



MEETINGS SCHEDULED FOR MARCH

Location:

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

THURSDAY, MARCH 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, March 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, March 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 February 23, 2017
- 5. Reports**
 - A. Chair**
 - B. Commissioner**
 - C. Committee**
- 6. Consent Agenda**
 - A. (page 9) New Initiative, Community Fix Up Loan (CFUL) Program, Lake Elmo Bank
 - B. (page 11) Proposed Revisions to the 2017 Single Family Request for Proposals Scoring Criteria
- 7. Action Items**
 - A. (page 17) Approval, Bridges Program Guide Changes
- 8. Discussion Items**
 - A. (page 65) Discussion Regarding Requested Conduit Bond Issuance for Upper Post Flats, D7976
- 9. Information Items**
 - A. (page 71) Post-Sale Report, Homeownership Finance Bonds 2017 Series AB
 - B. (page 83) Report of Complaints Received by Agency or Chief Risk Office
- 10. Other Business**

None.
- 11. Adjournment**

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DRAFT MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING**Thursday, February 23, 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 1:03 p.m.

2. Roll Call.

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

Minnesota Housing staff present: Dan Boomhower, Wes Butler, Kevin Carpenter, Adam Connell, Jessica Deegan, Matt Dieveney, Anne Heitlinger, Summer Jefferson, Tresa Larkin, Debbi Larson, Diana Lund, Carrie Marsh, Eric Mattson, Kim McAfee, Tom O'Hern, John Patterson, Devon Pohlman, William Price, Julie Reichow, Paula Rindels, Danielle Salus, Becky Schack, Terry Schwartz, Laird Sourdif, Barb Sporlein, Susan Thompson, Will Thompson, Mary Tingerthal.

Others present: Paul Rebholz, Wells Fargo; Chip Halbach, Minnesota Housing Partnership; Ramona Advani, Office of the State Auditor.

3. Agenda Review

Chair DeCramer announced there were no changes to the agenda. Chair DeCramer also announced that members had been provided with copies of news articles regarding the availability of tax exempt bond cap and tax credit price changes that Commissioner Tingerthal would describe during her report.

4. Approval of the Minutes.**A. Regular Meeting of January 26, 2017**

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

5. Reports**A. Chair**

None.

B. Commissioner

Commissioner Tingerthal shared the following with the board:

- In December, staff talked with the board about a potential action to provide additional bonding authority to projects receiving bonding authority from MMB if that action would make projects meeting priorities of the Agency feasible to proceed. One project that did not receive an allocation from MMB has received a temporary restraining order from the courts preventing MMB from moving forward with other allocations. This case has not yet been decided and the bonds for that project have been set aside. If those bonds are not awarded to that project, they may be re-allocated to other projects which may then be able to proceed without additional authority from the Agency. Given this activity, the Agency is not in a place to pursue action regarding allocation of additional bonding authority.
- Articles have been provided to the board regarding shifts in the investor market for Low Income Housing Tax Credits. The article from Finance and Commerce walks through the fact that tax credit pricing in general has deteriorated by about 15%. In the article, Commissioner Tingerthal

is quoted as stating there is an estimated gap of \$20 million for the Agency's October RFP selections. Staff has been reaching out to those who received allocations through the RFP to get a sense of which projects can and cannot still move forward. Supplemental information has been requested and staff may come to the board in the future with suggestions of ways to fill funding gaps. The Agency is not offering to fill gaps, but wants to investigate what channels may be available if needed.

