday, February 23, 2017

1:00 p.m.

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
 - A. (page 5) Regular Meeting of January 26, 2016
5. **Reports**
 - A. **Chair**
 - B. **Commissioner**
 - C. **Committee**
6. **Consent Agenda**
 - A. (page 11) Selection and Commitment, Bridges Rental Assistance
- White Earth Nation (D7977)
7. **Action Items**
 - A. (page 15) Selection and Commitment, Preservation Affordable Rental Investment Fund (PARIF)
- Park View Terrace, Moorhead, D1005
 - B. (page 23) Amendment, Qualified Allocation Plan (QAP) and Procedural Manual, and Self-Scoring Worksheet, 2018 Housing Tax Credit (HTC) Program
8. **Discussion Items**
 - A. (page 95) 2017 Affordable Housing Plan and 2016-19 Strategic Plan: First Quarter Progress Report
 - B. (page 101) Financial Results for the Six Months Ending December 31, 2016
9. **Information Items**
 - A. (page 107) Semi-annual Variable Rate Debt and Swap Performance Review as of January 1, 2017
 - B. (page 123) Report of Action Under Delegated Authority: Multifamily 2016 Funding Modification Board Report
 - C. (page 137) Analysis of Impediments to Fair Housing Planning Process
10. **Other Business**

None.
11. **Adjournment**

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DRAFT MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING**Thursday, January 26, 2017**

1:00 p.m.

State Street Conference Room – First 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 1:01 p.m.

2. Roll Call.

Members present: John DeCramer, Joe Johnson, Craig Klausing, Rebecca Otto, Stephanie Klinzing, and Terri Thao.

Minnesota Housing staff present: Ryan Baumtrog, Laura Bolstad, Dan Boomhower, Wes Butler, Kevin Carpenter, Chuck Commerford, Erin Coons, Jessica Deegan, Matthew Dieveney, Lori Gooden, Anne Heitlinger, Summer Jefferson, Margaret Kaplan, Kasey Kier, Tresa Larkin, Diana Lund, Eric Mattson, Kim McAfee, Sean Mock, Matt O'Brien, Tom O'Hern, John Patterson, Paula Rindels, Gayle Rusco, Megan Ryan, Danielle Salus, Becky Schack, Barb Sporlein, Kim Stuart, Susan Thompson, Will Thompson, Mary Tingerthal, LeAnne Tomera, Katie Topinka, Nicola Viana.

Others present: Charlie Van Aarde, Metro Cities; Melanie Lien, Piper Jaffray; Paul Rebholz, Wells Fargo; Kristen Scobie, Melissa Taphorn, Washington County CDA; Chip Halbach, Minnesota Housing Partnership; Cory Hoepfner, RBC Capital Markets; Gene Slater, CSG Advisors (by telephone); Ramona Advani, Office of the State Auditor.

3. Agenda Review

Chair DeCramer announced the following:

- Item 7.A., Downpayment and Closing Cost Loan Programs Changes, would be presented immediately following the approval of the minutes.
- Item 7.C., One Time Allocation of Minnesota Housing Tax Exempt Bonding Authority, had been removed from the agenda. Commissioner Tingerthal would provide information regarding this action during her report.
- Pages 115 and 116 were improperly printed in some board packets.
- During the "other business" portion of the agenda the meeting would be closed for Commissioner Tingerthal's evaluation.
- Members had been provided with information sent to their attention at the Agency's offices regarding the use of low income housing tax credits

4. Approval of the Minutes.**A. Regular Meeting of December 22, 2016**

Terri Thao moved approval of the minutes as written. Joe Johnson seconded the motion. Motion carries 6-0.

5. Reports**A. Chair**

Chair DeCramer shared that Joe Johnson had been reappointed and thanked him for agreeing to serve another term.

B. Commissioner

Commissioner Tingerthal thanked the board for hearing item 7.A out of order, stating that Ms. Bolstad is participating in the State's Emerging Leaders Institute, a professional development program that requires perfect attendance and for which she had a class that afternoon.

Next, Commissioner Tingerthal provided a legislative update, sharing that Governor Dayton had released his budget earlier that week and described the “Homework Starts With Home” initiative and funding to support downpayment assistance and homeownership capacity that were included in that budget. Commissioner Tingerthal shared the Governor had released his bonding bill in early January and that package included \$70 million in Housing Infrastructure Bonds and \$20 million in general obligation bonds for public housing. The bill also includes language that would allow up to \$20 million in additional bonds to be issued due to excess budgeted debt service from the last authorization of Housing Infrastructure Bonds.

Commissioner Tingerthal then explained that item 7.C had been removed from the agenda because Minnesota Management and Budget has not released its bonding allocations and has been subject to restraining orders that have prevented them from allocating additional bonds. Commissioner Tingerthal stated that staff may request a special meeting once MMB has completed its allocation, stating timing was important because bonds must be issued within 120 days of being allocated.

Commissioner Tingerthal shared with the board that staff are undertaking a required assessment called an “Analysis of Impediments,” which is essentially a scan of the political and regulatory landscape and the conditions of people being able to achieve affordable housing from a fair housing perspective. This analysis leads to an action plan for addressing those impediments. The Agency is working with a new consultant this year and, under guidance from HUD, the analysis now calls for a much more robust community engagement process. Commissioner Tingerthal described the community engagement process and stated she was very impressed with the team that staff had selected and believe this would be a good and informative process.

The following employee introductions were made:

- Tresa Larkin introduced Kim McAfee. Mr. McAfee has more than nine years of banking experience and joined the Agency as a business development representative for Multifamily.
- Gayle Rusco introduced Matt O’Brien. Mr. O’Brien is employed in Multifamily Asset Management and has numerous years of residential and commercial asset management experience.
- Katie Topinka introduced Sean Mock. Mr. Mock is a senior honors student at Macalester College and is working as a legislative intern through the Capitol Pathways program.

C. Committee

None.

6. Consent Agenda

None.

7. Action Items

A. Downpayment and Closing Cost Loan Programs Changes

Laura Bolstad, program manager on the Single Family home mortgages programs team presented this request to make changes to the downpayment assistance and closing costs loans, stating the changes are being made to better align the programs with current market conditions. Ms. Bolstad stated the market is seeing increased home prices, low inventory of affordable home, rising interest rates, and continued unavailability of seller contributions to offset entry costs. Ms. Bolstad stated that under the current program structure, staff anticipates a decrease in the number of borrowers served, making it difficult to meet production or mission goals. Ms. Bolstad stated that households of color or of Hispanic ethnicity are the most likely to be impacted by rising costs because that segment of buyers tends to be more asset constrained. Ms. Bolstad described the households

served by these programs and detailed some of the increasing costs, providing figures for incomes needed to afford homes at certain prices.

Ms. Bolstad described the changes being requested to program income limits, stating the limits had not been adjusted in more than two years. Ms. Bolstad added that the modest changes will allow the most income targeting, adding that production will be closely monitored and adjustments will be requested if staff determines they are needed to meet program goals.

Mr. Joe Johnson inquired if the increase in downpayment assistance would be enough to make a difference. Ms. Bolstad responded that staff is trying to balance budgetary constraints with borrower need and believe that the modest increase will make a difference but acknowledged that it will not be sufficient for all borrowers.

Chair DeCramer requested information about the income level differences between Greater Minnesota and the metro area and requested that staff in the future share with the board how those income levels are determined. **MOTION:** Joe Johnson moved approval of the Downpayment and Closing Cost Loan Program Changes. Stephanie Klinzing seconded the motion. Motion carries 6-0.

B. Amendment, Qualified Allocation Plan (QAP) and Procedural Manual, 2018 Housing Tax Credit (HTC) Program

Anne Heitlinger and Summer Jefferson presented this request for approval of draft proposed amendments to the 2018 Qualified Allocation Plan. Ms. Jefferson stated the board had provided preliminary approval of proposed changes at its October meeting and a large number of comments were received. The comment period was extended and staff has continued to gather feedback. The Agency has held a webinar and listening sessions for partners including developers, cities, and advocates. Staff have carefully reviewed and considered the comments received and the board has been provided with copies of the written comments and summary of the public hearing. More than 250 stakeholders were engaged. The following proposed amendments and revisions were reviewed:

- Minimum score requirement. In October, staff recommended an increase of the minimum score from 40 to 50 points. Commenters stated this threshold was too high and would curb development. Staff agrees it is important to find the right threshold that will meet the state's priorities and is also fair to communities. Staff conducted further research and found that 50 points may prohibit certain developments are now recommending the threshold remain at 40 points.
- Long term affordability. Staff previously recommended that affordability be maintained for 30 years. Commenters were supportive but also stated it could make projects using 4% tax credits more difficult. Staff is now recommending a 20 year affordability period and the creation of a new scoring criterion for long-term affordability. Additional points would be provided for 30-year affordability, which provides incentive for affordability over the longer term.
- Cost containment. Staff proposed requiring the predictive cost model be applied to developments applying for 4% tax credits and waivers from the board be required if costs exceed the model by more than 25%. Comments expressed concern about the timing of this change and when information would be available. Staff is proposing to incorporate the predictive model in the pre-application process to address these concerns. Staff is also recommending a cost containment incentive, which will allow 4% tax credit applicants to claim up to six points under cost containment. Currently, points for cost containment are only available to applicants for 9% tax credits.

Ms. Jefferson stated that, following approval of the proposed amendments, there will be an additional public comment period and a public hearing. Staff will return to the board to seek

approval of the changes at the February meeting, sharing any changes resulting from this second public comment period.

Ms. Stephanie Klinzing stated there seemed to be an ongoing theme where people believe things are simple and answers are simple, and stated that things are not simple, but are very complex. Ms. Klinzing stated the purpose of so much engagement, stating it has been interesting that there has been this controversy, but a good thing has resulted from so much input. Ms. Klinzing stated that everything is interrelated and following the thread can be difficult, but not following it can be very problematic. Ms. Klinzing expressed her appreciation that staff have analyzed every comment and listened to those suggestions. Ms. Klinzing stated she thought the document was great and she believed staff has looked at everything in depth, adding there are no easy answers, but we can get through it and come out with a great plan for the Agency's mission and thanked staff.

Mr. Craig Klausung requested a clarification regarding when the changes would be effective. Ms. Anne Heitlinger stated there is a chance that some projects previously selected to receive 4% tax credits wouldn't close until 2018 and the dates listed in were intended to clarify under what plan projects fall if those applications have not yet been selected or acted on by staff or the board.

Mr. Klausung inquired how penalty points would be implemented for projects whose costs increase outside of an acceptable range. Ms. Jefferson responded that a form is submitted after project close / completion that includes the actual total development cost. If the actual total development cost is higher than submitted, the penalty would be applied to future applications.

Chair DeCramer inquired about RSMMeans and on what construction costs are based. Mr. John Patterson, Director of Research and Evaluation, stated the data used for the predictive model is its own data, but if high cost projects are being funded, we see higher costs. RSMMeans is a third-party cost data standard that the Agency uses to compare its own costs. **MOTION:** Joe Johnson moved approval of the draft proposed amendments and to begin the public comment period. Auditor Otto seconded the motion. Motion carries 6-0.

C. One Time Allocation of Minnesota Housing Tax Exempt Bonding Authority

This item was removed from the agenda.

D. Approval of Participants for the Minnesota City Participation Program

Nicola Viana, program manager on Single Family home mortgage team presented this request for approval of cities for participation in the program and approval to apply to Minnesota Management and Budget for the amount of tax exempt bonding available from the housing pool.

Ms. Viana described the program, stating it began in 1990 to enable cities and counties to provide first-time homebuyer programs in their cities. There are 39 program participants this year, which is a typical number. Ms. Viana stated there is great representation from both Greater Minnesota and the metro area. Ms. Viana stated allocations are based on populations, bonds are allocated in a minimum amount of \$100,000 and the bonds are treated as a subset of the Start Up program. Ms. Viana stated that homes purchased through program must be in the applicant's jurisdiction and buyer income may not exceed 80% of area median income. Ms. Viana explained that the participating communities have chosen not to issue bonds themselves because of the administrative burden. Minnesota Housing selling bonds on behalf of these communities creates partnerships will increasing access to homeownership.

Ms. Viana described the outreach plan for the program, which included communications with previous participants, announcement of program availability through the League of Minnesota Cities

and the Association of Minnesota Counties, and strategic outreach in counties where staff is aware of a need for additional homeownership opportunities.

Mr. Joe Johnson inquired if the number of counties participating this year is the same as the previous year. Ms. Viana responded that there were 41 participants last year, but there has been some reorganization. Ms. Viana reiterated that there is a minimum allocation of \$100,000 and if at least 50% of the allocation is not issued, the participant may not participate again the following year. Ms. Viana stated there were one or two applicants from the previous cycle who were unable to participate because this minimum was not met, and added that partnership with multi-county organizations is allowed which can help ensure the allocation is used.

Chair DeCramer inquired if there was an area that is not covered by the program. Ms. Viana responded that the program is well disbursed, but there are some counties not covered, partially because the Agency does not have lenders there. Ms. Viana added that each region is covered, but there are some counties that are not. **MOTION:** Craig Klausing moved approval of the participants in the program, the adoption of Resolution No. MHFA 17-001 and authorized staff to apply for the bonding allocation. Terri Thao seconded the motion. Motion carries 6-0.

8. Discussion Items

A. 2017 Division Work Plans Summary

Deputy Commissioner Barb Sporlein described the strategy management framework and summarized major work plan items, stating this year has a very ambitious work plan. Ms. Sporlein stated the senior team had conversations about how to respond to changes and allocation of resources and also worked on phasing and scaling of projects to help prepare for a busy year to come. Ms. Sporlein stated that much of the work is focused on interdependencies of major initiatives both internally and with other state agencies.

Terri Thao inquired about the engagement activities the Agency undertakes. Ms. Sporlein stated the Agency regularly engage with real estate professionals, developers, lenders, service providers, and non-profit organizations. Ms. Sporlein also acknowledged there are voices the Agency has not yet heard from and we want to be sure we are assessing and finding individuals and organizations that have connections that we do not have by expanding our network and added that Agency had completed a civic engagement assessment to identify gaps. Commissioner Tingerthal added that, as part of the engagement for discussing the proposed changes to the Qualified Allocation Plan, there was a particularly fruitful meeting with public employees from suburban communities. Approximately 20-25 communities with which we've not historically interacted attended the meeting and there was a mutual understanding that ongoing engagement would be beneficial.

B. Underwriter Performance Review

Kevin Carpenter, Chief Financial Officer, provided background to the board, stating they select an underwriting team for a four year period and currently RBC Capital Markets serves as the senior manager, with Wells Fargo and Piper Jaffray serving as co-managers. Mr. Carpenter thanked the teams for their service. Mr. Carpenter stated that, pursuant to the board's debt management policy, the financial advisor (currently CSG Advisors) provides a performance update on the services of the underwriters every two years. Due to staff changes, the current performance review is overdue, so today service from 2015 and 2016 would be reviewed. Mr. Carpenter stated the current underwriting team's term goes through 2017 and by the end of the years, staff will undertake an RFP to select the team for the term beginning in 2018.

Gene Slater, CSG Advisors, described the roles of the senior and co-managers, stating the main roles of the senior manager are to design what the Agency wants to do and executing that strategy.

Mr. Slater stated the bulk of the financing the Agency has done in dollar volume is Single Family and the key questions for the underwriters are: do they help meet the objectives to ensure good spread that is at least as profitable as selling off the loans, is volume cap being leveraged as effectively as possible, and; is the balance sheet stable for the long-term. Mr. Slater stated he believed the team has done an excellent job, characterizing it as possibly the best of any team in the country. Mr. Slater stated that Minnesota Housing has been a leader in doing pass-throughs and capturing volume cap and has been cited by Moody's as a national leader in maintaining its balance sheet. Mr. Slater stated that performing these functions has necessitated a new series of tools be developed, including a recycling facility that has allowed the Agency to preserve \$100 million in bond cap over the past few years and finding a way to use taxable bonds to also preserve cap.

Mr. Slater than stated that the rental housing deals tend to be much smaller but are very important. The rental housing deals are much more standardized and formulaic, and the team has done a fine job of executing those deals. Mr. Slater closed his review by stating it has been an extraordinary performance in meeting the Agency's objectives.

9. Informational Items

A. Post-Sale Report, Residential Housing Finance Bonds 2016 Series DEF

Informational item. No action.

10. Other Business

A. Report on Commissioner's Evaluation

At 2:05 p.m., the meeting was closed pursuant to Minnesota Statutes Section 13D.05 to evaluate the Commissioner's performance. The meeting was re-opened at 2:42 p.m. and Chair DeCramer reported the board had reviewed and discussed Commissioner Tingerthal's performance during the closed portion of the meeting.

11. Adjournment.

The meeting was adjourned at 2:43 p.m.



Item: Selection and Commitment, Bridges Rental Assistance

Staff Contact(s):

Carrie Marsh, 651.215.6236, carrie.marsh@state.mn.us

Elaine Vollbrecht, 651.296.9953, elaine.vollbrecht@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff requests the adoption of the attached Resolution authorizing an award of \$51,000 in funding administered through the Bridges Rental Assistance program. This will create one new Bridges grant in an unserved area, with a term from April 1, 2017 through June 30, 2019, and will serve approximately three households each month.

Fiscal Impact:

Bridges funding is a state appropriated resource, committing these funds does not have an adverse impact on the Agency's financial position. The appropriation was approved by the Minnesota Legislature in June 2015 and included a \$2.5 million increase to the base level of funding, of which some was not committed in order to solicit applications from unserved areas.

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
- Resolution

Bridges supports people with a serious mental illness allowing them to live in integrated settings in their communities by ensuring that persons with a Bridges housing subsidy are also provided access to supportive mental health services. The program plays a key role in the Agency's contribution to Minnesota's Olmstead Implementation Plan goals, and is cooperatively administered, monitored and evaluated by Minnesota Housing and the Department of Human Services Mental Health Division (DHS-MHD). This collaboration is essential to the effective operation of the program, as is the collaboration of housing and mental health agencies at the regional and county level. Bridges grantees are required to work with their local Adult Mental Health Initiative (AMHI) or tribal nation mental health agency in order to implement the program.

Funds available under the Bridges program provide temporary rental subsidy payments and, in some instances, security deposits for eligible adults with a serious mental illness. The program requires participants to register for a permanent rental subsidy, primarily Housing Choice Vouchers, formerly known as Section 8, when the waiting lists are open. The Bridges program is designed to provide a relatively seamless transition in-place for participants when they receive a Housing Choice Voucher.

- In June 2015, during the special session, the Minnesota Legislature appropriated \$8.176 million for Bridges for the 2016-2017 biennium, which included an increase of \$2.5 million from the 2014-2015 appropriation.
- In May, August and December of 2015, the Minnesota Housing board approved \$7,799,000 of Bridges state appropriations and \$529,000 from the Ending Long-Term Homelessness Initiative Fund (ELHIF) to existing and new administrators. In May 2016, \$368,000 of the Bridges appropriation was committed to Bridges RTC grantees.
- Approximately \$250,000 of the Bridges appropriation was intentionally not committed so that applications could be solicited from unserved areas, in particular tribal nations. The application opened in July 2016, with the deadline for proposals ongoing until December 2016.

Staff is pleased to recommend funding for the White Earth Nation partnership between their Human Services and Mental Health departments. This is the first Bridges grant awarded to a tribal nation. The request for funding was based on the number of families on a waiting list for the two existing tribal permanent supportive housing developments and the capacity of White Earth Tribal Mental Health staff.

White Earth operates a comprehensive case management system and will provide individualized services to each household participating in the Bridges program, in addition to Adult Rehabilitative Mental Health Services (ARMHS) offered by Tribal Mental Health. ARMHS is a set of recovery-focused services that include components of basic living and social skills, community intervention, medication education, and transitioning to community living. White Earth Human Services staff will utilize existing relationships with landlords to access available rental housing and will work with other White Earth programs for referrals to Bridges.

Minnesota Housing and DHS-MHD staff reviewed the funding request and participated in the selection committee. The committee discussed the human services and mental health partnership, the availability

Agenda Item: 6.A
Background

of rental housing and the size of the funding request. The proposal was also evaluated based on service area need, the referral process and feasibility.

If this funding recommendation is approved, an uncommitted balance of approximately \$63,000 will remain of the original \$2.5 million base increase. These remaining funds will be committed through the 2017 Bridges Request for Proposals.

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, MN 55101
Resolution No. MHFA 17-

RESOLUTION APPROVING SELECTION/COMMITMENT BRIDGES

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide rental assistance for persons with mental illnesses.

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to enter into a grant agreement using state resources as set forth below, subject to the availability of state appropriations and also subject to changes allowable under the multifamily funding modification policy, upon the following conditions:

1. Agency staff shall review and approve the Grantee the total recommended as indicated;

Bridges Grantee	D Number	Award	Target Number of Households	Grant Term
White Earth Nation	D7977	\$ 51,000	3	April 1, 2017 to June 30, 2019

2. The issuance of a grant agreement in form and substance acceptable to Agency staff and the closing of the individual grant shall occur no later than six months from the adoption date of this Resolution; and
3. The sponsors and such other parties shall execute all such documents relating to said grant, to the security therefore, as the Agency, in its sole discretion, deems necessary.

Adopted this 23th day of February, 2017

CHAIRMAN



Item: Selection and Commitment, Preservation Affordable Rental Investment Fund (PARIF)
Park View Terrace, Moorhead, D1005

Staff Contact(s):

Susan Thompson, 651.296.9838, susan.thompson@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Agency staff has completed the initial underwriting and technical review of the development and requests approval of the adoption of a resolution authorizing the selection and commitment in the amount of up to \$525,000 under the Preservation Affordable Rental Investment Fund (PARIF) program, subject to the review and approval of the mortgagor and the terms and conditions of the Agency mortgage loan commitment.

Fiscal Impact:

The 2017 Affordable Housing Plan (AHP) included \$13.9 million for new preservation activity under the PARIF program. The PARIF loan will be funded through state appropriations and does not require any additional appropriation from the state..

Meeting Agency Priorities:

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

Attachment(s):

- Background
- Development Summary
- Resolution

Park View Terrace, located in Moorhead, Minnesota, will be acquired and rehabilitated by an affiliate of The Schuett Companies. The properties were originally financed with a Minnesota Housing mortgage, which matures in December 2017. The development provides housing for seniors aged 62 or older. In conjunction with the rehabilitation and refinance, the existing Section 8 HAP contract will be renewed, and the project will set seven one-bedroom units aside for persons experiencing homelessness.

This development was selected in the 2015 RFP for tax credits, a HUD first mortgage and a PARIF loan. During underwriting, the first mortgage was maximized and tax credit pricing was increased, these actions eliminated the need for the PARIF loan. As a result, Minnesota Housing rescinded the PARIF loan.

In November 2016, the tax credit investor was no longer willing to move forward with the deal, and the syndicator could not hold the pricing for the tax credits. The developer has now found a new investor (WNC) but at a lower price, creating a gap of over \$1 million. In order to fill the gap, the developer has committed interim income and the deferred developer fee and has requested a deferred PARIF loan from the Agency to allow the development to move forward with closing.

Staff is requesting approval of an up to \$525,000 PARIF loan.

DEVELOPMENT SUMMARY

DEVELOPMENT:

Name: Park View Terrace D1005
 Address: 100 Third St. N. App#: M17532
 City: Moorhead County: Clay Region: Northeast

MORTGAGOR:

Ownership Entity: Park View Terrace II, LP
 General Partner/Principals: Schuett Park View Terrace, LLC

DEVELOPMENT TEAM:

General Contractor: Frerichs Construction Company, Little Canada
 Architect: Kaas-Wilson, Minneapolis
 Attorney: Winthrop & Weinstine, Minneapolis
 Management Company: The Schuett Companies, Golden Valley
 Service Provider: Lakes & Prairies Community Action Partnership, Inc.

CURRENT FUNDING REQUEST/PROGRAM and TERMS:

\$ 525,000 MHFA PARIF
 Funding Source: Preservation ARIF
 Interest Rate: 0.00%
 Term (Years): 35

RENT GRID:

UNIT TYPE SIZE	NUMBER GROSS RENT	UNIT AGENCY LIMIT (SQ. FT.)	INCOME AFFORD-ABILITY*		
1BR	61	549 \$ 690	\$ 690	\$ 27,600	
1BR	51	549 \$ 690	\$ 690	\$ 27,600	
2BR	8	779 \$ 845	\$ 845	\$ 33,800	
TOTAL	120				

*The units will benefit from Section 8 project-based rental assistance, ensuring that residents pay no more than 30 percent of their income toward rent.

Purpose:

Park View Terrace is a related-party acquisition/rehabilitation of an existing eight-story elevator building for seniors in Moorhead. The project was built in 1977 and includes 120 units. All of the units receive project-based rental assistance via a HAP contract that will continue to be renewed for the life of the new Minnesota Housing loan.

Target Population

Parkview Terrace provides 112 one-bedroom units and eight two-bedroom units for seniors aged 62 or older. In conjunction with this rehabilitation and refinance, the project will set seven of the one-bedroom units aside for persons experiencing homelessness. Under tax credit guidelines, 50 percent of the units will be rent restricted at 30 percent AMI and the remaining 50 percent will be rent restricted at 50 percent AMI, but the HAP contract covers all units, and the HAP rents can be higher than the tax credit limit so long as the tenant is not paying more than the tax credit limit out-of-pocket.

Project Feasibility

The development is feasible as proposed. In addition to the requested PARIF loan, the development will be financed with a HUD insured mortgage of \$4,750,000 and tax credit syndication proceeds of \$7,290,084. Other sources of funding include \$970,000 in transferred reserves, \$250,000 of income earned during rehabilitation and \$446,000 of deferred developer fee.

Development Team Capacity

The property is being acquired by a related entity, and management will continue to be provided by the Schuett Companies. The Schuett Companies was established in 1983 and currently has 15 developments in its portfolio. It has completed four rehabilitations of similar size and scope of the proposed development. Previous experience with Minnesota Housing and internal staff experience has been acceptable.

Physical and Technical Review

Park View Terrace was built in 1977. The development includes a mix of one- and two-bedroom units in one eight-story, elevator building.

The proposed renovation includes unit interior upgrades (kitchens, bathrooms, flooring and lighting), accessibility and energy efficiency upgrades, mechanical equipment, roof and window replacement, asbestos abatement and other site improvements.

The budgeted Total Development Cost (TDC) is \$118,597 per unit, which is 9.5 percent below the predictive model estimate of \$131,040 per unit.

Market Feasibility

Park View Terrace is an existing senior development with an average occupancy greater than 95 percent. All of the units benefit from project-based rental assistance under a Section 8 HAP contract, which has recently been renewed for 20 years. As part of the refinance, the developer will commit to continuing the rental assistance for the term of the Agency loan.

Supportive Housing

Lakes and Prairies Community Action Partnership, Inc. will be the service provider providing case management services using evidenced-based practices. Services will be funded through the development's operating budget and will meet the needs of the homeless tenants. A Housing First model is being proposed. This is the first partnership between the owner, property management and service provider, but all have experience with supportive housing.

Agenda Item: 7.A
Development Summary

DEVELOPMENT COST SUMMARY (estimated):

	Total	Per Unit
Total Development Cost	\$14,231,666	\$118,597
Acquisition or Refinance Cost	\$5,980,000	\$49,833
Gross Construction Cost	\$5,303,448	\$44,195
Soft Costs (excluding Reserves)	\$2,402,083	\$20,017
Reserves	\$546,135	\$4,551
Agency Deferred Loan Sources		
MHFA PARIF	\$525,000	\$4,375
Total Agency Sources	\$525,000	\$4,375
Total Loan-to-Cost Ratio		4%
Other Non-Agency Sources		
HUD 221(d)4 Mortgage	\$4,750,000	\$39,583
Syndication Proceeds (WNC)	\$7,290,084	\$60,750
Existing Project Reserves	\$970,000	\$8,083
Interim Income	\$250,000	\$2,083
Deferred Developer Fee	\$446,582	\$3,722
Total Non-Agency Sources	\$13,706,666	\$114,222

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

RESOLUTION NO. MHFA 17-

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) PROGRAM
HOME INVESTMENT PARTNERSHIPS (HOME) PROGRAM

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

Name of Development:	Park View Terrace
Owner/Mortgagor:	Park View Terrace II LP
Sponsor:	The Schuett Companies, Inc.
Location of Development:	Moorhead
Number of Units:	120
Estimated Total Development Cost:	\$14,231,666
Amount of PARIF Loan:	\$525,000

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

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide a construction and permanent mortgage loan to said applicant from PARIF program funds for the indicated development, upon the following terms and conditions:

1. The amount of the PARIF loan shall be \$525,000; and
2. The terms of the PARIF loan shall be zero percent interest and have a maturity date that is co-terminus with the development's first mortgage; and

3. The mortgagor must agree with the terms set forth in the Agency Term Letter; and
4. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff, and the closing of the loans shall occur no later than 20 months from the adoption date of this Resolution; and
5. In accordance with subd. 39 of Minn. Stat. § 462A.05, and the rider to the appropriation providing funds to the program, the mortgagor will enter into a covenant running with the land requiring owner to maintain the Rental Assistance Agreement for the term of the PARIF loan, and to agree to accept such assistance for so long as it is made available to the development, and providing the right of first refusal to a non-profit or local unit of government should the owner receive a viable purchase offer during the term of the loan; and
6. The sponsor, the builder, the architect, the mortgagor and such other parties as Agency staff, in its sole discretion deem necessary, shall execute all such documents relating to said loan, to the security therefore, to the construction of the development, and to the operation of the development.

Adopted this 23rd day of February 2017.

CHAIRMAN

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Item: Amendment, Qualified Allocation Plan (QAP), Procedural Manual, and Self-Scoring Worksheet: 2018 Housing Tax Credit (HTC) Program

Staff Contact(s):

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Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff requests approval of an amendment to the 2018 Housing Tax Credit Program Qualified Allocation Plan (QAP), Procedural Manual, and Self-Scoring Worksheet.

Fiscal Impact:

Housing Tax Credits are a federally sponsored program and will not have any direct fiscal impact on the Agency's financial condition. However, recommendations contained in this board memo and the proposed amendments to the QAP may have a significant impact on the ability of the Agency to have access to tax-exempt private activity bonding authority to conduct its single family and multifamily program activities.

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
- Summary of Proposed Revisions
- Amended 2018 Housing Tax Credit documents
 - Qualified Allocation Plan
 - ~~Self~~ Scoring Worksheet
- Public Hearing Comments
- Written Public Comments

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 each allocating agency develop a Qualified Allocation Plan (QAP) for the distribution of the tax credits within its 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 support state housing priorities.

Minnesota Housing's HTC Program administration includes use of the following documents: a Qualified Allocation Plan (described above); a Procedural Manual that includes detailed definitions and procedures for implementation of the QAP, and a Self-Scoring Worksheet that assigns points for how well a project meets the funding priorities of Minnesota Housing's HTC Program. The HTC Program is generally reviewed and revised each year to ensure it meets IRS requirements and supports state housing priorities.

Copies of the current QAP and Procedural Manual are available on the Agency's website, www.mnhousing.gov (Home -> Multifamily Rental Partners -> Funding -> Tax Credits -> 2018 Procedural Manual and Documents).

A draft set of proposed changes to the 2018 QAP and Procedural Manual, in the form of a blackline version of the Self-Scoring Worksheet, was approved by the board at its January 26, 2017 board meeting. On January 23, 2017, in accordance with Section 42, the Agency published a notice soliciting public comment on the proposed changes following the board meeting. Minnesota Housing staff held a public hearing on Thursday, February 9, 2017.

A summary of the proposed changes was made available to the public in advance of and at the hearing for review and comment. Two members of the general public attended and 8 comments were submitted. Copies of the written comments are attached.

Staff is now presenting a revised set of proposed amendments to the 2018 QAP, Procedural Manual and Self-Scoring Worksheet. This report includes a blackline of the QAP and Self-Scoring Worksheet reflecting the revisions currently being proposed. For clarity, the Self-Scoring Worksheet now contains the seven Strategic Priorities that had previously been incorporated by reference to the QAP. There weren't any changes to the QAP Procedural Manual or the Cost Containment Methodology. A summary of these revisions, the rationale for them, public comments and staff responses are also attached. The QAP, Procedural Manual, and Self-Scoring Worksheet, may be further revised by staff for changes in formatting, spelling, grammar and other readability improvements.

Summary of Proposed Revisions to the Amended 2018 Tax Credit Program, Qualified Allocation Plan (QAP), and Procedural Manual

At the January 2017 board meeting, staff proposed certain amendments to the Qualified Allocation Plan (QAP) for the Housing Tax Credit Program. Public comments on the proposed amendments to the 2018 QAP were submitted to the Agency in February 2017. Staff carefully reviewed and considered all of the comments. Changes made as a result of comments and additional analyses by staff are detailed below.

Recommended changes to the Qualified Allocation Plan, Procedural Manual, and/or Self-Scoring Worksheet

Staff recommends that the proposed QAP amendments and policy changes apply to: Projects that submit an application for 4% tax credits on or after October 1, 2016; and projects that submitted an application for 4% tax credits prior to October 1, 2016 but have been recommended for non-selection (either as part of the RFP or as a pipeline application) on or prior to the October 19, 2016 board meeting. The requirements of the QAP for 4% tax credit allocations in effect on September 30, 2016 will apply to all projects for which an application has been received by Minnesota Housing prior to October 1, 2016 and for which Minnesota Housing has not recommended non-selection.

This board report restates the explanation provided in the January, 2017 board report for proposed amendments to the 2018 QAP. Following the original explanation of each change is a summary of the public comments received between January 23 and February 9, 2017, followed by staff's recommended modifications to the QAP, if any, in response to these public comments. To aid in readability, the final recommendation is boxed.

1. Recommendation - Maintain the minimum score required to receive an allocation of 4% tax credits at 40 points.

This change is reflected in the corresponding documentation (QAP, HTC Manual, and Self-Scoring Worksheet).

Public Comments Summary (staff responses italicized):

- **The Agency received three letters in support of the 40 point minimum score.**
- **The Overall scoring for the 2018 QAP is not comparable to the scoring in the 2013 QAP scoring because there have been a number of revisions that have reduced the overall potential points. Minnesota Housing has eliminated the following categories from the 2018 Self-Scoring Worksheet: new construction that utilizes existing water/sewer lines (10 points), Project requesting no deferred loan (20 points), foreclosed properties (10 points).**
 - *The Agency acknowledges that there have been revisions in scoring that have resulted in a net decrease in points; however, a number of new scoring categories have also been incorporated that offset the decreases. Minnesota Housing has created the following new categories in the Self-Scoring Worksheet: Planned Community Development (3 Points), People With Disabilities (10 points), Access to*

Higher Performing Schools (4 points), Rural/Tribal (10 points), MBE/WBE (3 points), Long-Term Affordability (7 points), and Cost Containment (6 points). In addition, the scoring assessment conducted by the Agency took into consideration the current points available. Our analysis concludes that the current score threshold is attainable by a range of projects.

Final Recommendation - Proposed Change Resulting from Public Comment: No proposed change.

2. Recommendation - Add the requirement that a project must meet at least one Strategic Priority Policy Threshold in the QAP under which the project was selected.

The current QAP, which requires 9% projects to meet at least one of the Strategic Priority Policy Thresholds (Access to Fixed Transit, Greater Minnesota Workforce Housing, Economic Integration, Tribal Housing, Planned Community Development, Preservation, and Supportive Housing), does not apply to projects using Private Activity Bonds and 4% tax credits. Staff is proposing that all housing tax credit projects, including those using Private Activity Bonds and 4% tax credits, meet at least one Strategic Priority Policy Threshold.

Public Comments Summary (staff responses italicized):

- **The Agency received two letters in support of 4% projects meeting a strategic priority.**
- **The Agency received two letters that expressed appreciation for the clarification that senior housing could qualify under the Planned Community Development strategic priority.**
- **Projects meeting local housing needs may not meet a state strategic priority and the requirement may not allow for the flexibility needed to respond to local needs.**
 - *The Planned Community Development category is specifically designed to recognize projects that “address locally identified needs and priorities in which local stakeholders are actively engaged.”*
- **Economic Integration as a strategic priority does not go far enough to increase economic integration.**
 - *Beyond the strategic priority for economic integration, there are several scoring criteria under the broad category of Areas of Opportunity. These criteria include economic integration, higher performing schools, workforce housing communities, and location efficiency—all of which supplement the strategic priority of economic integration.*

Final Recommendation - Proposed Change Resulting from Public Comment: No proposed change.

3. Recommendation - Require that owners of projects qualifying for 4% tax credits under the 2018 QAP maintain the units with tax credit restrictions in the projects for at least 20 years

and Sections 42(h)(6)(E)(i)(II) and 42(h)(6)(F) of the Internal Revenue Code shall not apply to the projects.

In addition, staff is proposing to create a new scoring criterion titled Long-Term Affordability (Scoring Criterion 1.g) under the Greatest Need – Tenant and Affordability Targeting. (Scoring Criterion 1 on the Self-Scoring Worksheet).

The QAP currently requires 9% projects to maintain affordability for a minimum of 30 years. This does not apply to projects using Private Activity Bonds and 4% tax credits. Owners of such projects retain the right to terminate the restrictions at the end of the 15-year compliance period in the event Minnesota Housing does not present the owner (if requested by owner) with a qualified contract for the acquisition of the project by a qualified buyer, as allowed for by IRS regulations.

Staff proposed a revision to the QAP to require 4% projects to waive the qualified contract process and maintain affordability for 20 years. The new scoring criterion would provide an additional 7 points to 4% projects that agree to waive the qualified contract for 30 years. This allows flexibility but also provides an incentive for the developer to extend the affordability period.

Public Comments Summary (staff responses italicized):

- **The Agency received four letters and a comment in support of the 20 year affordability requirement.**
- **The Agency received three letters and comments that expressed a preference for a 30 year affordability requirement.**
- **Additional affordability imposes additional costs on a project, most of which will likely be borne by the cities and developers.**
- **Minnesota Housing is proposing points only if a developer chooses a 30 year restriction. TIF, by law, can only be a maximum of 25 years, so there is a mismatch for those 5 years. Give one point per year for every additional year of affordability above the 20 year requirement.**
- **Under the current rules a 15 year affordability requirement can be matched with a 15 year TIF (tax increment financing) from a city. Under the 20 or 30 year minimum the city will have to increase TIF to 20 or 25 years otherwise the risk of foreclosure/default goes up.**
 - *Section 42 requires a minimum 30 year extended use period for all tax credit properties so the affordability term for all tax credit projects is 30 years. In year 15, developments have an opportunity to opt out of the program—but only under circumstances that meet Internal Revenue Service guidelines (the qualified contract process). That process does not guarantee release from the Tax Credit Program requirements.*
 - *Regarding TIF, the Agency has allocated credits to a number of projects with a variety of TIF terms from 15 to 25 years. We've seen this model many times with our 9% and 4% developments, and terms of 26 years are not uncommon.*

Final Recommendation - Proposed Change Resulting from Public Comment: Given that TIF is a commonly used source of financing and it has a maximum term of 26 years, an additional incremental scoring category will be added under Long-Term Affordability, with 3 points awarded for committing to 25 years of affordability.

4. Recommendation - Minnesota Housing will institute a new pre-application for determination of 4% tax credit eligibility.

This process will be available to developers as a means of receiving a tax credit scoring determination and the predictive model results prior to submitting an application for Private Activity Bonds to Minnesota Management and Budget (MMB) or Minnesota Housing. Developers will be strongly encouraged to submit such a pre-application. Most affordable rental housing projects will not have a viable financing plan unless the projects also receive an allocation of 4% housing tax credits. Given the proposed changes, staff is also recommending that developers use a new pre-application for determination of 4% tax credit eligibility prior to applying for an allocation of Private Activity Bonds so they know whether the projects they are proposing will meet the minimum point threshold and other standards.

Public Comments Summary (staff responses italicized):

- **The Agency received one comment in support of the pre-application process.**

Final Recommendation - Proposed Change Resulting from Public Comment: No proposed change.

5. Recommendation - For any project seeking 4% tax credits where the total development costs exceed the predictive model by more than 25%, the project must seek and be granted a waiver from the Minnesota Housing board in order to receive an allocation of tax credits. Staff will incorporate the predictive model determination into the pre-application determination process.