- Organizations in the affordable housing community have been discussing a piece of proposed legislation that would amend the tax exempt bond allocation process at Minnesota Management and Budget (MMB). The legislation has not yet been introduced, but a draft has circulated. Staff has discussed the proposed legislation extensively and feels the legislation is unnecessary at this time. The legislation would change the order in which projects are funded and, at this time, projects are being funded but later in the year. Staff does not feel it is necessary to make a statutory change at this point. Commissioner Tingerthal was interviewed by the Star Tribune regarding the legislation and that article was provided to board members.
- Commissioner Tingerthal testified in both the house and senate on the Agency appropriations bill, and also testified on the bonding bill and the Governor's budget in the senate. Commissioner Tingerthal also testified at the House capital investment committee on the utilization of housing infrastructure bonds and several other groups also testified regarding previous capital investment activity. This was an opportunity to share with new committee members the types of projects the Agency has been able to fund statewide using HIBs and also inform them that, due to the excellent sales of the HIBs, that there is excess debt capacity that would support nearly \$20 million in additional bonding. There may be an opportunity to pursue additional HIBs outside of the bonding bill.

Commissioner Tingerthal requested an adjustment to the date of the May board meeting due to a conflict with a meeting of the Federal Reserve Board's Community Advisory Council. There will also be a committee meeting on the date of the May board meeting, at which the audit team will discuss the audit and the financial oversight responsibility of the board.

The following employee introductions were made:

- Diana Lund introduced Danielle Salus. Ms. Salus has more than 12 years of affordable housing experience and has for many years worked for the Agency's affordable housing development partners.
- Debbi Larson introduced Julie Reichow. Ms. Reichow has joined the Agency as a senior accountant responsible for Pool 3 financial transactions and replaces an employee who is retiring after 37 years with the Agency.

C. Committee

None.

6. Consent Agenda

A. Selection and Commitment, Bridges Rental Assistance - White Earth Nation (D7977)

Chair DeCramer noted that this would be the first Bridges award to a tribal nation and thanked staff for their work in making that happen. **MOTION:** Auditor Otto moved approval of the consent agenda and the adoption of Resolution No. MHFA 17-002. Joe Johnson seconded the motion. Motion carries 6-0.

7. Action Items

A. Selection and Commitment, Preservation Affordable Rental Investment Fund (PARIF) - Park View Terrace, Moorhead, D1005

Susan Thompson presented this request for approval of a PARIF loan of up to \$525,000 for this development, which was selected during the 2015 RFP to receive tax credits and an amortizing mortgage. Ms. Thompson stated that changes in the tax credit pricing, from \$1.08 at selection to \$0.92 currently, have resulted in a \$1 million gap for the project. The developer has requested a deferred loan to help fill that gap. **MOTION:** Stephanie Klinzing moved approval of the selection and commitment and the adoption of Resolution No. MHFA 17-003. Terri Thao seconded the motion. Motion carries 6-0.

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

Anne Heitlinger presented this request for approval of the Amended 2018 Qualified Allocation Plan. Ms. Heitlinger stated the board provided preliminary approval of proposed changes and instructed staff to seek public comment at both the October, 2016, and January, 2017 board meetings. There have been two public hearings and two public comment periods for the proposed amendments. Staff carefully considered the comments and summarized those comments and responses in the board materials. One revision has been made to the proposal from January and that is the addition of an additional long-term affordability scoring tier. Developers may now seek seven points for an affordability period of 30 or more years, or three points for an affordability period of 25 years. Staff believes this change will provide flexibility and incentive to extend affordability. Staff feels the amendments are a good balance between aligning resource availability and Agency priorities.

Craig Klausing inquired about the maximum affordability term of 26 years and how that may impact developments receiving tax increment financing. Wes Butler, Assistant Commissioner for Multifamily, responded that the TIF statute allows for up to 26 years and, in his experience, most would be set up for 25 years in order to allow time to pay off the contract, but timing can differ depending on what inflators are used. Mr. Butler added that TIF begins when the taxes are assessed the year following construction, when the tax basis has increased.

Craig Klausing requested information regarding what criteria the board would assess in determining if a waiver to the predictive cost model should be granted. Commissioner Tingerthal responded that staff has brought waiver requests to the board in the past and they typically are just marginally over the allowable 25% overage. When requesting a waiver, staff provides the board with detailed information about the cause of the costs which can be related to unusual expenses, such as a soil clean up, or the use of extremely durable materials in permanent supportive housing. Commissioner Tingerthal stated that staff analyze the situation and typically make recommendations to the board about the granting of waivers.

Chair DeCramer noted that only eight comments were received for this set of proposed changes and most of those comments were positive. Craig Klausing stated he appreciated the thoughtful way the process was approached by staff. **MOTION:** Joe Johnson moved approval of the amendments to the 2018 Qualified Allocation Plan, Procedural Manual, and Self-Scoring Worksheet. Terri Thao seconded the motion. Motion carries 6-0.

8. Discussion Items

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

John Patterson presented the quarterly progress report and reviewed Multifamily and Single Family production numbers. Highlights included:

- Production is at 20% of goal on the homeownership side, which is to be expected because the report is from the slow period in the market.
- Most recent forecast indicates projection for the year will be met or exceeded.
- Impact fund is above the year-end goal
- Multifamily production level is typical for this point of the year.
- The goal of reaching 37% households of color has not been met, with production at 34%, which is still a very strong number.

In response to a question from Craig Klausing, John Patterson stated that the production of “other opportunities” being at 100% is due to the cyclical nature of some of the programs. For example, Impact Fund selections are all made in October, so that program is essentially done for the year, with the exception of small increases as Habitat for Humanity program loans close. Discussion item. No action.

B. Financial Results for the Six Months Ending December 31, 2016

Terry Schwartz, Finance Director, presented the results for the six months ending December 31, 2016, sharing the following highlights:

- Program backed securities investment continues to rise due to high Single Family production.
- Bonds payable have increased due to that high production. Bonds are monitored on a monthly basis and are called and redeemed whenever possible. This activity is reflected in the interest expense line, which has decreased for the current reporting period.
- Net interest margin continues to grow.

Joe Johnson inquired about the net interest margin as a percent and Terry Schwartz indicated he did not have that figure at hand, but would provide it to Mr. Johnson. Discussion item. No action.

9. Informational Items

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

B. Report of Action Under Delegated Authority: Multifamily 2016 Funding Modification Board Report

C. Analysis of Impediments to Fair Housing Planning Process

Informational items. No action.

10. Other Business

None.

11. Adjournment.

The meeting was adjourned at 1:38 p.m.

Item: New Initiative, Community Fix Up Loan (CFUL) Program, Lake Elmo Bank

Staff Contact(s):

Shannon Gerving, 651.296.3724, shannon.gerving@state.mn.us

Krissi Hoffmann, 651.297.3121, krissi.hoffmann@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 type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

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

Fiscal Impact:

The program uses Pool 2 funds budgeted in the current 2017 Affordable Housing Plan. Action requested in this report is consistent with the program terms described in the plan.

Meeting Agency Priorities:

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

Attachment(s):

- Background
- Initiative Detail

Background:

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

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

Initiative Detail:

Lake Elmo Bank, in partnership with the City of Oakdale, is requesting approval of a CFUL initiative for interest rate write-downs for loans originated in Oakdale. The City of Oakdale will provide leveraged funds to write-down interest rates to 2%. The initiative will address the community need for access to affordable credit to maintain and improve Oakdale's aging housing stock. Borrower income may not exceed 100% of AMI (currently \$85,800) for households with two or fewer people or 115% of AMI (currently \$98,670) for households of three or more people. The City of Oakdale will focus the funds to provide structural repairs and system replacements for homeowners who are cost burdened and living in older homes.

Region	Estimated Demand	
	# Loans	Loan Volume
Metro	20	\$ 300,000

Item: Community Homeownership Impact Fund Scoring Revisions for the 2017 Single Family Request for Proposals

Staff Contact(s):

Nira Ly, 651.296.6345, nira.ly@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 type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff requests Board approval of the proposed changes to the scoring criteria for the 2017 Single Family Request for Proposals (RFP) and Community Homeownership Impact Fund (Impact Fund).