In addition, the Agency is proposing that projects seeking 4% tax credits be eligible for the six points under the Cost Containment scoring category (Scoring Criterion 5.c) under the Efficient Use of Scarce Resources (Scoring Criterion 5 on the Self-Scoring Worksheet).

Staff recommends that the total development costs of all projects requesting 4% tax credits be reviewed for comparison with the Agency's predictive cost model. Any project with costs exceeding the predictive model by more than 25% will require a waiver from the board. The Agency will incorporate the predictive model determination into the pre-application process. Predictive model analysis and board approval can be pursued earlier than the submission of the 42M application. Developers will submit a one page pre-application document with the required information provided by the applicant and will receive a determination letter upon approval. The determination letter will consist of Agency approval, expiration date of approval, the

Agenda Item: 7.B
Summary of Proposed Revisions

project's per unit costs as a percentage of the predictive model and the project cost cap beyond which a board waiver will be required.

Cost Containment points will be awarded based upon cost containment thresholds established in RFP/HTC Round 1. For each of the four competition groups, the cost per unit of the proposal at the 50th percentile in Round 1 will determine the per unit total development cost cap for 4% developments claiming the points. Thresholds will be released no later than September 30 for projects receiving bond allocations during the following year.

Public comments Summary (staff responses italicized):

- **The Agency received four letters in support of the cost containment requirements.**
- **The predictive cost model should reduce a project's cost by the amount of deferred development fee and reflect the true costs being paid through capital sources and not through cash flow.**
 - *The Agency uses the predictive model to analyze the total development costs of a project. Although the deferred developer fee may be viewed as a source that is paid from cash flow and not capital sources, the deferred developer fee is included in basis and the amount is used to determine the allocation of low income housing tax credits allocated to the project. The fee is still a cost billed to the project and is therefore still a part of the overall total development costs.*

Final Recommendation - Proposed Change Resulting from Public Comment: No proposed change.

6. Public Comments Received Not directly Related to the Changes Proposed in January.

Public Comments Summary (staff responses italicized):

- **The Agency received two letters in support of the withdrawal of modifications to the 2017 QAP.**
- **The Agency received four letters that commended the Agency for the expanded outreach, additional public comment period and the responsiveness to suggested changes.**
- **The Agency received several additional comments that did not pertain to the revised amendments for the 2018 QAP. These comments addressed a variety of issues including (but not limited to) fair housing, potential scoring or methodology changes for the 2019 QAP, use of bonds for single family housing, and pending legislation.**
 - *There will be other public comment periods and public engagement opportunities such as the comment period for the 2019 QAP and the public comment period for the Analysis of Impediments to Fair Housing for members of the public to reiterate these comments and for the Agency to respond. Comments related to the 2019 QAP have been noted by the tax credit team and are being evaluated.*

Self-Scoring Worksheet
Amended 2018 Housing Tax Credit Program
Relevant pages reflecting proposed changes.

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Self-Scoring Worksheet Amended 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 with applications for non-competitive tax credits in association with Tax Exempt Bonds submitted prior to October 1, 2016 and for which Minnesota Housing has not recommended non-selection as of October 19, 2016, must meet at least one of the Strategic Priority Policy Thresholds defined in Article 9 of the Housing Tax Credit Qualified Allocation Plan (QAP) in order to apply for Housing Tax Credits (HTC).
2. Minimum Point Requirements:
 - Request for Minnesota Housing Finance Agency (Minnesota Housing) administered tax credits from the State's tax credit volume cap must demonstrate the project is eligible for not less than 70 points, excluding projects funded through the Rural Development/Small Projects Set-Aside.
 - Request for tax credits in association with Tax Exempt Bonds must demonstrate the project is eligible for not less than 40 points.
 - Minnesota Housing reserves the right to reject applications not meeting its Project Selection requirements as contained in the HTC Program Procedural Manual, to revise proposal features, and associated scoring, and to ensure the project meets the requirements.
3. Documentation of Points:
 - Indicate the scoring criteria 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 points awarded; points will not be awarded unless documentation is provided along with the application to justify the points claimed.**
4. Extended Duration:
 - Request for Minnesota Housing Finance Agency (Minnesota Housing) administered tax credits from the State's tax credit volume cap 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 the owner also agrees the Section 42 income and rental restrictions must apply for a 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.

- Request for tax credits in association with Tax Exempt Bonds, with the exception of those with applications for non-competitive tax credits in association with Tax Exempt Bonds submitted prior to October 1, 2016 and for which Minnesota Housing has not recommended non-selection as of October 19, 2016, must maintain the duration of low-income use for a minimum of 20 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 the owner also agrees the Section 42 income and rental restrictions must apply for a period of 20 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 that require specific design elements (e.g., 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. At the time of 8609, all applicants must submit an Affirmative Fair Housing Marketing Plan 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% of the total tax credit units are single room occupancy units with rents affordable to households whose income does not exceed 30% of the area median income (AMI);
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% of the total tax credit units contain two or more bedrooms and at least one-third of the 75% 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 a local council resolution submitted with the application. (For Threshold Letter – Sample Format, see HTC Program 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% 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.

STRATEGIC PRIORITY THRESHOLDS

To be eligible for tax credits from the state's volume cap under Minnesota Housing's QAP and non-competitive tax credits with applications submitted after October 1, 2016 or projects with an application submitted prior to October 1, 2016 that have been recommended for non-selection as of October 19, 2016, 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 2.A 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 Scoring Criterion 4 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 Permanent Supportive Housing for Households Experiencing Homelessness (Scoring Criterion 1.B on the Self-Scoring Worksheet) or People with Disabilities (Scoring Criterion 1.C under the Self-Scoring Worksheet).

2018 Housing Tax Credit Program Scoring Criteria	Developer Claimed	Minnesota Housing Awarded
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1. Greatest Need – Tenant and Affordability Targeting 2 to ~~182163~~ Points

A. Household Targeting – 10 to 12 Points

Choose one of the following:

- 1. 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% of the total tax credit units must contain two or more bedrooms. – **10 points**
- b). For Greater Minnesota proposals receiving points under a) above, at least one-third of the 75% contain three or more bedrooms. – **2 points**
- 2. Single Room Occupancy Housing¹** - At least 50% of the total tax credit units must be one bedroom or less with rents affordable to households whose incomes do not exceed 30% of AMI. – **10 points**

B. Permanent Supportive Housing for Households Experiencing Homelessness² – 5 to 114 Points

1. 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 four units, are either^{3*}:

- a) Set aside and rented to households experiencing long-term homelessness targeted to single adults, **OR**

¹ Specific performance requirement relief provisions are available for projects receiving points under the **Single Room Occupancy Housing category of the Household Targeting Selection Priority for “HTSP Units”**. Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and recorded with the property.

² Specific performance requirement relief provisions are available for projects receiving points under the **Permanent Supportive Housing for Households Experiencing Homelessness category for “Homeless Units”**. Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and recorded with the property.

³For the purposes of this scoring category:

- 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 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.

2018 Housing Tax Credit Program Scoring Criteria	Developer Claimed	Minnesota Housing Awarded
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- b) 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**

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

For proposals receiving points under 1. above, 100 points (“bonus” points) will be available until a total of \$2,370,000 (estimated 25% 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 System selected in the 2018 Housing Tax Credit competitions. Once this maximum amount is reached, the 100 points (“bonus” points) will no longer be awarded for the remaining 2018 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 related to the “bonus” points funding limits following its review of all applications in the funding round that 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 four 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**

3. Consistency with Local Continuum of Care Priorities – 2 points

For proposals receiving points under 1. above, additional points will be available for consistency with local needs identified by the local Continuum of Care (published Priorities are available on Minnesota Housing’s website at: [\[insert link\]](#)):

Continuum of Care Household Type Priorities:

- 5% of units (rounded up to the next full unit) or more, but no fewer than four units, targeted to Continuum of Care Household Type Priority One – **2 points**

4. Rental Assistance for Supportive Housing Units - 2 points

- For developments receiving points under 1. above that have committed project-based rental assistance (e.g., Section 8, McKinney Vento Continuum of Care, site-

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based Group Residential Housing, Section 811 Project Rental Assistance (PRA), or other similar programs approved by Minnesota Housing) for at least 5% of total project units, but no fewer than four units, for units that will serve Households Experiencing Homelessness. If points are claimed, then no points may be claimed for the same units under the Rental Assistance preference priority in Part E below.
– 2 points

NOTE: If points are claimed/awarded above, then no points may be claimed/awarded from the scoring criterion 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
- b) The application must meet the Supportive Housing Threshold Criteria outlined below
- c) The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available

A proposal that is awarded 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:

- a) 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 averaging two hours per household per week.
- b) Experienced service provider with demonstrated outcomes:
 - 1) 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.
- c) 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. Evidence must be provided in the application narrative and commitment letters or other documentation.
 - 1) Developments with 5% to 9.99% LTH units must have secured at least 75% of service funding
 - 2) Developments with 10% to 49.99% LTH units must have secured at least 20% of service funding
 - 3) Developments with 50% to 100% LTH units must have secured at least 5% of service funding

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- d) 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.

C. People with Disabilities – 5 to 12 Points

Points will be awarded to permanent housing proposals 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 any of the following disabilities⁴:

1. A serious and persistent mental illness as defined in Minn. Stat. § 245.462, subdivision 20, paragraph (c)
2. A developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended
3. 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
4. A brain injury as defined in Minn. Stat. § 256B.093, Subdivision 4, paragraph (a)
5. Permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules Chapter 1341

5% to 9.99%, but no fewer than four 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 scoring criterion 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:

1. The applicant must submit 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.
2. 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.
3. The application must meet the following threshold criteria:
 - a) **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)

⁴ Specific performance requirement relief provisions are available for projects receiving points under the People with Disabilities category of the People with Disabilities Selection Priority for "PDSP Units". Reference Section 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and recorded with the property.

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

Rental Assistance for Supportive Housing Units

For developments receiving points for setting aside units to serve People with Disabilities 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 5% of total project units, but no fewer than four units, for units that will serve People with Disabilities. If points are claimed, then no points may be claimed for the same units under the Rental Assistance preference priority in part E below. – **2 points**

D. 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% or 50% of AMI without rental assistance.

In addition to the elected income limit of 50% or 60% 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% or 30% income level by claiming points in this section).

- Option 1 – 100% of the HTC unit rents representing _____ units are at the county 50% HUD area median rent limit – **10 points**
- Option 2 – At least 50% of the HTC unit rents representing _____ units are at the county 50% HUD area median rent limit – **5 points**

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AND

- Option 3 – In addition to Option 1 or 2, this project restricts the rents of all the units identified in Option 1 or 2 to the 50% HUD area median rent limit for a minimum of 10 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, this project further restricts 30% of the above restricted units to the county 30% 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 scoring criterion of Rental Assistance for the same units.

IMPORTANT

If points are claimed/awarded for Options 1 or 2, all 50% rent restricted units must meet the 50% 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% rent limit over a three year period, with increases not to exceed the amount listed in the table below, provided that a more restrictive threshold, selection priority or funding requirements do not apply.

If points are claimed/awarded for Option 4, all 30% rent restricted units must meet the 30% 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% rent limit over a three-year period with increases not to exceed the amount listed in the table below, provided that more restrictive threshold, selection priority or funding requirements do not apply.

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

If points are claimed/awarded for this category's Option 3, all 50% rent restricted units must meet the 50% area median rent for a minimum of 10 years after the last placed in service date for any building in the property. After the 10 year period has expired, rent may be increased to the 60% rent limit over a three year period, with increases not to exceed the amount listed in the table below, provided that a more restrictive threshold, selection priority or funding requirements do not apply.

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

Minnesota Housing will incorporate these restrictions into the Declaration of Land Use Restrictive Covenants. The applicant must demonstrate, to the 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).

E. Rental Assistance – 2 to 21 Points

Priority is given to an owner who 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. A development is not eligible to receive points under Rental Assistance for assistance under the Rental Assistance Demonstration program (components I or II) or the Public Housing program.

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.

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

- (A) For developments agreeing to set aside and having the required binding commitment for 100% 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% 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% but under 51% of the total units for project based rental assistance – **10 points**
- (D) For developments agreeing to set aside and having the required binding commitment for at least 10% but under 20% of the total units, representing at least four 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 four to nine 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 scoring criterion of Serves Lowest-Income Tenants/Rent Reduction for the same units.

NOTE: Points cannot be claimed/awarded under the Rental Assistance scoring criterion if points are claimed/awarded for Existing Federal Assistance under the Preservation scoring criterion or if a development has a rental assistance contract that qualifies under the scoring criterion 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**

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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 four 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.

F. Long Term Affordability –~~3~~- 7 Points

Applications seeking 9% tax credits through Minnesota Housing’s competitive application process are not eligible to claim points through this Long Term Affordability priority. Only applications seeking 4% tax credits for use in conjunction with tax exempt bonds are eligible to claim points through this priority.

- Seven points will be available to a development that agrees to extend the long-term affordability of the project and maintain the duration of low-income use for a minimum of 30 years. **– 7 points**

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 the owner also agrees the Section 42 income and rental restrictions must apply for a 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.

~~Applications seeking 9% tax credits through Minnesota Housing’s competitive application process are not eligible to claim points through this Long Term Affordability priority. Only applications seeking 4% tax credits for use in conjunction with tax exempt bonds are eligible to claim points through this priority.~~

- Three points will be available to a development that agrees to extend the long-term affordability of the project and maintain the duration of low-income use for a minimum of 25 years. – 3 points

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 the owner also agrees the Section 42 income and rental restrictions must apply for a period of 25 years beginning with the first day of the compliance period in which the building is a part of a qualified low-income housing project.

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Awarded**2. Areas of Opportunity****1 to 28 Point****A. Economic Integration – 2 to 9 Points**

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

OR

To promote economic integration, projects are awarded points for being located in higher income communities that are close to jobs outside of Rural/Tribal Designated Areas. 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 first tier census tract – **9 points**
- Second Tier** - The proposed housing is located in a second tier census tract – **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: **[insert link]**
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: **[insert link]**

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% 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: **[insert link]**

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C. Workforce Housing Communities – 3 to 6 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 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 points; OR**
- The proposed housing is in a Long Commute Community – **3 points**

In the metropolitan area, project locations must be within five miles of a workforce housing city or township. In Greater Minnesota, project locations must be within ten 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: **[insert link]**

Additionally, find proximity to workforce housing in the Agency's community profiles interactive mapping tool: **[insert link]**)

D. Location Efficiency – 1 to 9 Points

Points will be awarded for developments that promote location efficiency based on access to transportation and walkability.

1. Twin Cities Metropolitan Area:

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

a) 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 planned or existing 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**

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

b) 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;**

c) 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 planned or existing LRT, BRT or commuter rail station. **One point for a development that meets one of the following, and two points for a development that 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 has 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. that result 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.

2. **Greater Minnesota:**

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

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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 planned or existing public transportation fixed route stop – **7 points; OR**
- Located between one quarter mile and one half mile of a planned or existing 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 (not required for tribal areas), **AND** the proposed housing has access to demand response/dial-a-ride* service with no more than one 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 (not required for tribal areas), **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 (not required for tribal areas), **AND** the proposed housing has access to demand response/dial-a-ride* service not meeting the scheduling terms above – **2 points**

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2) 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 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: [\[insert link\]](#) . Additionally, find these details in the Agency’s community [profiles interactive mapping tool \[insert link\]](#).

3. Supporting Community and Economic Development 1 to 28 Points

A. Planned Community Development – 3 Points

Points are awarded for proposals that contribute to Planned Community Development efforts, as defined in section 6.A of the HTC Program 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 an appropriate representative of the city or town that the housing proposal contributes to the objectives of the plan must be provided.

B. Eventual Tenant Ownership – 1 Point

Only detached single-family units are eligible for homeowner conversion. The project owner must 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 the transfer of 100% of the HTC unit ownership after the end of the 15-year compliance period from

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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). 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 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 the Eventual Tenant Ownership (ETO) Guide and also to Chapter 3W of the HTC Program Procedural Manual for additional information.)

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

C. Rural/Tribal – 10 Points

Points are awarded for projects located in Rural/Tribal Designated Areas outside of the Twin Cities Seven County Metropolitan Area.

- The proposed housing is located in a census tract eligible as a Rural/Tribal Designate Area – **10 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: [insert link] (

D. 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.

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

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

Federal/Local/Philanthropic Contributions include:

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

Preference Priorities	Developer Claimed	Minnesota Housing Awarded
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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 must be provided.

Within six months of the date of selection (Minnesota Housing Board selection date), the applicant must provide Minnesota Housing with documentation of a firm commitment and authorization or approval of the federal/local/philanthropic contribution(s). The documentation must state the amount, terms and conditions and must 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 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.

E. 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 6.A of the HTC Program Procedural Manual. In addition to submission of evidence of Planned Community Development, evidence from an appropriate representative of the city or town that the housing proposal contributes to the objectives of the plan must be provided.

Tribal Equivalent Areas published on Minnesota Housing’s website are also eligible for one point: **[insert link]**. Additionally, find these areas in the Agency’s community [profiles interactive mapping tool](#) **[insert link]**.

The proposed housing is located in a QCT Community Revitalization Area or a Tribal Equivalent Area – **1 point**

F. Minority-owned/Women-owned Business Enterprise (MBE/WBE) – 3 Points

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 – **3 points**

* A MBE/WBE is a tribe or tribally-designated housing entity, or another entity which is at least fifty-one (51) % 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.

4. Preservation

6 to 30 Points

IMPORTANT NOTE: DUAL APPLICATION and 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.

Preference Priorities	Developer Claimed	Minnesota Housing Awarded
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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**, as detailed in the HTC Program Procedural Manual Section 6.A. Failure to submit all required pre-application materials will result in rejection of the pre-application. Applicant must provide the Agency's "Preliminary Determination of Preservation Eligibility" letter which reflects threshold and points taken below.

Choose one of the following three Thresholds:

A. 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; **OR**
 - b) Existing tax credit developments 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 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 \[insert link\]](#); **AND**
5. 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 that 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.

B. Risk of Loss Due to Critical Physical Needs

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 that created rent and income restrictions or the most recent tax credit placed in service date for projects claiming points under Critical Affordable Units; **AND**

Preference Priorities	Developer Claimed	Minnesota Housing Awarded
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2. Critical physical needs identified by third party assessment to support the following conclusions:
 - a) Repair/replacement of major physical plant components have been identified that will result in 15+ years sustained operations; **AND**
 - b) Identified scope of critical physical needs exceeds the available reserves by at least \$5,000 per unit, as evidenced by the 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 a tribal housing authority waiting list.

C. Risk of Loss Due to Ownership Capacity

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 that 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. 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. 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.

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

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.

D. Scoring:

1. Existing Federal Assistance

Definition: Any housing receiving project based rental assistance or operating subsidies under a U.S. Department of Housing and Urban Development (HUD), U.S. Department of Agriculture Rural Development (RD), NAHASDA or other program that is not scheduled to sunset or expire. Properties that have converted their type of federal rental assistance through the Rental Assistance Demonstration program, Component 2 (RAD 2) are eligible.

Preference Priorities	Developer Claimed	Minnesota Housing Awarded
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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 must 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 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**

Preference Priorities	Developer Claimed	Minnesota Housing Awarded
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* 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: Preservation Methodology.

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 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 Assistance 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 (e.g., 202, 236) or other programs limiting income and rent restrictions as stated above.

AND

You Must also claim and be awarded points under Serves Lowest Income Tenants/Rent Reduction for either Option 1 **OR** Option 2, **AND** Option 3.

5. Efficient Use of Scarce Resources

1 to 26 Points

A. Financial Readiness to Proceed - 2 to 14 Points

Minnesota Housing will 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 acceptable. A deferred developer fee is not considered a permanent source of funding.

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

Preference Priorities	Developer Claimed	Minnesota Housing Awarded
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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 that 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, 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, 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 purpose 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 that have both a numerator and denominator equal to zero are eligible for 14 points.**

B. Intermediary 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).

Preference Priorities	Developer Claimed	Minnesota Housing Awarded
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0.0 – 15% – **6 points**

25.1 – 30% – **1 point**

15.1 – 20% – **3 points**

30.1 and over – **0 points**

20.1 – 25% – **2 points**

C. Cost Containment – 6 Points

Six 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 [insert link]. Applicants may claim these points and Minnesota Housing will make point reductions following its review of costs for all applications in the funding round.