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
- 2017 Single Family Request For Proposals Scoring Criteria

Background:

The Community Homeownership Impact Fund team conducted a review of the 2016 Single Family Request for Proposals (SF RFP) scoring criteria and propose one change to the scoring criteria for the 2017 SF RFP. Staff proposes the inclusion of a separate criterion for Rural/Tribal designated census tracts. Rural/Tribal designated census tracts was previously scored under the Economic Integration criterion. Staff believes there is value in recognizing rural and tribal designated communities as a separate scoring criterion.

The other scoring criteria remain the same. The number of points for each of the other scoring criteria also remains the same. Staff has provided non-substantive clarifying language to some of the scoring criteria. Substantive changes are noted in red.

2017 SINGLE FAMILY REQUEST FOR PROPOSALS SCORING CRITERIA**SELECTION STANDARDS – up to 30 points total**

1. **Organizational Capacity** – up to 10 points total based on the applicant’s related housing experience, demonstrated successful completion of similar projects and other organizational due diligence factors. This point total remains the same.
2. **Project Feasibility** – up to 10 points total based on the nature of the proposed site, the extent to which reasonable development costs are proposed, and the extent to which the housing (activity) is economically viable. This point total remains the same.
3. **Community Need** – up to 10 points total based on the extent to which there is a well-defined community need for the housing activity in the target geography based on local demographic, workforce, and economic factors. This point total remains the same.

FUNDING PRIORITIES**Efficient Use of Resources – up to 14 points total**

1. **Leverage** – up to 9 points total. This point total remains the same.
 - a. **Total Leverage** – up to 3 points total based on the percentage of total committed leverage as compared to the total funds requested. This point total remains the same.
 - b. **Leverage Ratio** – up to 3 points total based on the percentage of funds requested as compared to the total development costs. This point total remains the same.
 - c. **Diversity of Leverage** – up to 3 points total based on whether the proposal has received committed leverage from an employer or philanthropic source. This point total remains the same.
2. **Regulatory Incentive** – 1 point total for incorporating costs savings measures through regulatory incentives, such as fast tracking permitting approvals and waiver of fees among other incentives. This point total remains the same.
3. **Impact Fund Subsidy Protection/Long Term Affordability** – up to 3 points total based on the number of years of subsidy protection. This point total remains the same.

Households of Greatest Need – up to 11 points total

1. **Underserved Populations** – up to 6 points total for demonstrating a record of serving and reaching out to underserved populations. This criterion is considered at two levels – (1) past performance and (2) outreach and program design going forward. This point total remains the same.
 - a. Past Performance
 - i. Households of Color or Hispanic Ethnicity – 2 points total based on the extent to which the Applicant has served households of color or Hispanic ethnicity. More weight is given to serving households of color or Hispanic ethnicity than the other underserved populations because reducing the homeownership disparity in Minnesota is an agency strategic priority. This point total remains the same.
 - ii. Persons with Disabilities – 1 point total for based on the extent to which the applicant has served persons with disabilities. This point total remains the same

- iii. Single Headed Households – 1 point total based on the extent to which the applicant has effectively served single headed households. This point total remains the same.
 - b. Outreach and Program Design Going Forward
 - i. Marketing and Outreach to Underserved Populations – 1 point total based on the extent to which the Applicant’s marketing and outreach plans position the Applicant to reach underserved populations. This point total remains the same
 - ii. Program Design Suitable to Underserved Populations – 1 point total based on the extent to which the Applicant’s program design responds to the needs of underserved populations. For example, homes for people with physical disabilities should be accessible and use universal design. This point total remains the same.
- 2. **Universal Design/Accessibility Features** – 1 point total for incorporating universal design/accessibility features. This point total remains the same.
- 3. **Large Family Housing** – 1 point total for committing to developing large family housing. This point total remains the same.
- 4. **Senior Housing** – 2 points total for proposals that will enable individuals 62+ years old to age in place. This point total remains the same.
- 5. **Special Niche** – 1 point total for owner-occupied rehabilitation and affordability gap proposals that demonstrate the ability to address unique financial or credit issues that make it difficult for certain households to access traditional or existing products. This point total remains the same.

Areas of Opportunity – up to 17 points total

- 1. **Economic Integration** – up to 5 points total based on the extent to which the proposed housing activity is affordable to eligible low- and moderate-income households is located within higher income areas and near job centers. This criterion will be scored based on Community Profiles. This point total remains the same
- 2. **Workforce Housing** – up to 4 points total based on the extent to which a proposed target area has a low housing vacancy rate, long commute, and/or is a job growth community. Long commute and job growth community will be scored based on Community Profiles. This point total remains the same
- 3. **Location Efficiency** – up to 6 points total based on access to transit and walkability. The basis of points awarded is defined separately for the Twin Cities Seven County Metropolitan Area and Greater Minnesota. This point total remains the same
 - a. Access to transit – up to 5 points total based on the extent to which a proposed target area has access to fixed transit or dial-a-ride. This criterion will be scored based on Community Profiles. This point total remains the same.
 - b. Walkability – 1 point total based on a documented Walkscore rating of 50 or more.
- 4. **Community Recovery** – up to 2 points total based on the extent to which a proposed target area coincides with a Community Recovery Priority Area. This criterion will be scored based on Community Profiles. This point total remains the same.

Supporting Community and Economic Development – up to 11 points total

1. **Efficient Land Use** – up to 5 points total based on the extent to which a proposal maximizes the efficient use of land and takes into consideration the following:
 - a. Rehabilitation proposals that maximize the adaptive reuse of buildings; and
 - b. New Construction proposals that minimize the loss of agricultural land and green space.
2. **Cooperatively-Developed Plan (CDP)** – 1 point total if a CDP is provided for the community in which the proposed target area is located. This point total remains the same.
3. **Foreclosure** – 1 point total for proposals that address foreclosed properties. This point total remains the same.
4. **Rural/Tribal Designation** – 4 points total based on whether a proposed target area is within a Rural/Tribal Designated census tract outside of the Twin Cities Seven County Metropolitan Area. This criterion was previously scored as a subsection of the Economic Integration criterion.

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Item: Approval of Bridges Program Guide Changes

Staff Contact(s):

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

Request Type:

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

Summary of Request:

Staff requests a motion to approve the Bridges Rental Assistance Program Guide (program guide). This will replace the current version of the program guide and will provide policies to govern the 2017-2019 grant agreements.

Due to the extent of the revisions, a red-lined version has not been provided. Following approval by the board, staff may make additional non-material changes for readability and formatting.

Fiscal Impact:

Bridges funding is a state appropriated resource, and the proposed changes to the program guide will not have a fiscal impact on the Agency.

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 and summary of changes
- Bridges Rental Assistance Program Guide

Background:

Bridges supports people with serious mental illness by allowing them to live in integrated settings in their communities by providing a housing subsidy and ensuring connections to mental health and housing stability services. Funds available under the Bridges program provide temporary rental subsidy payments and, in some instances, security deposits and rental application fees. To be eligible, the household must have at least one adult with serious mental illness and be under 50% area median income; however, priority is given to households exiting institutions or experiencing homelessness or other housing instability. The program requires participants to apply for and accept a permanent rental subsidy, primarily Housing Choice Vouchers, formerly known as Section 8, when available. The Bridges program is designed to provide a relatively seamless transition in-place for participants when they receive a Housing Choice Voucher or other housing resource.

Minnesota Housing and the Minnesota Department of Human Services - Mental Health Division (DHS-MHD) staff have reviewed and recommended administrative and substantive changes to the Bridges Rental Assistance Program Guide (program guide), as summarized below. Upon approval, the program guide will be published in order to align with the 2017 Bridges RFP. All Bridges grant administrators will be expected to follow the policies set forth in the program guide effective July 1, 2017.