A different process occurs for the second round of 9% tax credit selections and applications seeking 4% tax credits for use in conjunction with tax exempt bonds. For each of the four competition groups, the cost per unit of the proposal at the 50th percentile in round 1 will determine the cut-off point or threshold for receiving points in round 2 and for 4% tax credits.

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 will 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.

6. Building Characteristics

1 to 5 Points _____

A. 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.

B. Universal Design – 3 Points

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

Preference Priorities	Developer Claimed	Minnesota Housing Awarded
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- 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
- A variety of work surface heights in kitchen and one five foot open radius
- Roll under vanity or sink in 25% 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

Preference Priorities	Developer Claimed	Minnesota Housing Awarded
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- 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 50% 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 that make units livable for disabled populations, as demonstrated by credible evidence provided in the application, at the sole discretion of Minnesota Housing

C. 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 the owner but must be included in the written policy.

7. Unacceptable Practices

-4 to -25 Points

Minnesota Housing will impose penalty points for unacceptable practices as identified in Chapter 2.G of the HTC Program Procedural Manual.

Preference Priorities	Developer Claimed	Minnesota Housing Awarded
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TOTAL POINTS	Developer Claimed	Minnesota Housing Awarded
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Under penalty of perjury, owner hereby certifies the information provided herein is true and accurate.

Name of Owner:

By: _____
(Signature)

Of: _____
(Name of Legal Entity)

Its: _____
(Title) (Managing General Partner)

(Print or Type Name of Signatory)

NOTE: During the competition process, Minnesota Housing’s review of the submitted self-scoring worksheet is only to validate that the points claimed are eligible, to reduce points claimed if not eligible, and to determine points awarded. Minnesota Housing will not award additional points that are not initially claimed by the applicant/owner. Many performance obligations are created by the claiming of certain scoring points. As such, Minnesota Housing 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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State of Minnesota
Housing Tax Credit
Amended 2018 Qualified Allocation Plan (QAP)

Relevant pages reflecting proposed changes.

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MINNESOTA HOUSING – AMENDED 2018 HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN

Article 9 – Strategic Priority Policy Thresholds

- 9.0 To be eligible for tax credits, from the state’s volume cap under Minnesota Housing’s QAP and non-competitive tax credits with applications submitted after October 1, 2016 or projects with an application submitted prior to October 1, 2016 that have been recommended for non-selection as of October 19, 2016, 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 2.A 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 Scoring Criterion 4 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 Permanent Supportive Housing for Households Experiencing Homelessness (Scoring Criterion 1.B on the Self-Scoring Worksheet) or People with Disabilities (Scoring Criterion 1.C under the Self-Scoring Worksheet).

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Amended 2018 QAP Public Hearing

February 9, 2017

Attendees

Public Attendees

Malika Phelps, Aeon

Charlie Vander Aarde, Metro Cities

Staff Attendees

Wes Butler

Anne Heitlinger

Devon Pullman

Tamara Wilson

(Summary of comments received appears on the reverse)

Amended 2018 QAP Public Hearing Notes—Additional comments

- Aeon
 - supports the new 20 year affordability requirement
 - would like to see even longer affordability requirement

- Metro Cities
 - thanked the Agency for delaying changes to 2018
 - appreciates maintaining the 40 points and not 50 points
 - still concerned that local needs will not meet a state strategic priority; the requirement to meet a strategic priority may reduce flexibility needed to respond to local needs
 - thanks the Agency for responding to stakeholders and opening another comment period

**2018 QAP Proposed Amendments
Written Public Comments (8 comments received)**

1. Dominion.....	73
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5. Metropolitan Consortium of Community Developers (MCCD)	87
6. Metropolitan Interfaith Council on Affordable Housing (MICAHA)	89
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8. National Association of Housing and Redevelopment Officials, (NAHRO)..	93

Comments on Amendments to 2018 QAP

To: Minnesota Housing

From: Dominion

Date: 1/31/2017

We have reviewed both Board Agenda Item: 7.B dated 1/26/17 as well as the 2018 Self-Scoring Worksheet and have the following comments:

Board Agenda Item: 7.B

1. Minnesota Housing continues to characterize their proposed changes to the QAP as a response to **“commenters (who) requested the Agency closely manage the allotment of authority for PAB for affordable housing...”**

We feel this is a mischaracterization of comments actually made. We are not aware of any commenter asking Minnesota Housing to exert more control over this process, and certainly not to the degree to which Minnesota Housing has suggested they would like to do.

2. Minnesota Housing is characterizing the increase in the minimum score required for 4% credits from 30 to 40 points as a restoration to 40 points, as had been the minimum during 2013. We feel this does not cover the entire picture of the changes.

The 2013 Self-Scoring Worksheet is materially different from Minnesota Housing's 2018 version. In particular, Minnesota Housing has eliminated the follow categories from the 2018 Self-Scoring Worksheet that routinely allowed projects to access 4% tax credits:

- a. 10 points – new construction that utilizes existing water/sewer lines
- b. 20 points – projects requesting no deferred loan funding through the Multifamily Consolidated RFP
- c. 10 points – foreclosed properties

It should also be noted that Minnesota Housing has added points to other categories that 9% projects routinely claim, and 4% projects (without state

subsidy) often do not, thus making it more difficult for 4% projects to compete under Minnesota Housing's new point-scoring regime.

It does not share the whole picture to indicate that that the 40-point minimum restores the point scoring to the former status.

3. The Agency is proposing an additional 13 points for 4% tax credit deals. Whereas this is a move in the right direction if the Agency is hoping to "level the playing field," we should keep two things in mind: The points referred to in #2 above take away a net of 26 points from 4% projects, so the Agency is only proposing to restore half of that amount.

Second, the addition of more years of affordability imposes additional costs on a project, most of which will likely be borne by cities and developers. For instance, under the current rules, a 15-year affordability requirement can be matched with a 15-year TIF from a city. With Minnesota Housing's new 20-year minimum affordability, it means that a city will likely have to increase TIF to 20 years; otherwise, the risk of foreclosure/default goes up.

Furthermore, Minnesota Housing is proposing points only if a developer chooses a 30-year restriction. The problem here is that TIF, by law, can only be a maximum of 25 years, so there is a mismatch for at least these last 5 years. We would propose that Minnesota Housing align the term of affordability to match the availability of subsidy to support it.

We would advocate for maintaining a minimum affordability period of 15 years, however changing to a minimum of 20 years is responsive to the input received. Our suggestion would be to give 1 point per year for every year of affordability above the 20-year minimum they are willing to provide, up to a maximum of 10 years and thus 10 points. This higher point total recognizes the significant cost of this provision.

4. We applaud Minnesota Housing instituting a new pre-application process for 4% tax credit eligibility. To the extent Minnesota Housing signs off ahead of time on this very complicated point-scoring regime, this takes risk

and uncertainty away from developers and allows them to take decisive action.

5. Minnesota Housing's predictive cost model should reduce its costs by the amount of deferred development fee. These predictive costs should be compared to a developer's TDC less the deferred developer fee – these are the true costs being paid through capital sources – everything else is paid through cash flow and thus distorts reality.
6. **“Minnesota Housing should not use bonding authority for single family.”** In supporting this practice, Minnesota Housing cites how it has **“created thousands of first-time homebuyers across the state.”** This may be true, but this statement misses the point. There is a huge opportunity cost when the state uses this scarce resource to support single-family mortgages, particularly in an interest rate environment that passes on little to no benefit to the homebuyer.

The agency does not need to use this scarce resource at all to make single-family mortgages to first-time homebuyers – a taxable solution should be sought. The argument in support of using PAB for single family is an interest rate advantage in doing so. However, many in the residential mortgage business would argue interest rates on Minnesota Housing mortgages are not significantly different.

In the current environment, the cost of diverting this scarce resource to single family is that for every \$100 million invested in single-family mortgages, there are 900 affordable apartments that are not built. These apartments will be affordable for 15-30 years and harness the additional federal resource of the 4% tax credit, after which time these deals become naturally occurring affordable housing. In contrast, single-family mortgages remain outstanding for 5-7 years and do not generate tax credits.

These 900 new apartments create over 1,300 jobs and provide communities with tools to meet their own affordable housing goals. In 2016, Minnesota Housing invested \$232 million of tax-exempt bonds in

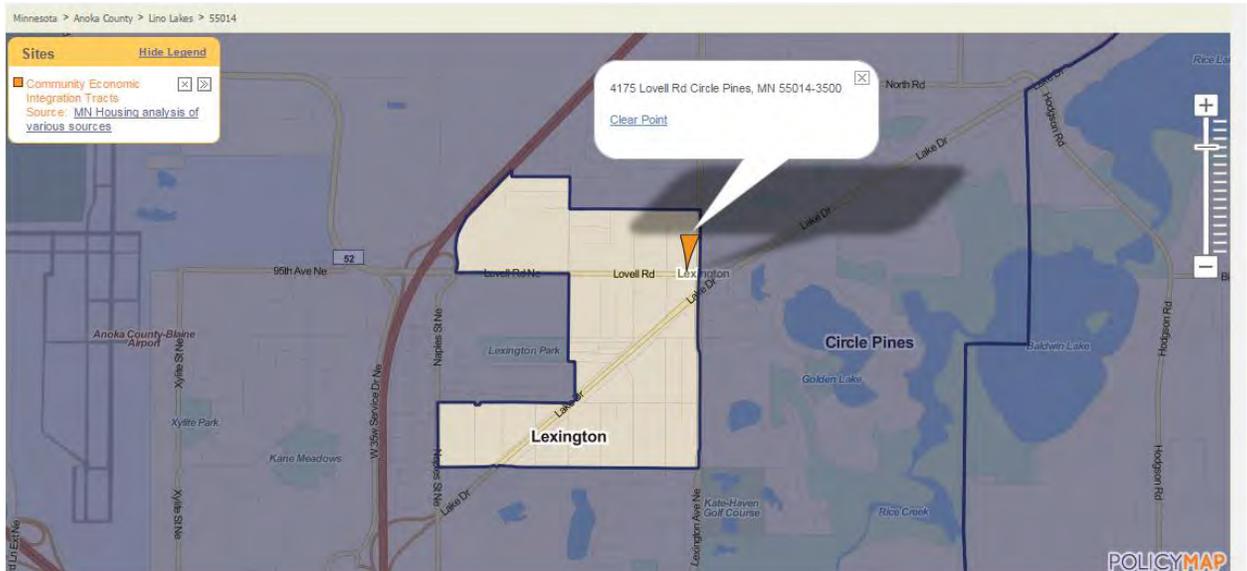
single-family mortgages. That equates to over 2,000 affordable apartments that did not get built. We feel we should all do everything within our power to not lose that opportunity in the future.

2018 Self-Scoring Worksheet:

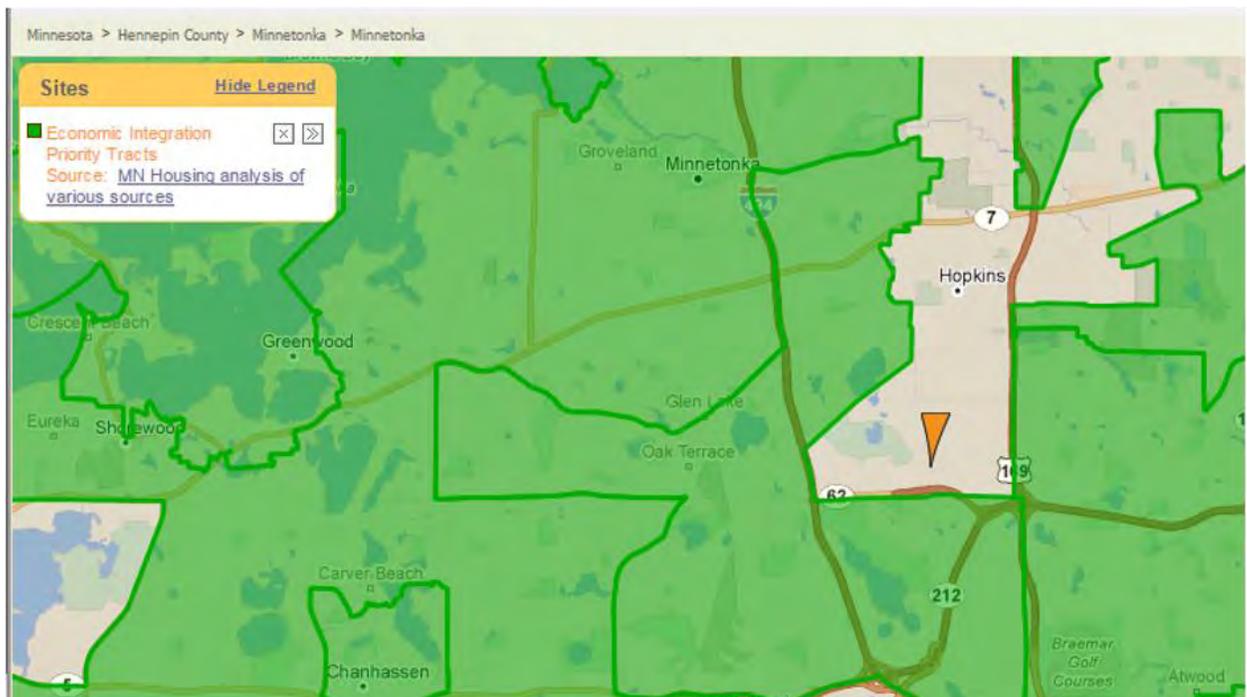
The following are our comments on Minnesota Housing's proposed Self-Scoring Worksheet:

- **1E.) Rental Assistance:** Many of the affordable rental projects utilizing tax-exempt bonds are 150-200 units in size, 3-5 times larger than most tax credit projects utilizing 9% credits. As such, we believe Minnesota Housing should add a 3-point category here for projects that receive a HAP contract for over 5% of their units – this will hopefully motivate developers to seek HAP assistance (another very scarce resource) for these larger projects, many of which are located in strong communities.
- **2A.) Economic Integration:** The data Minnesota Housing utilizes for these points gets a bit too location specific and as such excludes perfectly strong locations that otherwise would make strong housing locations in good neighborhoods.

For example, the City of Lexington scores nothing on these characteristics, however it is surrounded by communities that score well. This method of differentiating communities like Lexington is likely to make the optics of potentially preventing these deals a PR issue.



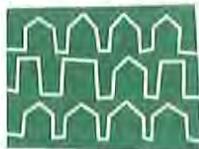
Another example of this same anomaly occurs at a site in Minnetonka located in a strong neighborhood adjacent to a light rail station. This micro approach to economic integration would exclude this site from funding:



While tiebreakers are necessary to determine which 9% applicant is funded, we feel potentially excluding quality developments like the ones listed above from being funded in favor of providing little to no subsidy to single family homebuyers may not be good public policy.

- **2B.) Schools:** This provides advantage for workforce housing over seniors. In order to re-level the playing field, Minnesota Housing should add a 4-point category for which only senior housing can qualify. A common locational advantage for senior housing is distance from grocery, drug stores, libraries, and medical services.
- **3D.) Federal/Local/Philanthropic:** 4% projects typically have substantially larger deferred fees than do 9% projects. In order to level the playing field in this category, Total Development Cost (TDC) should be reduced by deferred development fee before calculating the percentage of federal/local/philanthropic contribution.
- **5A.) Financial Readiness to Proceed:** As stated previously, in order to level the playing field between 4% and 9% projects, Total Development Cost (TDC) should be defined as total costs less deferred development fee. In addition, Minnesota Housing should restore its 20-point category in this area for those projects that are not requesting any deferred loans from the Multifamily RFP.

Minnesota Housing should also clarify how it calculates the value of TIF on a pay-as-you-go basis. We believe this should be projected increment over the period of TIF discounted at the long term AFR.



**FAMILY
HOUSING
FUND**

801 NICOLLET MALL
SUITE 1825
MINNEAPOLIS
MINNESOTA 55402

PHONE: 612-375-9644
FAX: 612-375-9648

URL: WWW.FHFUND.ORG

February 8, 2017

Commissioner Mary Tingenthal
Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul, MN 55101
Attn: Tamara Wilson

RE: Comments on Amendment to the 2018 Qualified Allocation Plan

Dear Commissioner Tingenthal:

On behalf of the Family Housing Fund (FHFund), I am writing in support of Minnesota Housing's proposed changes to the 2018 Qualified Allocation Plan, published on January 26, 2017.

The proposed changes strike the right balance considering the need for affordable rental housing, increased competition for 4% tax credits and the overall changing pricing of low income housing tax credits.

Since you released proposed changes in October 2016, you embarked on a process to elicit feedback from stakeholders. As a result of your willingness to take additional time to explain Minnesota Housing's approach and engage in a discussion about your proposed plan, the proposed QAP responds to the fluctuating market dynamic while establishing sound public policy priorities.

FHFund supports the proposed changes and applauds the public engagement process undertaken by Minnesota Housing.

Regards,

A handwritten signature in blue ink, appearing to read 'Ellen Sahli', is written over the typed name.

Ellen Sahli
President

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TO: Tamara Wilson

FROM: Institute on Metropolitan Opportunity

DATE: February 9th, 2017

RE: Comments on Proposed Amendments to 2018 QAP

Under the Fair Housing Act, the Minnesota Housing Finance Agency faces two key civil rights obligations. First, it must ensure that its policies do not have a disparate impact that makes housing unavailable on the basis of membership in any of the protected classes laid out in the FHA, including race, national origin, family status, or disability. Second, it must affirmatively further fair housing, taking proactive steps to increase integration and access to opportunity.

The QAP must conform to these requirements, as must annual changes to the QAP.

As a general matter, the Institute has previously expressed concern that the tax credit allocation process adopted by MHFA does not conform with these obligations, and instead tends to disproportionately concentrate tax credit housing in areas suffering from segregation and concentration of poverty. Those concerns remain today. MHFA does not appear to be conducting the robust and searching analysis of incentives and disincentives created by the tax credit allocation process that conformity with civil rights requirements would require.

Proposed Adoption of Strategic Policy Priorities for 4% Tax Credits

In comments on previous rounds of revisions to the QAP, we have discussed the difficulty of evaluating the impact of changes to the allocative system:

[W]e have a procedural comment about revisions to the tax credit allocation process. It is very difficult to evaluate the various changes to the tax credit scoring criteria without information about past allocative rounds. Some scoring criteria, for instance, may award a high number of points, and appear to be highly influential. But if these criteria are met by virtually all project applications, then their actual impact on outcomes may be limited. The latest changes acknowledge this problem, noting that “nearly all

projects receive ten points for proposing rehabilitation or new construction.”

Without information on actual past project applications, project characteristics, and points received, it is impossible for a third party to comprehensively evaluate the QAP or any changes to the tax credit process.¹

The difficulties previously described are particularly true with regard to 4% tax credits, which are only awarded in conjunction with significant amounts of additional public funding. As a consequence, the incentives or disincentives created by changes to the point criteria or threshold requirements for 4% tax credits are often opaque.

However, as stated above, such analysis is necessary to ensure conformity with Fair Housing Act civil rights obligations. Changes to the allocative process should be accompanied by data-driven investigation into whether those changes will spur or prevent more integrative subsidized development.

These concerns hold true for the application of Strategic Priority Policies to the 4% tax credits, as well as for the considered, and rejected, changes to the minimum point thresholds for 4% projects. The ultimate impact of these changes are hard to see in advance. In subsequent annual revisions, MHFA should quantitatively evaluate the impact of previous revisions to the allocative criteria.

Finally, we would like to note that while we believe the inclusion of “economic integration” as a Strategic Priority Policy is both sound policy and small step towards conformity with federal civil rights requirements, it should not be understood to satisfy those requirements in any substantial way.

Federal law makes clear that affirmatively integrative development is not a “priority policy” that may be chosen off a menu of coequal priorities, but an overarching requirement imposed on all state housing activity. This does not mean that all other policy considerations must be eliminated in favor of integration, but that the state’s housing policies, on balance, be integrative in effect. Bolstering the incentives for integrative development in the QAP only moves the state towards compliance with this objective. But we strongly question whether incentives are sufficiently bolstered by making “economic integration” one alternative priority among seven. As currently constituted, the Strategic Priority Policy system includes one pathway toward integrative development, and six other pathways which permit developers to avoid developing integratively.

¹ Institute on Metropolitan Opportunity Oral Comments on Proposed Amendments to the 2016 QAP (March 19, 2015).

Affordability Period and Cost Containment

Changes to maintain longer-term affordability for 4% tax credit projects, and to apply cost containment provisions to 4% tax credit projects, are on the whole positive.

As MHFA is aware, our Institute's analysis has located a number of extremely high-cost subsidized developments in Minnesota.² Not only do these developments tend to attract a disproportionate share of scarce housing resources, they often perpetuate racial segregation in alarming and unusual fashion: by providing subsidized housing in diverse and predominantly white neighborhoods and primarily serving white tenants. A large number of these projects rely upon 4% tax credits.

These developments appear to have emerged because the current affordability period and cost containment system was insufficient to ensure that subsidized development was truly serving the neediest populations. As such, the proposed QAP changes should help ameliorate this trend; additional methods to ensure affordable and control costs should be considered in future revisions. In particular, MHFA should strongly consider requiring the full 30-year affordability period for 4% tax credits, as was initially envisioned this year.

² Institute on Metropolitan Opportunity, *The Rise of White-Segregated Subsidized Housing* (May 2016), available at <https://www.law.umn.edu/sites/law.umn.edu/files/metro-files/imo-white-segregated-subsidized-housing-5-18-2016.pdf>.

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February 9, 2017

John DeCramer
Chair, Board of Directors
Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul, MN 55101

Thank you for the opportunity to comment on the proposed changes to the Minnesota Housing Finance Agency's 2018 Qualified Allocation Plan. Metro Cities thanks the agency for responding to stakeholders and delaying the proposed changes to the 2017 QAP and for opening this comment period to respond to the current proposal.

Metro Cities supports a full spectrum of housing options to meet the needs of communities throughout the region. Cities have partnered with Minnesota Housing, which has supported the construction and preservation of thousands of housing units for Minnesota families. These cities have worked closely with partners (developers, state and federal government) to support housing choice in communities. To that end, Minnesota Housing has historically provided flexibility to allow funding for a full range of housing to address multiple local needs.

Tax credits are an important part of housing finance and access to them supports the range of housing options. Regarding the current proposal, Metro Cities appreciates the agency maintaining the minimum score of 40 points in the current proposal. The earlier proposal of a 50 point minimum score would have reduced the variety of projects that could have qualified for the four percent tax credits.

Metro Cities remains concerned that priority projects identified by communities and that apply for four percent tax credits may not meet one of the state's seven Strategic Priority Policy Thresholds in the QAP. Projects submitted by communities for tax credits respond to local resident needs – both existing and future. Requiring a local project to meet a state goal may not allow the flexibility that is needed for local housing projects and that has been allowed historically.

Thank you for the opportunity to comment on the proposed changes to the 2018 QAP. This program, which has been designed to meet a range of local needs and has found great success across Minnesota, should continue to remain flexible and therefore utilized by the state's local government partners to meet our shared goals.

Sincerely,

Patricia Nauman
Executive Director

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Minneapolis, MN 612-822-1489 fax info@mccdmn.org
55407

February 8, 2017

Commissioner Mary Tingerthal
Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul, MN 55101
mn.housing@state.mn.us

Re: Written Comments Regarding the Proposed Amendment to the 2018 Qualified Allocation Plan(QAP)

Dear Commissioner Tingerthal,

The Metropolitan Consortium of Community Developers (MCCD) and our 50 members appreciate this opportunity to provide Minnesota Housing with feedback and input on proposed amendments to the QAP. In general, we are supportive of Minnesota Housing's concern about the availability of these credits, and the desire to ensure that the allocation of 4% credits more closely aligns with the Agency's priorities. We appreciate the Agency's willingness to listen to and adopt feedback received from our members and others as you considered changes.

We are particularly supportive of the following provisions:

- Requiring that a 4% tax credit project meet at least one Strategic Priority Policy Threshold in the QAP.
- Requiring that owners of projects qualifying for 4% tax credits maintain affordability for at least 20 years, and awarding additional points for projects with long term affordability of at least 30 years.
- Integrating Cost Containment requirements, with the ability to receive a waiver, into 4% Tax Credit Projects.

Thank you again for providing this opportunity to share the insights and ideas of our members. MCCD and our members look forward to partnering with the Agency throughout the coming year.

Thank you,

A handwritten signature in black ink, appearing to read 'JR', is written over a light blue circular stamp.

Jim Roth
Metropolitan Consortium of Community Developers
Executive Director

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METROPOLITAN INTERFAITH COUNCIL ON AFFORDABLE HOUSING



“Do Justice, love mercy and walk humbly with your God” Micah 6:8

February 9, 2017

MICAHA appreciates the opportunity to comment on the Minnesota Housing Finance Agency’s 2018 Housing Tax Credit QAP Amendments.

As people of faith we believe we are to treat and love others as ourselves and ensure that everyone without exception has safe, decent, accessible and affordable home (rental or homeownership).

MICAHA supports:

1. MHFA attempting to originally increase the term of the 4% tax credit to 30 years (which MICAHA supports). We do support the increase to 20 year commitment with additional points encouraging the 30 year commitment. We encourage all sub-allocators to be consistent (as a minimum of 20 years) with this change in the Metro area.
2. We support the increase in minimum score to 40 points for 4% HTC.
3. We support 4% HTC must meet at least 1 Strategic Priority Threshold, MICAHA would prefer the minimum to be meeting two Strategic Priorities as threshold for both the 4% and 9% Tax Credit programs.
4. MICAHA supports cost containment provisions be applied to 4% Tax Credit projects. We believe this will assist in maintaining the long term viability of the project as affordable housing.
5. MICAHA supports that Senior Housing is identified as an eligible activity under the Planned Community Development Strategic Priority. MICAHA encourages MHFA in future amendments to list Senior Housing as an additional priority due to the projected growth of our senior population with incomes under \$35,000/year over the next few decades.

MICAHA’s Concerns:

1. Fair Housing- How will MHFA ensure that each project is Affirmatively Furthering Fair Housing?
2. We strongly support the MHFA’s priority to Reduce Minnesota’s Racial and Ethnicity Homeownership Disparity We very are concerned that you are reducing the amount of tax exempt bonds to be used for homeownership.
3. MICAHA is very concerned that the Preservation Strategic Priority does not include Naturally Occurring Affordable Housing. The delay in making this an eligible use NOW, may result in conversion of thousands of currently affordable housing units into market rate units.
4. MICAHA is very concerned about the Metro regional coordination and siting of HTC projects. MHFA, 10% non -profit set aside, HTC sub -allocators must immediately complete with Housing Justice Center the complete listing of funded HTC in the Metro area and their actual locations.

A coordinated process should be immediately established by MHFA, 10% non-profit set aside, sub-allocators with review of all new HTC projects ensure are Affirmatively Furthering Fair Housing, use of Section 3 requirements in all projects (even though it is not required by HTC) and coordination of siting of all HTC projects in the Metro area with existing and/or other proposed subsidized units so that there is not a concentration/segregation of subsidized units in any one community or one portion of a community(s).

5. MICAH supports the need to rehab existing affordable housing and create additional units in the central Cities as well as throughout the Metro area and State. We request that MHFA ensure that all HTC investments are community investments, creating jobs, contracts and wealth for people living in the community where the project is being developed especially our diverse community and our extremely low income community members.
6. MICAH requests that all individuals and organizations that have submitted comments be included in a list serve to be notified of all future amendments and that MHFA increase its efforts to obtain comments/input from people impacted by the housing crisis in future amendments.

Thank you for the opportunity to comment on your on the Minnesota Housing Finance Agency's 2018 Housing Tax Credit QAP Amendments.

Sincerely,

Sue Watlov Phillips

Sue Watlov Phillips, M.A.
Executive Director, MICAH



2/8/2017

Comment on Proposed Amendments to the 2018 QAP

Chip Halbach, Executive Director

MHP endorses the direction Minnesota Housing is taking with the most recent modifications to the 2018 QAP. In particular, the adjustments to the tax credit scoring approach and the minimum period of affordability will enable a broader range of 4% tax credit developments to receive financing than would have happened under the Agency's earlier proposal.

Tax credit developers have informed us, however, that it will be increasingly difficult to have their 4% tax credit projects financed should the required affordability duration increase from 15 years to 20. They say that it is only in west and east coast markets, where credit prices are extremely high, can extended affordability 4% credit projects be financed without deep subsidies. Unless Minnesota Housing has evidence to the contrary, it should hold off on the 20-year affordability requirement until cost savings such as property tax abatements or extended-period tax increment districts become available to 4% tax credit projects.

General QAP Concerns

Other challenges we see to the QAP are ones that are not directly related to the scarcity of tax-exempt bonding and the resulting effort of Minnesota Housing to tighten eligibility for 4% tax credits. We look forward to seeing if any of these issues are being addressed in the 2019 QAP. Briefly stated the challenges are:

1. The location of areas of economic integration should better reflect how labor-sheds operate and not rely so much on census data generated maps.
2. The use of walk scores, while improved, is still a limitation to development in rural communities.
3. The automatic points for rural communities are not equal to what a development would receive in the Twin Cities for economic integration and school performance.
4. The Agency should investigate whether longer than 30-year affordability requirements being employed in other states would work in Minnesota.

4% credits and tax exempt bonding

Minnesota Housing should seek to maximize the number of 4% credit projects developed in areas of low rental vacancy. Certainly, the priority should be on seeing developed those projects serving the lowest income people over the longest time. But once all available subsidy funds are employed to serve that priority, the Agency should promote development of as many tax credit developments as the state's bonding authority enables.

The QAP does not appear to be the best tool to achieve this dual objective of prioritizing low-income benefit and of maximizing tax credit development. Through the QAP Minnesota Housing creates a single standard (with multiple components). All developments that meet the minimum score threshold, conform to predicted costs, fall within a strategic priority, and commit to 20-years affordability are seen as equal in their access to 4% tax credits from the Agency.

With the ever-changing financial markets and ups and downs in the availability of subsidy funds, the dual development objectives might be better served through a priority structure for accessing tax-exempt bonds than through QAP scoring. This is what the HAVEN proposal begins to do.

By tiering priority levels for award of tax-exempt bonds based on degrees of affordability, the proposal from HAVEN could meet the dual objectives of maximizing housing affordability and the leveraging of federal tax credits. For instance, if there were ample subsidy funding available, all tax-exempt bonding would go to projects that fall within the priority that requires the greatest affordability. If lesser amounts of subsidy were available, then bond allocations would also be available to lower-priority tax credit projects that achieve more modest levels of affordability. Under this structure the state could ensure that both that the highest priority projects were funded first and that the maximum amount of federal tax credits is being leveraged to provide needed rental housing.



February 8, 2017

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

RE: Feedback on the Proposed Modifications to the 2018 Qualified Allocation Plan (QAP)

Dear Commissioner Tingerthal:

On behalf of Minnesota NAHRO and its members, thank you for the opportunity to provide feedback on the Proposed Modifications to the 2018 Qualified Allocation Plan (QAP). Please consider this letter our comments to the proposed QAP modifications.

Withdrawal of Modifications to 2017 QAP

The decision of the agency to withdraw the proposed modifications of the 2017 QAP is applauded and we thank the agency for responding the concerns of stakeholders quickly and in a timely manner. Due to the long lead time needed to advance developments and the necessity to engage local community buy in and secure key elements such as site control and zoning approval, the proposed changes would have caused many developments to stall and not proceed.

Clarification of Senior Housing Development as MHFA Strategic Priority

Under the proposed modifications, Minnesota Housing clarifies that the development of senior housing would meet the Strategic Priority Policy threshold of Planned Community Development. This important clarification enables communities throughout the state to address senior housing and unlike existing senior developments that have the ability to apply for preservation funds, new senior construction primarily relies on the 4% credit and tax exempt bond allocation.

Proposed 40 Points to Qualify for 4% Tax Credits

Minnesota NAHRO sees a return to the 40 point threshold as an appropriate response to the increased competition for these resources. Due to the changing fiscal landscape and the uncertainty at the federal level concerning tax credits, Minnesota NAHRO recommends limited changes to the QAP until we have a better understanding of the marketplace.

Period of Affordability

Minnesota NAHRO supports the 20 year period of affordability for a project when scarce public resources are used. Moreover, the additional points awarded if the

Minnesota NAHRO Feedback on
Proposed Changes to the 2018 Qualified Allocation Plans (QAP)
February 8, 2017

affordability period is longer than 30 year recognizes the importance of this public resource and incentivizing longer periods of affordability serves an important public purpose.

Recent Bond Market Developments & Senior Housing

Due to the uncertainty of tax credits at the federal level, changes in the bond market and the ongoing need for senior housing, Minnesota urges MMB and MHFA to reconvene the bonding pool stakeholders group (which Minnesota NAHRO is a part) with the aim to discuss whether elderly/age restricted housing should be a higher priority.

Cost Containment Provisions

Minnesota NAHRO supports the proposed cost containment provisions as an important consideration for the use of scarce public resources.

Thank you for the opportunity to submit these comments on behalf of Minnesota NAHRO member agencies. If I can be of assistance, please feel free to contact me.

Sincerely,



Shannon Guernsey, JD
Executive Director



Item: 2017 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:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input checked="" type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff has attached for your review the first quarter progress report for the 2017 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):

- 2017 Affordable Housing Plan and 2016-19 Strategic Plan: First Quarter Progress Report

2017 Affordable Housing Plan and 2016-19 Strategic Plan First Quarter Progress Report (October 1, 2016 – September 30, 2017) February 16, 2017

Overview

Implementation of the 2017 AHP has started strong with production and program activity occurring as expected. Key highlights include:

- Home Mortgage lending is on track to commit at least \$600 million.
- The number of homes assisted under the Impact Fund RFP was higher than expected.
- The multifamily RFP selected a higher share of new construction units for funding than we have seen in earlier years, which is appropriate given the low rental vacancies rates across the state.

Tables 1 through 3 present key program activity through the first quarter and are followed by notes that provide details and discussion for each line item in the tables.

Table 1: Production (Units with Funding Commitments), Programmatic, and Financial Measures
Quarter 1 of 2017 AHP (25% through AHP)

	Original AHP Forecast	Actual For Year	Portion of AHP Forecast Completed
Single Family Production – Homes			
1. Home First Mortgages (Net Commitments)	3,750	804	21%
2. Other Opportunities*	237	254	107%
3. <u>Owner-Occupied Home Improvement/Rehabilitation</u>	<u>1,248</u>	<u>291</u>	<u>23%</u>
4. Total	5,235	1,349	26%
Homebuyer Education, Counseling and Training - Households			
5. Homebuyer Education*	14,643	3,119	21%
Multifamily Production – Rental Units			
6. New Rental Construction	895	697	78%
7. Rental Rehabilitation	1,071	646	60%
8. <u>Asset Management</u>	<u>100</u>	<u>0</u>	<u>0%</u>
9. Total	2,066	1,343	65%
Rental Assistance and Operating Subsidies - Households			
10. State Funded Rental Assistance*	2,872	1,984	69%
11. Operating Subsidies*	1,486	371	25%
12. <u>Section 8 and 236 Contracts</u>	<u>30,727</u>	<u>30,704</u>	<u>100%</u>
13. Total	35,085	33,059	94%
Homeless Prevention			
14. Family Homeless Prevention and Assistance Program (FHPAP)* & Housing Opportunities for Persons with AIDS (HOPWA)	7,374	TBD	TBD
Build Sustainable Housing			
15. Percentage of New Construction or Rehabilitation Units that Meet Standard of Green Communities Certification or B3:			
a. Single Family	50%	77%	**
b. Multifamily	95%	100%	**
Increase Homeownership for Households of Color			
16. Percentage of First-Time Homebuyer Mortgages Going to Households of Color or Hispanic Ethnicity	35%	34%	**
Earn Revenue to Sustain Agency and Fund Pool 3			
17. Revenues in Excess of Expenses – State Fiscal Year 2017****	***	\$17.0 million	**
18. Annualized Return on Net Assets (%) – State Fiscal Year 2017****	***	4.6%	**

* Funds for Habitat for Humanity, homebuyer education, state funded rent assistance, operating subsidies, and FHPAP are committed by the Board in July-September, at the end of an AHP. Thus, funds committed under the 2016 AHP (in July-September 2016) fund program activity in 2017 (October 1, 2016 to September 30, 2017). To reflect 2017 program activity for these programs, this table shows the households supported in 2017 with 2016 AHP funds. For all other programs, the table shows the households and housing units supported by funds provided in the 2017 AHP.

** Not Applicable.

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

**** Sustainable Core only

**Table 2: Distribution of Resources
Quarter 1 of 2017 AHP (25% through AHP)**

	AHP Forecast	Actual for Year
19. Percentage of Originally Budgeted Funds that are Committed Under the AHP	>95% by end of the year	30%

**Table 3: Management of Loan Assets
Quarter 1 of 2017 AHP (25% through AHP)**

	AHP Forecast/ Benchmark	Actual
20. Share of Home Mortgages Purchased in Previous 24 Months that are 30+ Days Past Due or In Foreclosure (12/31/16)	4.14%*	3.37%**
22. Percentage of Multifamily Developments with Amortizing Loan on Watch List	Under 10%	8.9%
23. Percentage of Outstanding Multifamily Loan Balances on Watch List	Under 10%	3.9%

* This is a benchmark, rather than a forecast, and it is based on the performance of other housing finance agencies from across the country that have their mortgages serviced by US Bank.

**The information presented is based on MBS loans purchased in the previous 24 months. 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:** Home mortgage lending is right on track. While we have only reached 21% of our goal 25% of the way through the year, we still have the prime home buying ahead. Our current forecast has us just passing the original AHP goal by the end of the year.
- **Line 2:** With the Board already making its Impact Fund selections under the 2017 AHP, we have already reached our goal for other homeownership opportunities. The number of households assisted will increase a little over the rest of the year as more Habitat for Humanity families receive assistance.
- **Line 3:** Production for owner-occupied home improvement and rehabilitation is on track.
- **Line 4:** Overall, home buying and improvement activities are performing as expected.
- **Line 5:** Just like home mortgages, homebuyer education will pick up with the upcoming home buying season.
- **Line 6:** Rental new construction is at 78% of the year-end forecast. The Multifamily Consolidated RFP has already occurred. Production may not increase above these levels because remaining funds may be needed to offset declining tax credit pricing on projects already selected.

Agenda Item: 8.A
Progress Report

- **Line 7:** With production at 60% of the year-end forecast, we are a little behind when we have already completed the Multifamily Consolidated RFP for the year. Similar to the 2016 AHP, we awarded a higher share of the RFP funding to new construction (rather than to rehabilitation) than we have in earlier years, which is appropriate given the low rental vacancy rates across the state. Production may not increase beyond this level to the extent that remaining funds may be needed to offset declining tax credit pricing on projects already selected.
- **Line 8:** There was no new 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.
- **Line 9:** Rental production is generally on track and will increase as we award funds to pipeline applications over the next three quarters. With a large share of funding going to new construction than to rehabilitation, we will likely fall short of the overall rental production forecast. New construction requires more funding per unit than rehabilitation, and with a fixed amount of funding, we are able to assist fewer units.
- **Line 10:** Production for rental assistance is on track - serving 69% of the forecasted households. With normal turnover in voucher holders, the number of households assisted will increase over the next three quarters.
- **Line 11:** Operating subsidies are right on track at 25% of the year-end forecast.
- **Line 12:** The administration of Section 8 contracts is performing as expected. This is a very stable program with consistent funding and households served.
- **Line 13:** Overall, rent assistance and operating subsidy production (federal and state) is performing as expected.
- **Line 14:** FHPAP information was not available when this report was produced.
- **Line 15:** 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 acquisition-rehabilitation meet the standard. However, the Fix-Up 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 below 100%.

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

- **Line 16:** 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 is effectively reaching these households.
- **Lines 17 and 18:** Through the first six months of State Fiscal Year 2017, we earned \$17.0 million in revenues from the Sustainable Core in excess of expenses, providing an annualized 4.6% return on the net assets.
- **Line 19:** After the first quarter, we have committed 30% of the funds originally budgeted in the 2017 AHP. After the first quarter, we should be above 25% because we have already completed selections for two large RFPs. It is worth keeping in mind that our two largest programs from a funding perspective (Home Mortgages and Section 8) operate on a pipeline basis distributing funds throughout the year.
- **Lines 20-21:** Our 30+ day delinquency rate for loans purchased in the last 24 months (including loans in foreclosure) was 3.37% in December 2016, which is below our “peer” benchmark of 4.14%. This data comes from US Bank, which services MBS loans for us and many 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 2017 AHP Funding Levels

After the first quarter of the 2017 AHP, the Board has not amended the 2017 AHP. As funding changes are made over the next three quarters, we will provide in future reports a table listing each program and the funding changes.



Item: Financial Results for the Six Months Ending December 31, 2016

Staff Contact(s):

Terry Schwartz, 651-296-2404, terry.schwartz@state.mn.us

Kevin Carpenter, 651-297-4009, kevin.carpenter@state.mn.us

Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input checked="" type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> 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 last six months of FY2017.

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 Balance Sheet
- Report Operating Results

Operating Results-Needs Updates

- Revenue over expenses for the Sustainable Core is \$17.0 million, a \$10.1 million increase compared to the same six-month period last fiscal year. Factors that caused this change are below.
 - Reduced interest paid on bonds. We have been able to call or refund our higher rate bonds.
 - Current market changes that have resulted in hedging gains or reduced losses.
 - Improvements in our SF portfolio delinquencies.

Balance sheet

- Our Investments in program MBS are growing with the strong SF production.
- Our bond payable is growing with the same production.

**Minnesota Housing Finance Agency
 Balance Sheet for the Sustainable Core and Pool 3
 As of December 31, 2016 and June 30, 2016**

**Unaudited
 (\$ millions)**

line number		Sustainable Core: General Reserve and Bond Funds, Excluding Pool 3			Pool 3	Total General Reserve and Bond Funds
		As of Dec. 31, 2016	As of June 30, 2016	Change from Prior Year, Increase (Decrease)	As of Dec. 31, 2016	As of Dec. 31, 2016
	Assets					
1	Loans receivable, net	\$ 1,057.1	\$ 1,139.3	\$ (82.2)	\$ 46.5	\$ 1,103.6
2	Investments- program mortgage-backed securities, ex Unreal.	1,604.0	1,378.4	225.6	-	1,604.0
3	Cash, cash equivalents, and other investments, ex Unreal.	578.0	606.5	(28.5)	37.4	615.4
4	Real estate owned and FHA/VA insurance claims, net	7.5	5.7	1.8	-	7.5
5	Interest receivable and other assets	15.2	16.0	(0.8)	0.1	15.3
6	Total assets, excluding Unrealized Appr on Investments	<u>\$ 3,261.8</u>	<u>\$ 3,145.9</u>	<u>\$ 115.9</u>	<u>\$ 84.0</u>	<u>\$ 3,345.8</u>
7	Unrealized Appr on Investments	36.1	75.3	(39.2)	0.6	36.7
8	Total Assets	<u>\$ 3,297.9</u>	<u>\$ 3,221.2</u>	<u>\$ 76.7</u>	<u>\$ 84.6</u>	<u>\$ 3,382.5</u>
	Liabilities					
10	Bonds payable	\$ 2,414.0	\$ 2,307.2	\$ 106.8	\$ -	\$ 2,414.0
11	Funds held for others	63.9	68.7	(4.8)	-	63.9
12	Accounts payable, interest payable, and other liabilities	69.7	77.5	(7.8)	(24.0)	45.7
13	Total liabilities, excluding Interest Rate Swap Agreements	<u>2,547.6</u>	<u>2,453.4</u>	<u>94.2</u>	<u>(24.0)</u>	<u>2,523.6</u>
14	Interest rate swap agreements	8.5	11.8	(3.3)	-	8.5
15	Total Liabilities	<u>2,556.1</u>	<u>2,465.2</u>	<u>90.9</u>	<u>(24.0)</u>	<u>2,532.1</u>
16	Deferred inflow (outflow) of resources, net	13.0	8.5	4.5	-	13.0
	Net Position					
17	Restricted net assets, excluding unrealized inv. G/L and current year realized gain/loss in on inter-fund sale of inv.	726.3	744.7	(18.4)	108.6	834.9
18	Restricted net assets attributable to unrealized gain/loss on investments	-	-	-	-	-
19	Restricted net assets attributable to realized gain/loss on inter-fund sale of inv.	-	-	-	-	-
20	Invested in capital assets	2.5	2.8	(0.3)	-	2.5
21	Total net position	<u>728.8</u>	<u>747.5</u>	<u>(18.7)</u>	<u>108.6</u>	<u>837.4</u>
22	Total liabilities, deferred inflow/outflow, and net position	<u>\$ 3,297.9</u>	<u>\$ 3,221.2</u>	<u>\$ 76.7</u>	<u>\$ 84.6</u>	<u>\$ 3,382.5</u>

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Minnesota Housing Finance Agency
Analysis of Operating Results for the Sustainable Core and Pool 3
Six Months Ending December 31, 2016 and December 31, 2015

Unaudited
(\$ millions)

line number		Sustainable Core: General Reserve and Bond Funds, Excluding Pool 3			Pool 3	Total General Reserve and Bond Funds
		Six Months Ending Dec. 31, 2016	Six Months Ending Dec. 31, 2015	Change from Prior Year, Favorable (Unfavorable)	Six Months Ending Dec. 31, 2016	Six Months Ending Dec 31, 2016
	Revenues					
1	Interest earned on loans	\$ 30.6	\$ 35.4	\$ (4.8) NIM	\$ -	\$ 30.6
2	Interest earned on investments- program MBS	24.0	19.6	4.4 NIM	-	24.0
3	Interest earned on investments- other	3.4	3.5	(0.1) NIM	0.4	3.8
4	Gain on sale of MBS held for sale and HOMES certificates	1.6	2.4	(0.8)	-	1.6
5	Administrative reimbursement	11.3	10.2	1.1	-	11.3
6	Fees earned and other income	7.0	6.2	0.8	0.3	7.3
7	Total revenue	77.9	77.3	0.6	0.7	78.6
	Expenses					
8	Interest	32.0	34.6	2.6 NIM	-	32.0
9	Financing	3.3	8.4	5.1	-	3.3
10	Loan administration and trustee fees	1.9	2.1	0.2	-	1.9
11	Administrative reimbursement	9.9	8.9	(1.0)	0.6	10.5
12	Salaries and benefits	12.4	11.9	(0.5)	-	12.4
13	Other general operating	1.5	2.5	1.0	1.6	3.1
14	Reduction in carrying value of certain low-interest rate deferred loans	-	(0.3)	(0.3)	1.7	1.7
15	Provision for loan loss- single family loans	(0.1)	2.6	2.7	0.3	0.2
16	Provision for loan loss- multifamily loans	-	(0.3)	(0.3)	-	-
17	Total expenses	60.9	70.4	9.5	4.2	65.1
18	Revenues over (under) expenses, eligible for transfer to Pool 3 at fiscal year end⁴	17.0	6.9	10.1	NA	NA
19	Unrealized gains (losses) on securities	(35.7)	3.9	(39.6)	(0.1)	(35.8)
20	Realized gain/(loss) on inter-fund sale of investments	-	-	-	-	-
21	Revenues over (under) expenses per financial statements	(18.7)	10.8	(29.5)	(3.6)	(22.3)
22	Transfer between Pool 3 and Pool 2	-	-	-	-	-
23	Change in Net Position per financial statements	\$ (18.7)	\$ 10.8	\$ (29.5)	\$ (3.6)	\$ (22.3)
24	Memo information: Net Interest Margin (NIM)	\$ 26.0	\$ 23.9	2.1		

Notes

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Item: Semi-annual Variable Rate Debt and Swap Performance Review as of January 1, 2017

Staff Contact(s):

Kevin Carpenter, 651-297-4009, kevin.carpenter@state.mn.us

Terry Schwartz, 651-296-2404, terry.schwartz@state.mn.us

Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input checked="" type="checkbox"/> 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 Report as of January 1, 2017

- 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 June 2016 to January 2017 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 \$11.6 million on July 1, 2016 to \$8.5 million on January 1, 2017. 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, 2017.
- Long-term Debt, Fixed vs. Variable graph: Total outstanding variable rate debt increased slightly to 9% of total long-term debt at January 1, 2017.
- During the six months from July 1, 2016 to January 1, 2017 the 2009F swap was terminated, and the 2016F swap was added.



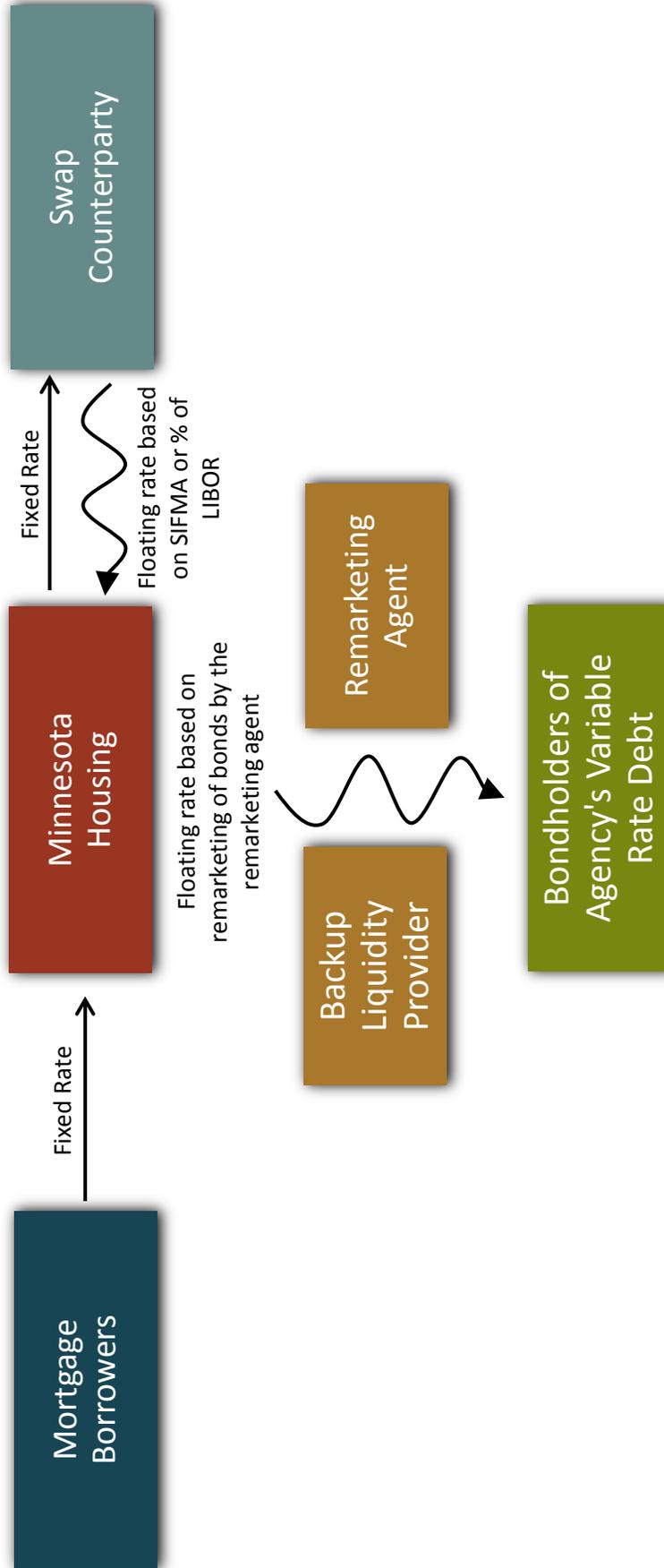
Semi-annual Variable-Rate Debt and Swap Performance Report

January 1, 2017

Table of Contents

Page	Description
1	Overview of Swap Structure: Graphic
2	Overview of Swaps
3	Basis Risk
4	Basis Risk for RHFB 2003, Series B: Graph
5	Counterparty/Termination Risk
6	Liquidity Risk
7	Liquidity Renewal Risk
8	Minnesota Housing Total Long Term Debt: Fixed vs. Variable: Graph
9	Annual Debt Issuance: Fixed vs. Variable: Graph
10	Glossary of Terms

Floating-to-Fixed Interest Rate Swap Structure



Overview of Swaps

January 1, 2017

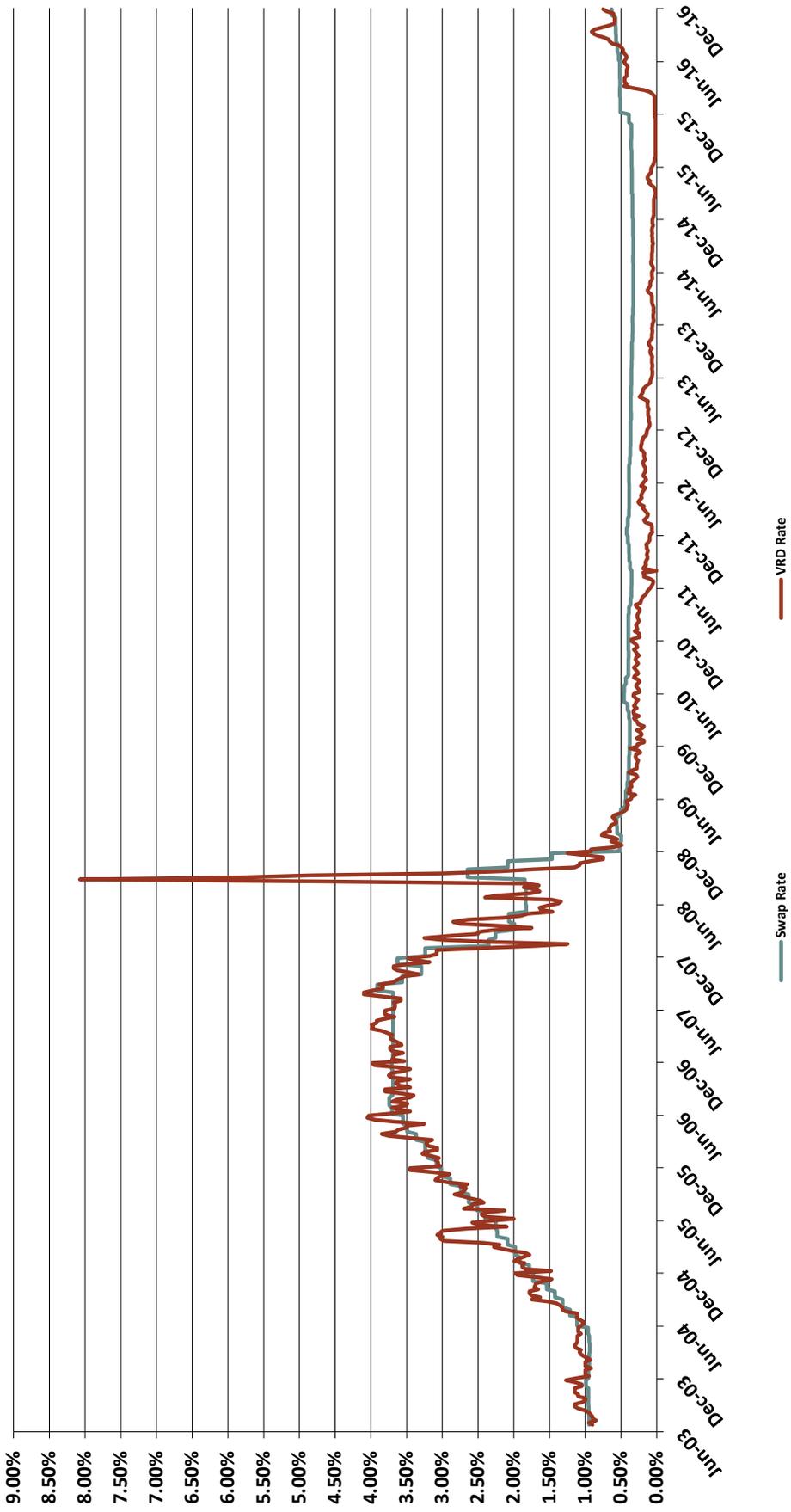
Bond Series	Issue Date	Original Notional Amount of Swap	Notional Amount Outstanding	Counterparty	Floating Rate Received
RHFB 2003 B	07/23/2003	\$ 25,000,000	\$ 7,725,000	The Bank of New York Mellon	65% of LIBOR + 23 basis points
RHFB 2003 J	10/15/2003	25,000,000	6,790,000	The Bank of New York Mellon	65% of LIBOR + 23 basis points
RHFB 2007 S	12/19/2007	18,975,000	15,235,000	The Bank of New York Mellon	100% of SIFMA Index Rate + 6 basis points
RHFB 2007 T (Taxable)	12/19/2007	37,160,000	9,615,000	The Bank of New York Mellon	One-month LIBOR
RHFB 2008 C	08/07/2008	40,000,000	25,475,000	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 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
RHFB 2016 F	12/22/2016	50,000,000	50,000,000	Royal Bank of Canada	67% of LIBOR
Totals		\$ 289,360,000	\$ 208,065,000		.

Basis Risk
January 1, 2017

Bond Series	Issue Date	VRDO's and Swaps Outstanding	Net Variable Interest (Paid) Received		Contractual Swap Fixed Rate	Effective Swap Fixed Rate	Effective Rate As a Percentage of Swap Fixed Rate
			Basis Risk (cumulative)				
RHFB 2003 B	07/23/2003	\$ 7,725,000	\$	229,279	3.532%	3.454%	97.80%
RHFB 2003 J	10/15/2003	6,790,000		164,010	4.183%	4.118%	98.44%
RHFB 2007 S	12/19/2007	15,235,000		76,655	4.340%	4.295%	98.96%
RHFB 2007 T (Taxable)	12/19/2007	9,615,000		(319,488)	4.538%	4.675%	103.01%
RHFB 2008 C	08/07/2008	25,475,000		644,154	4.120%	3.919%	95.11%
RHFB 2009 C	02/12/2009	40,000,000		962,746	4.215%	3.910%	92.76%
RHFB 2015 D	08/11/2015	18,225,000		(11,824)	2.343%	2.390%	101.99%
RHFB 2015 G	12/08/2015	35,000,000		(24,459)	1.953%	2.019%	103.36%
RHFB 2016 F	12/22/2016	50,000,000		(3,294)	2.175%	2.439%	112.12%
Totals		\$ 208,065,000	\$	1,717,779 ¹			

¹The cumulative net of total variable interest paid on all outstanding VRDO's (\$11,984,145) and all variable interest received on the outstanding swaps \$13,701,924, a net receivable of \$1,717,779.

Basis Risk - Representative Series
RHFB 2003, Series B



Counterparty/Termination Risk

January 1, 2017

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	Fair Value ¹ as of 12/31/2016
RHFB 2003 B	The Bank of New York Mellon	P-1/A-1+	Aa1/AA+	Aa1/AA-	Stable/Stable	\$ 7,725,000	01/01/2033	21	3.532%	\$ (799,502)
RHFB 2003 J	The Bank of New York Mellon	P-1/A-1+	Aa1/AA+	Aa1/AA-	Stable/Stable	6,790,000	07/01/2033	14.3	4.183%	(952,931)
RHFB 2007 S	The Bank of New York Mellon	P-1/A-1+	Aaa/AA	Aa1/AA-	Stable/Stable	15,235,000	07/01/2038	27.4	4.340%	(542,773)
RHFB 2007 T	The Bank of New York Mellon	P-1/A-1+	Aaa/AA	Aa1/AA-	Stable/Stable	9,615,000	07/01/2026	11.8	4.538%	(395,318)
	Total The Bank of New York Mellon					39,365,000				(2,690,524)
RHFB 2008 C	Royal Bank of Canada	P-1/A-1+	Aaa/AA-	Aa2/AA-	Negative/Negative	25,475,000	07/01/2048	20.6	4.120%	(1,569,320)
RHFB 2009 C	Royal Bank of Canada	P-1/A-1+	Aaa/AA-	Aa2/AA-	Negative/Negative	40,000,000	07/01/2036	18.9	4.215%	(3,078,067)
RHFB 2015 D	Royal Bank of Canada	P-1/A-1+	Aa3/AA-	Aa2/AA-	Negative/Negative	18,225,000	01/01/2046	27.4	2.343%	(270,946)
RHFB 2015 G	Royal Bank of Canada	P-1/A-1+	Aa3/AA-	Aa2/AA-	Negative/Negative	35,000,000	01/01/2034	15.7	1.953%	(226,960)
RHFB 2016 F	Royal Bank of Canada	P-1/A-1+	Aa1/AA+	Aa2/AA-	Negative/Negative	50,000,000	01/01/2041	19.2	2.175%	(669,583)
	Total Royal Bank of Canada					168,700,000				(5,814,876)
	Total All Swaps					\$ 208,065,000				\$ (8,505,400)

¹A positive fair 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.

Liquidity Risk

January 1, 2017

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+	Aa3/AA-	Negative/Negative	\$ 7,725,000	01/01/2033	07/16/2018	0.500%	0.300%
RHFB 2003 J	Royal Bank of Canada	P-1/A-1+	Aa3/AA-	Negative/Negative	6,790,000	07/01/2033	07/16/2018	0.500%	0.300%
RHFB 2015 D	Royal Bank of Canada	P-1/A-1+	Aa3/AA-	Negative/Negative	18,225,000	01/01/2046	08/11/2022	0.650%	0.650%
RHFB 2015 G	Royal Bank of Canada	P-1/A-1+	Aa3/AA-	Negative/Negative	35,000,000	01/01/2034	01/02/2023	0.650%	0.650%
	Royal Bank of Canada subtotal				67,740,000				
RHFB 2007 S	Wells Fargo	P-1/A-1+	Aa1/AA-	Stable/Negative	15,235,000	07/01/2038	02/01/2018	0.450%	0.092%
RHFB 2007 T	Wells Fargo	P-1/A-1+	Aa1/AA-	Stable/Negative	9,615,000	07/01/2048	02/01/2018	0.450%	0.092%
	Wells Fargo subtotal				24,850,000				
RHFB 2008 C	FHLB - Des Moines ¹	P-1/A-1+	Aaa/AA+	Stable/Stable	25,475,000	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	02/12/2019	0.450%	0.250%
RHFB 2016 F	FHLB - Des Moines ¹	P-1/A-1+	Aaa/AA+	Stable/Stable	50,000,000	01/01/2041	01/02/2024	0.550%	0.550%
	FHLB - Des Moines subtotal				115,475,000				
	Total All Liquidity Providers				\$ 208,065,000				

¹Federal Home Loan Bank of Des Moines

Liquidity Renewal Requirements

January 1, 2017

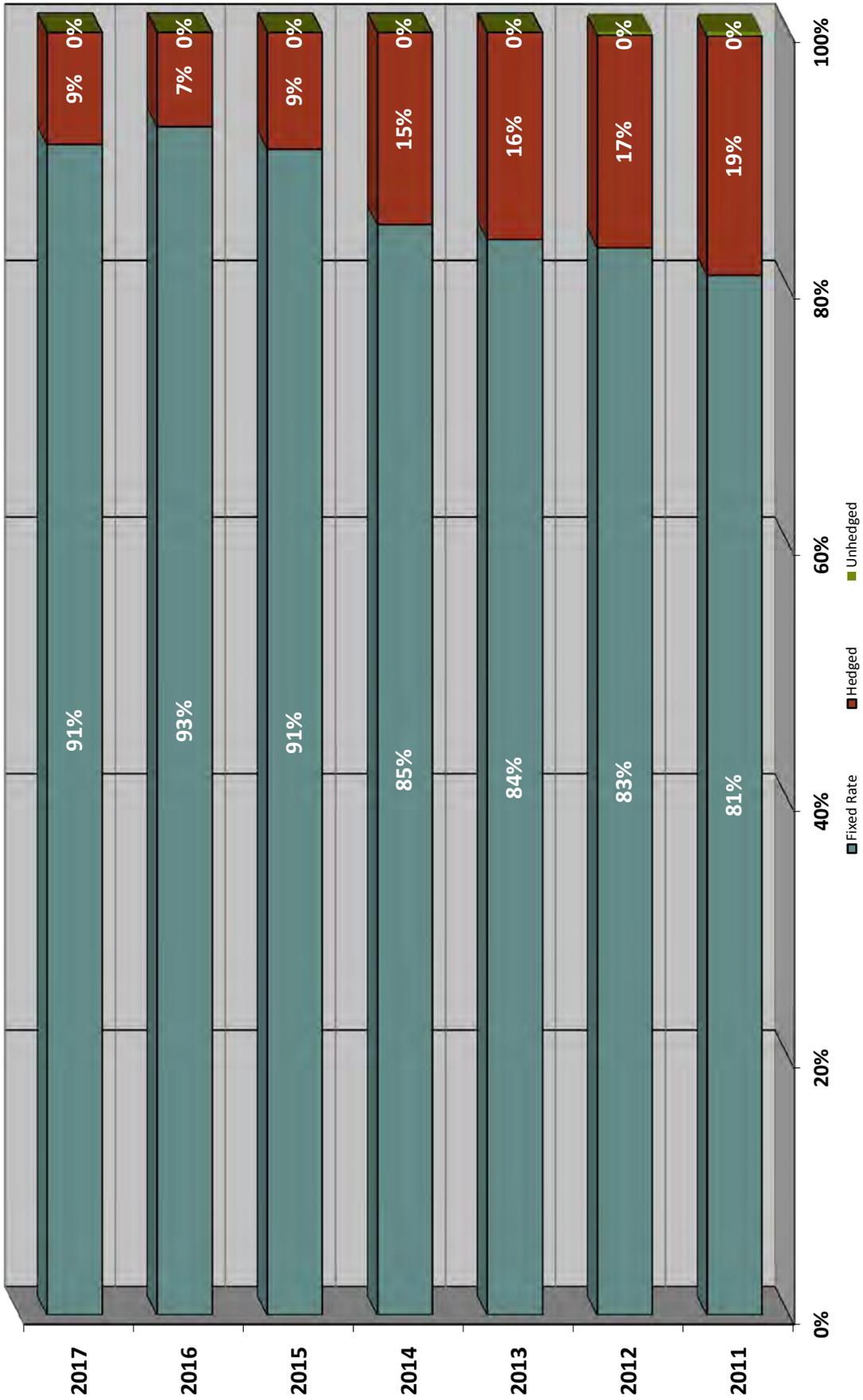
Issue	Liquidity Provider	Final Swap Maturity	Full Optional Termination Date	Liquidity Expiration Date	Original Notional Amount	Outstanding Notional Amount as of 01/01/2017	Scheduled Notional Amount Outstanding at Liquidity Expiration	Minimum Notional Amount Outstanding at Liquidity Expiration	Swap Counterparty
2003 B	Royal Bank of Canada	01/01/2033	01/01/2022	07/16/2018	25,000,000	7,725,000	7,725,000	6,665,000	BNY ¹
2003 J	Royal Bank of Canada	01/01/2031	01/01/2023	07/16/2018	25,000,000	6,790,000	6,405,000	5,840,000	BNY ¹
2015 D	Royal Bank of Canada	01/01/2046	07/01/2022	08/11/2022	18,225,000	18,225,000	18,225,000	-	RBC ²
2015 G	Royal Bank of Canada	01/01/2034	01/01/2023	01/02/2023	35,000,000	35,000,000	35,000,000	-	RBC ²
	Royal Bank of Canada subtotal				103,225,000	67,740,000	67,355,000	12,505,000	
2007 S	Wells Fargo	07/01/2038	07/01/2017	02/01/2018	18,975,000	15,235,000	15,235,000	-	BNY ¹
2007 T	Wells Fargo	07/01/2026	07/01/2017	02/01/2018	37,160,000	9,615,000	7,500,000	-	BNY ¹
	Wells Fargo subtotal				56,135,000	24,850,000	22,735,000	-	
2008 C	FHLB - Des Moines ³	07/01/2048	07/01/2018	08/07/2018	40,000,000	25,475,000	25,475,000	-	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
2016 F	FHLB - Des Moines ³	01/01/2041	01/01/2024	01/02/2024	50,000,000	50,000,000	50,000,000	-	RBC ²
	FHLB - Des Moines subtotal				130,000,000	115,475,000	115,475,000	-	
	Total All Liquidity Providers				289,360,000	208,065,000	205,565,000	12,505,000	

¹The Bank of New York Mellon

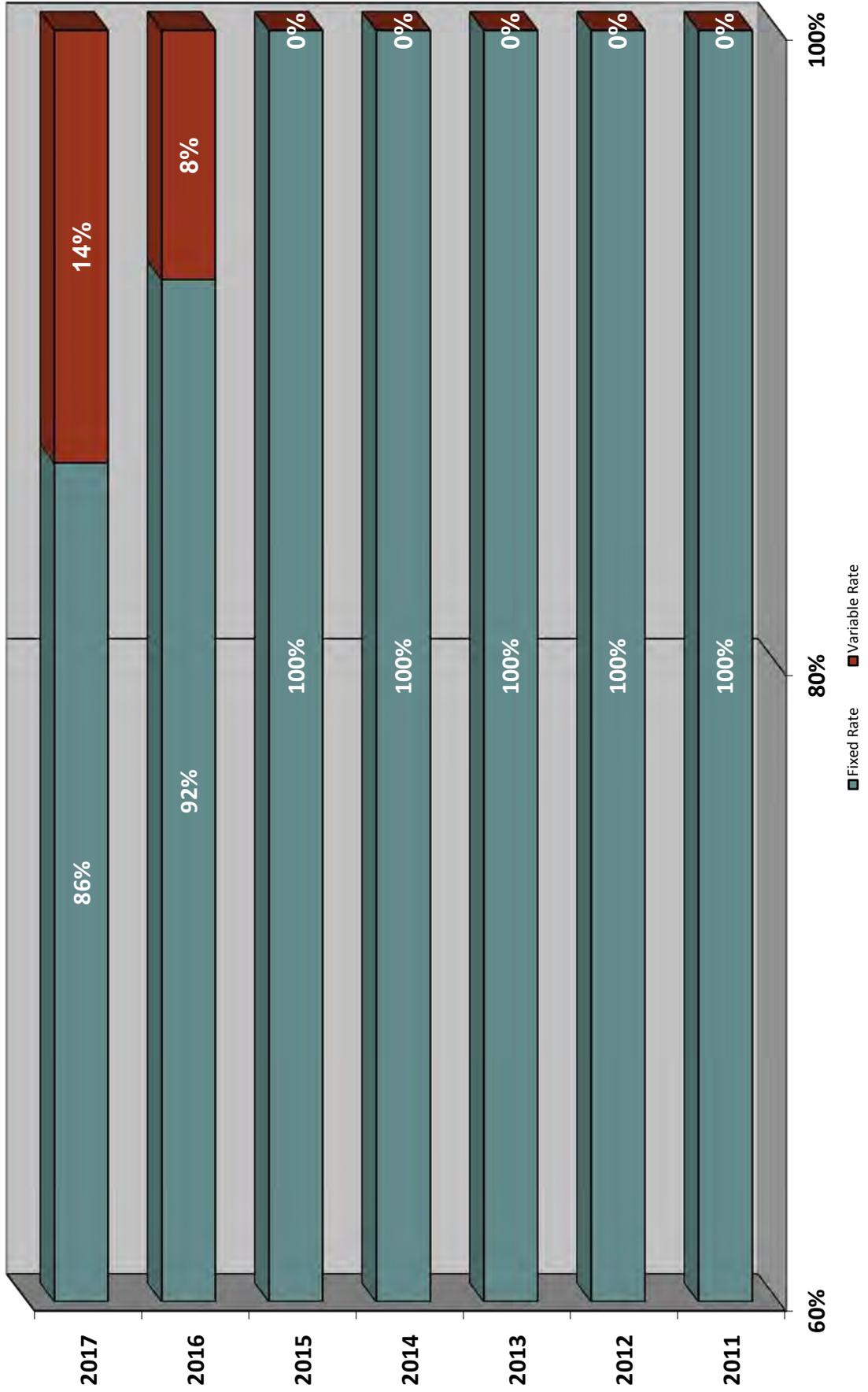
²Royal Bank of Canada

³Federal Home Loan Bank of Des Moines

Total Long Term Debt: Fixed vs. Variable
 Fiscal Year Ending June 30
 (as of January 1, 2017)



Annual Long Term Debt Issuance: Fixed vs. Variable
Fiscal Year Ending June 30
(as of January 1, 2017)



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.

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

Staff Contact(s):

Laird Sourdif, 651.296.9795, laird.sourdif@state.mn.us
 Devon Pohlman, 651.296.8255, devon.pohlman@state.mn.us

Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input checked="" type="checkbox"/> Information |

Summary of Request:

Board 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. Per the requirements of the delegation orders, the attached report sets forth a list of those loans for which these delegated authorities were exercised during 2016.

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
- Summary of Modifications
- 2016 Modification Details: Increases and Decreases to Deferred and Amortizing Loan Commitments

Under Board delegation number 004, 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 number 005 permits the Commissioner to make funding modifications to developments committed under the Low and Moderate Income Rental (LMIR) program if the mortgage did not increase by more than 15 percent over the originally committed mortgage amount.

Finally, the Commissioner has authority under Board delegation order 006 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, as authorized by the Commissioner, 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

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Summary of Modifications

SUMMARY OF MODIFICATIONS FOR CALENDER YAR 2016

Total **increases** to deferred and amortizing loan commitments:

Flexible Financing Cap Cost	\$ 193,944
HIB Bridge Loan	\$ 500,000
POHP	\$ 357,211
RRDL	\$ 4,473
Total	\$ 1,055,628

Total **decreases** to deferred and amortizing loan commitments:

Bridges RTC DHS	(\$ 105,039)
DHS HTF Operating Subsidy	(\$ 130,631)
ELHIF Operating Subsidy	(\$ 109,350)
Flexible Financing Cap Cost	(\$ 2,639,499)
Hsg Infrastructure Bonds HTF	(\$ 50,000)
HTF 2014-15 RA Initiatives	(\$ 80,328)
LMIR 1st Mortgage	(\$10,713,258)
LMIR Bridge Loan	(\$11,050,000)
LMIR TIF	(\$ 398,000)
PARIF	(\$ 1,144,559)
POHP	(\$ 821,787)
Rental Rehab Loan	(\$ 17,719)
RRDL	(\$ 220,651)
Total	(\$27,480,821)

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Modification Details

Dev ID # Project#	Development Name City	Original Funding and Estimated Total Development Cost (TDC)	Orig. Amt	Revised Funding Modification and Estimated and/or Total Development Cost (TDC)	Mod. Amt	Increase or (Returned Funding)	Modification Date
D1005 M17176	Park View Terrace Moorhead	PARIF	\$ 600,000	PARIF	\$ 0	(\$ 600,000)	8/31/2016
Recommended Funding Modification: Due to increased credit pricing, developer is no longer in need of additional funding.							
D1968 MRA16230	Washington County HRA Saint Paul Park	Bridges RTC-DHS TDC	\$ 41,000	Bridges RTC- DHS TDC	\$ 33,878	(\$ 7,122)	6/30/2016
Recommended Funding Modification: Closed out - returned unspent funds to source.							
D2514 M16941	John Carroll Apartments South Saint Paul	POHP	\$ 383,040	POHP	\$ 247,930	(\$ 135,110)	11/16/2016
Recommended Funding Modification: Construction project has been completed. Cost savings and left over contingency are being used to reduce the final POHP loan amount.							
D3052 MOS14169	Grotto Place (FKA Jendayi Place) Saint Paul	ELHIF Operating Subsidy	\$ 135,000	ELHIF Operating Subsidy	\$ 115,385	(\$ 19,615)	1/22/2016
Recommended Funding Modification: Recapture unused amount.							

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Modification Details

D3534	Scott County HRA	Bridges RTC DHS	\$ 74,000	Bridges RTC DHS	\$ 69,674 (\$ 4,326)	6/30/2016
MRA16229	Shakopee					
Recommended Funding Modification: Closed out - returned unspent funds to source.						
D3675	St. Anne's Senior Housing	LMIR 1st Mortgage	\$ 716,258	LMIR 1st Mortgage	\$ 0 (\$ 716,258)	12/7/2016
M16582	Minneapolis	Flexible Financing Cap Cost	\$ 500,000	Flexible Financing Cap Cost	\$ 0 (\$ 500,000)	
Recommended Funding Modification: July 17, 2015: A commitment extension had been approved for both the LMIR and FFCC selections, which expired June 30, 2016. The extension was contingent on the mortgage lender restructuring their debt. The debt was not restructured, and the approval for LMIR and FFCC funding expired.						
D3745	St. Cloud HRA	Bridges RTC-DHS	\$ 35,000	Bridges RTC-DHS	\$ 28,666 (\$ 6,334)	6/30/2016
MRA16387	Saint Cloud					
Recommended Funding Modification: Closed out - returned unspent funds to source.						
D4075	The Francis (fka Candle Rose Apts)	ELHIF Operating Subsidy	\$ 60,000	ELHIF Operating Subsidy	\$ 31,471 (\$ 28,529)	1/22/2016
MOS16494	Rochester					
Recommended Funding Modification: Recapture unused funds.						
D4265	Owatonna Crest	Bridges RTC-DHS	\$ 40,000	Bridges RTC-DHS	\$ 37,175 (\$ 2,825)	6/30/2016
MRA16388	Owatonna					
Recommended Funding Modification: Closed out - returned unspent funds to source.						

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Modification Details

D5528	Police Homeless Outreach Project	HTF 2014-15 RA Initiatives	\$ 210,000	HTF 2014-15 RA Initiatives	\$ 129,672	(\$ 80,328)	8/30/2016
MRA16672	Saint Paul				\$	0	
Recommended Funding Modification: Grant ended 6/30/2016. Balance of funds returned to HTF Initiatives pool.							
D5906	Penn Avenue Apartments	ELHIF Operating Subsidy	\$ 238,815	ELHIF Operating Subsidy	\$ 177,609	(\$ 61,206)	1/22/2016
MOS13645	Minneapolis						
Recommended Funding Modification: Recapture unused funds.							
D6280	MHR Temp RA for Families W/Children	Bridges RTC-DHS	\$ 753,000	Bridges RTC-DHS	\$ 726,167	(\$ 26,833)	6/30/2016
MRA16231	Saint Paul						
Recommended Funding Modification: Closed out - returned unspent funds to source.							
D6347	Silver Creek Corner	DHS HTF Operating Subsidy	\$ 113,000	DHS HTF Operating Subsidy	\$ 69,369	(\$ 43,631)	1/22/2016
MOS16492	Rochester						
Recommended Funding Modification: Recapture unused funds.							
D6381	Narodni Stanovi/Casa Tranquilla	POHP	\$ 196,000	POHP	\$ 199,225	\$ 3,225	4/19/2016
M16936	Grand Rapids						
Recommended Funding Modification: Construction contingency lowered due to higher than expected bids. Additional attic insulation required, insufficient funds remaining in construction contingency. Request for additional funds at Clearinghouse on 4/14/16 approved.							

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D6723	Hillside/Steve O'Neil Apartments	DHS HTF Operating Subsidy	\$ 174,000	DHS HTF Operating Subsidy	\$ 87,000 (\$ 87,000)	1/22/2016
MOS16334	Duluth					
Recommended Funding Modification: Recapture unused funds.						
D7564	Guild Incorporated Bridges RTC	Bridges RTC-DHS	\$ 235,000	Bridges RTC-DHS	\$ 184,272 (\$ 50,728)	6/30/2016
MRA16228	Saint Paul					
Recommended Funding Modification: Closed out - returned unspent funds to source.						
D7626	Clara City Community Haus	RRDL	\$ 282,987	RRDL	\$ 282,207 (\$ 780)	4/28/2016
M16413	Clara City					
Recommended Funding Modification: Unspent construction contingency.						
D7630	Jordan Towers I	POHP	\$ 923,000	POHP	\$ 767,977 (\$ 155,023)	8/16/2016
M16939	Red Wing					
Recommended Funding Modification: MHFA POHP loan amount reduced due to cost savings / rebates received as a result of the energy efficiency work included in this project.						
D7652	Nettleton School Apartments	LMIR Bridge Loan	\$ 4,250,000	LMIR BL	\$ 0 (\$ 4,250,000)	7/6/2016
M16837	Duluth	Flexible Financing Cap Cost	\$ 865,729	Flexible Financing Cap Cost	\$ 0 (\$ 865,729)	
		LMIR TIF	\$ 398,000	LMIR TIF	\$ 0 (\$ 398,000)	
		LMIR 1st Mortgage	\$ 1,980,000	LMIR 1st Mortgage	\$ 0 (\$ 1,980,000)	
Recommended Funding Modification: Part 1 historic approval from the National Park Service was denied. Developer currently seeking alternative source of funds.						

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Modification Details

D7661	Oxford Village	LMIR 1st Mortgage	\$ 1,375,000	LMIR 1st Mortgage	\$ 885,000	(\$ 490,000)	9/30/2016
M17218	Hopkins	Flexible Financing Cap Cost	\$ 164,563	Flexible Financing Cap Cost	\$ 358,507	\$ 193,944	
<p>Recommended Funding Modification: The project received a real estate tax estimate that was significantly higher than used for selection underwriting. The recommended modification amount addresses the gap that would have existed at selection if the real estate tax estimate had been available at selection.</p>							
D7673	2834 W 4th Ave Hibbing	Rental Rehab Loan	\$ 40,000	Rental Rehab Loan	\$ 38,215	(\$ 1,785)	7/19/2016
		TDC		TDC	\$ 162,928		
<p>Recommended Funding Modification: Minnesota Housing purchased this Rental Rehab Loan (6% Loan Program) after 16 of the 180 payments were made. The original note and mortgage were for \$40,000.00</p>							
D7675	RaeAnn Williams	RRDL Duluth Targeted	\$ 32,562	RRDL Duluth Targeted	\$ 37,035	\$ 4,473	1/5/2016
M16650	Duluth						
<p>Recommended Funding Modification: Increase in costs</p>							
D7677	DuCharme	RRDL	\$ 70,372	RRDL Duluth Targeted	\$ 66,021	(\$ 4,351)	1/6/2016
M16653	Duluth						
<p>Recommended Funding Modification: Decrease in costs</p>							
D7679	Fichtner 2627	RRDL	\$ 46,848	RRDL	\$ 45,561	(\$ 1,287)	1/5/2016
M16658	Duluth						
<p>Recommended Funding Modification: Decrease in costs</p>							

D7680	SW MN Adult Mental Health Consortium Willmar	Bridges RTC-DHS	\$ 55,700	Bridges RTC-DHS	\$ 48,829	(\$ 6,871)	6/30/2016
MRA16666		TDC		TDC			
Recommended Funding Modification: Closed out - returned unspent funds to source.							
D7693	Richard Lee_124 Hibbing	Rental Rehab Loan	\$ 20,000	Rental Rehab Loan	\$ 18,932	(\$ 1,068)	7/19/2016
Recommended Funding Modification: Minnesota Housing purchased the loans.							
D7695	202 Richard Lees Hibbing	Rental Rehab Loan	\$ 11,653	Rental Rehab Loan	\$ 11,048	(\$ 605)	7/19/2016
Recommended Funding Modification: Minnesota Housing purchased the loans.							
D7704	Leech Lake District One Rehab and Rebuild Deer River	PARIF	\$ 2,761,038	PARIF	\$ 2,686,279	(\$ 74,759)	10/6/2016
M16749					\$ 0		
Recommended Funding Modification: Given the reduction in units, and to remain within the predictive model, the PARIF award is being reduced. This does not impact the construction budget.							
D7715	Gateway Tower	PARIF	\$ 274,800	PARIF	\$ 0	(\$ 274,800)	7/13/2016
M17135	Duluth	LMIR 1st Mortgage	\$ 600,000	LMIR 1st Mortgage		(\$ 600,000)	
Recommended Funding Modification: Due to receipt of other funding sources, the project no longer requires the amortizing and deferred loans. This project is proceeding forward as a tax credit only.							

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D7720	66 West	HIB Bridge Loan	\$ 500,000	HIB Bridge Loan	\$ 1,000,000	\$ 500,000	5/10/2016
M17165	Edina						
<p>Recommended Funding Modification: Increasing the HIB Bridge from \$500,000 to \$1,000,000 will allow the project to meet the 50% test and become eligible for 4% tax credits. In order to qualify for 4% tax credits, a development must use bonds to pay for at least 50% of total basis costs plus land. The amount of bond proceeds needed to meet the 50% test has increased since selection due to: (1) Higher construction costs resulting in additional basis, (2) A determination that some acquisition-related costs that were previously not included in basis should be included, and (3) The necessary inclusion of the portion of the issuance fee paid by the Agency for the HIB issuance needs to be allocated to the project even if the project does not actually incur the cost. The bridge loan will be outstanding for the lesser of (i) receipt of the third installment of equity from the limited partner (construction completion); or (ii) 20 months from financial closing. Upon repayment, the HIB funds will go into a state appropriation account to be reallocated to other developments meeting HIB strategic priorities.</p>							
D7736	Cornerstone Village II	LMIR 1st Mortgage	\$ 2,171,000	LMIR 1st Mortgage	\$ 0	(\$ 2,171,000)	9/8/2016
M17162	Saint Michael						
<p>Recommended Funding Modification: LMIR: \$2,171,000 awarded in 2015 RFP. Due to being unable to extend their purchase agreement out further, the developer has rescinded their request for LMIR funding in favor of an alternative funding source. Project is now tax credits only.</p>							
D7747	Bensman/RRDL	RRDL	\$ 100,000	RRDL	\$ 0	(\$ 100,000)	2/1/2016
M16871	Duluth						
<p>Recommended Funding Modification: Owner dropped their application, which had been in progress with One Roof Housing of Duluth. Project Cancellation.</p>							
D7749	Urbaniak RRDL	RRDL - Duluth Targeted	\$ 34,092	RRDL - Duluth Targeted	\$ 32,101	(\$ 1,991)	1/5/2016
M16873	Duluth						
<p>Recommended Funding Modification: Decrease in costs.</p>							
D7750	602 Adams Ave Virginia	Rental Rehab Loan	\$ 7,477	Rental Rehab Loan	\$ 0	(\$ 7,477)	1/6/2016
<p>Recommended Funding Modification: Returned funds.</p>							

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Modification Details

D7751	205 3rd St Virginia	Rental Rehab Loan	\$ 6,784	Rental Rehab Loan	\$ 0 (\$ 6,784)	1/6/2016
Recommended Funding Modification: Returned funds.						
D7756	Forest Oak Apartments II Forest Lake	LMIR 1st Mortgage	\$ 1,113,000	LMIR 1st Mortgage	\$ 0 (\$ 1,113,000)	5/4/2016
Recommended Funding Modification: The LMIR was rescinded on this project with the Round II Application.						
D7758	Armstrong RRDL Duluth	RRDL Duluth Targeted	\$ 39,732	RRDL Duluth Targeted	\$ 0 (\$ 39,732)	2/1/2016
Recommended Funding Modification: Project cancellation.						
D7759	Van Dell RRDL Duluth	RRDL	\$ 70,000	RRDL Duluth Targeted	\$ 69,383 (\$ 617)	1/5/2016
Recommended Funding Modification: Decrease in costs.						
D7779	Twin Towers Austin	POHP	\$ 1,212,000	POHP	\$ 947,037 (\$ 264,963)	7/20/2016
Recommended Funding Modification: Total development costs were lower than original budget projections. We are decreasing the POHP award by \$264,963.00 and maintaining the HRA's original leverage of 30%.						
D7781	Woodland Pines Carlton	POHP	\$ 386,000	POHP	\$ 373,552 (\$ 12,448)	5/26/2016
Recommended Funding Modification: Total development costs were lower than the original budget projections. POHP award is being lowered to maintain leverage of 16%.						

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Modification Details

D7783	Aspen Arms	POHP	\$ 633,000	POHP	\$ 597,324 (\$	35,676)	6/7/2016
M16956	Cloquet						
Recommended Funding Modification:							
Total development costs were lower than the original budget projections. Decreasing the POHP award to maintain 19% leverage.							
D7784	Crosby HRA Scattered Site Improvements	POHP	\$ 391,000	POHP	\$ 437,000	\$ 46,000	3/11/2016
M16957	Crosby						
Recommended Funding Modification:							
Increased costs.							
D7786	Crow River Villa	POHP	\$ 435,000	POHP	\$ 251,607 (\$	183,393)	8/4/2016
M16959	Delano						
Recommended Funding Modification:							
Unspent construction contingency and lower than anticipated temporary housing during renovations costs.							
D7788	Scattered Sites - HRA Douglas County	POHP	\$ 173,000	POHP	\$ 138,234 (\$	34,766)	8/16/2016
M16961	Alexandria						
Recommended Funding Modification:							
Unspent construction contingency and lower than anticipated temporary housing expenses resulting from the renovation.							
D7794	Greenbush Housing & Redevelopment - Elderbush	POHP	\$ 64,875	POHP	\$ 64,467 (\$	409)	6/13/2016
M16967	Greenbush						
Recommended Funding Modification:							
Funding modification (increase) needed to replace leaky hot water return line and add additional construction contingency.							
D7799	Riverview Apartments	POHP	\$ 706,000	POHP	\$ 811,900	\$ 105,900	9/8/2016
M16972	Windom						
Recommended Funding Modification:							
Funding increase due to budget shortfall.							

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Modification Details

D7810	Grandview Apartment	POHP	\$ 898,000	POHP	\$ 1,070,686	\$ 172,686	9/6/2016
M16983	Morris						
Recommended Funding Modification: Added 19th plumbing stack (alternate #3) at a cost of \$78,686.00 to construction contract amount to fully complete the original scope of work.							
D7832	Park Manor	POHP	\$ 196,000	POHP	\$ 225,400	\$ 29,400	9/7/2016
M17005	Breckenridge						
Recommended Funding Modification: Funding increase, bids came in over budget for project.							
D7846	Duluth Rental Depot, LLC	RRDL	\$ 70,000	RRDL	\$ 0	(\$ 70,000)	2/8/2016
M17100	Duluth						
Recommended Funding Modification: Ownership transfer problem –resulted in project cancellation.							
D7851	Park Place of Bemidji	Hsg Infrastructure Bonts HTF	\$ 7,282,000	Hsg Infrastructure Bonts HTF	\$ 7,232,000	(\$ 50,000)	9/21/2016
M17112	Bemidji						
Recommended Funding Modification: The original construction budget had factored in a \$50,000 line item associated with burying a power line. As the project has advanced, the power company has agreed to perform the work for no cost to the development. As a result, the owner has requested the decrease of the HIB award.							
D7872	1st Avenue Flats	Flexible Financing Cap Cost	\$ 1,180,000	Flexible Financing Cap Cost	\$ 0	(\$ 1,180,000)	6/30/2016
M17268	Rochester	LMIR 1st Mortgage	\$ 3,643,000	LMIR 1st Mortgage	\$ 0	(\$ 3,643,000)	
		LMIR Bridge Loan	\$ 6,800,000	LMIR Bridge Loan	\$ 0	(\$ 6,800,000)	
Recommended Funding Modification: FFCC: \$1,180,000 awarded in the 2015 RFP in conjunction with LMIR financing. Project is not eligible for LMIR funding based on anticipated environmental review noise levels, and is now pursuing a tax exempt loan. LMIR: \$3,643,000 awarded in the 2015 RFP. Due to noise issues associated with the Risk Share Part 58 environmental review, this project is not eligible for HUD Risk Sharing. Developer is proceeding with a tax exempt loan and working towards a June closing.							

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Modification Details

D7875	PRG 2 Portfolio	PARIF	\$ 195,000	PARIF	\$ 0	(\$ 195,000)	10/6/2016
M17197	Minneapolis						
Recommended Funding Modification: Common Bond indicated in writing that they do not wish to utilize the PARIF funding awarded to them and the project closed in September.							
D7906	Park Crest Place	RRDL	\$ 235,328	RRDL	\$ 233,435	(\$ 1,893)	2/25/2016
M17319	Glenwood						
Recommended Funding Modification: The work completed was lower than estimate.							



Item: Analysis of Impediments to Fair Housing Planning and Development Process

Staff Contact(s):

Jessica Deegan, 651.297.3120, jessica.deegan@state.mn.us

Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input checked="" type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Minnesota Housing, along with partner agencies Employment and Economic Development and Human Services, is undergoing an update to its Analysis of Impediments (AI) to Fair Housing planning document. The Agency hired BBC Research and Consulting to assist in developing the document, including significant community engagement, with completion expected in August 2017.

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):

- Project Summary

Project Summary

Minnesota Housing, in partnership with the Department of Employment and Economic Development and Department of Human Services, hired a consultant to assist with the development of an Analysis of Impediments to Fair Housing Choice (AI). The state annually certifies to affirmatively further fair housing as a result of receiving certain federal funds, including HOME Investment Partnerships, Community Development Block Grants, and Emergency Solutions Grants. The AI process (as shown in the below graphic) will include gathering data and insights about housing patterns and people’s housing experiences and analysis of potential policy and legal influences on fair housing, by conducting significant demographic and housing data and policy analysis, and eliciting public input. The work will help to identify contributing factors impacting fair housing and provide recommendations to address and prioritize identified impediments. A final report is expected August 2017. The AI will cover the planning period 2017-2021.

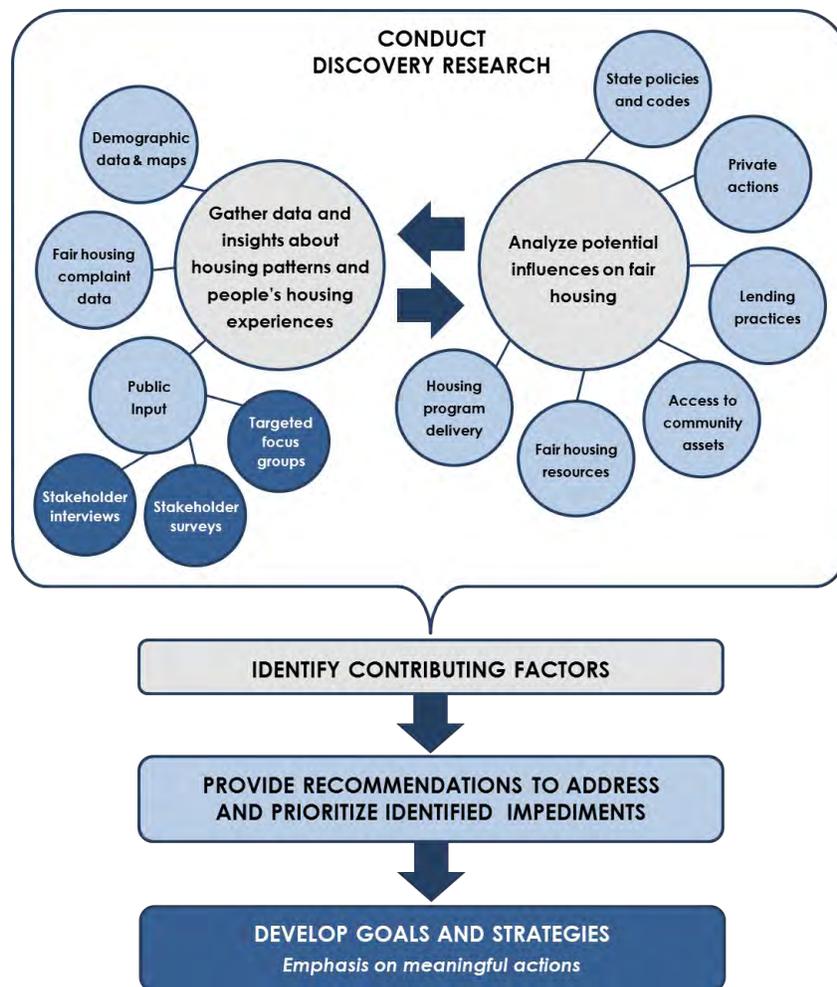


Figure 1 - Minnesota AI Project Process

Community Engagement Plan

Inclusive community engagement is a key priority of the study, seeking input from a diverse set of residents, while taking into account race, ethnicity, language, culture, family status, gender identification, income, housing tenure and veteran status.

The community engagement plan includes an in-depth stakeholder survey, a survey of Public Housing Authorities, topical focus groups (for example, one group will be specifically about disability access), in person and phone interviews with key stakeholders and individuals, and a series ten public conversations across the state. The public conversations are being planned to occur in tandem with other community events, for example, one is being planned as part of an international festival in Worthington.

Project materials and information will be available via a centralized website and will be utilized in marketing the various engagement events throughout the process.

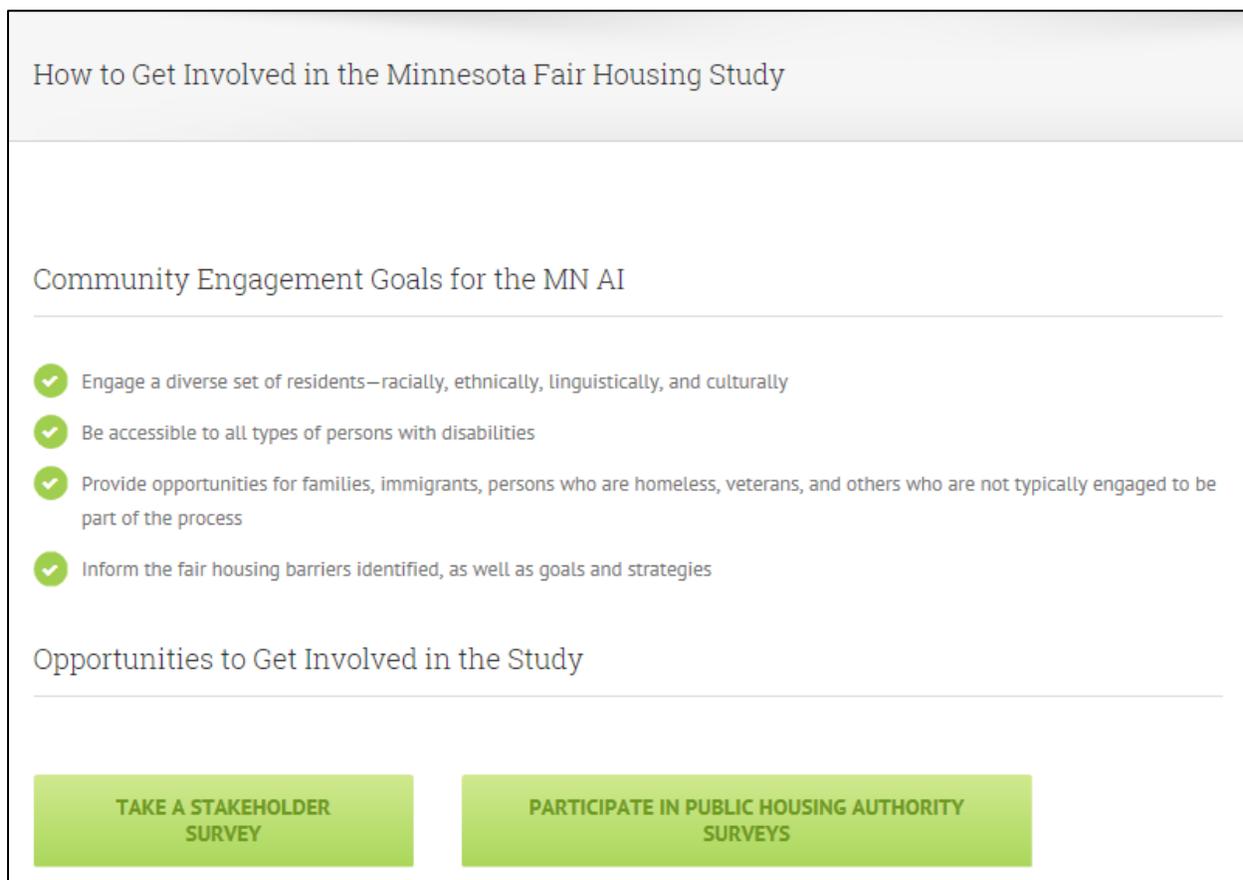


Figure 2 - Community Engagement Goals

Board Approval

The AI is a separate but important component of the state’s Consolidated Plan for Housing and Community Development, and will track the 2017-2021 Plan approved by the Board on October 19, 2016. Staff will seek board approval on the final draft AI around August 2017.