SUMMARY OF CHANGES

1. Minnesota Statute Section 462A.2097 was incorrectly quoted previously in the program guide. The missing language was added. The Agency may establish a ***“tenant-based or project-based”*** rental housing assistance program.
2. Added “application fees” as a new eligible use of funds, which includes payment to a landlord for the application fee (only eligible for the unit which is leased).
3. Change to the second waiting list priority from “Persons experiencing homelessness for one year or more, or multiple times in the last 3 years” to “People experiencing homelessness who are in need of permanent supportive housing as determined by an approved assessment tool and referred by Coordinated Entry (CE)”
4. Bridges applicants who are claiming one of the homeless waiting list priorities will be referred from Coordinated Entry (CE) and will have evidence of the referral and assessment score in the participant file. Applicants who are at imminent risk of homelessness may or may not be referred from CE, depending on local determination.
5. Local Housing Agencies may propose waiting list selection plan modifications that set aside a specific number of subsidies for households at imminent risk of homelessness, in particular for service areas where low rental vacancy rates are contributing to administrators having difficulty utilizing funding. Minnesota Housing will review and must approve any changes.
6. References to the Ending Long Term Homeless Initiative Fund (ELHIF) have been removed. ELHIF is no longer a funding source. Minnesota Housing may make additional funds available from Agency resources.
7. A newly defined term, “Local Mental Health Entity (LMH Entity)” has replaced Adult Mental Health Initiative (AMHI) and Local Mental Health Authority (LMHA) throughout the program

guide. The LMH Entity is inclusive of AMHI, Tribal Nation Mental Health Programs and LMHA, which each or collaboratively acts as a partner in the delivery of a local Bridges program.

8. References to Bridges Regional Treatment Center (Bridges RTC) have been added to the program guide. This was a pilot program in 2012-2015 that operated under the Bridges policies with additional guidance provided in documents outside of the program guide. New Bridges RTC grant agreements are in place for the term 7/1/2016 to 6/30/2019.
9. Language that is inclusive of tribal nations and their housing operations has been added throughout.
10. The Fair Housing section was moved and expanded.
11. The range of administrative fees has been changed from \$40-\$60 to \$45-\$60 per household per month. This will affect three administrators who are currently at the lowest rate. Over the biennium, the increased cost will be no more than \$6,120. Staff anticipates an evaluation of the administrative fee rate and structure in the next two years, including a review of the HUD Housing Choice Voucher rates after they have been finalized.
12. Moved the terms from Chapter 1 to Appendix A and updated terms used throughout the program guide.
13. Removed the Introduction and Goals section. This information has been partially incorporated into the Chapter 2 – Program Overview.
14. Abbreviated “Housing Choice Voucher” to “HCV.”
15. Replaced references to “FmHA” with “USDA Rural Development” because the Farmers Home Administration is no longer a federal government agency and its housing programs were transferred.

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Bridges Rental Assistance Program Guide

July 2017



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

An equal opportunity employer.

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

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Chapter 1 – Program Overview

The Minnesota Housing Finance Agency (Minnesota Housing), in partnership with the Minnesota Department of Human Services Mental Health Division (DHS-MHD), manages the Bridges Rental Assistance Program (Bridges). Minnesota Housing enters into contracts with local Housing Agencies to provide assistance to eligible households. Bridges goals are to:

- Provide housing subsidies for People with Serious Mental Illness (SMI) who are experiencing housing instability in order to bridge the time until a federal or other permanent housing subsidy program is available.
- Maintain and foster the integration of People with SMI into their communities through a partnership of housing subsidy and supportive services.

Bridges provides a temporary housing subsidy for participants in which at least one adult member has SMI and whose household gross income is under 50 percent of the area median. Bridges funds may be used to pay rent directly to a landlord, security deposits, application fees, and the full rent for up to 90 days during a medical or psychiatric crisis. The housing subsidy is provided while the participant is on a waiting list for federal or other permanent housing subsidy programs or it is provided to a participant who will apply when the waiting list opens.

Minnesota Housing enters into Bridges Agreements with local Housing Agencies who also manage a permanent housing subsidy program. The Housing Agencies work with applicants and issue monthly housing subsidies that are paid to the landlord on behalf of participants. The Housing Agency partners with a Local Mental Health Entity (LMH Entity) in order to provide access to mental health services. The LMH Entity enters into a Cooperative Agreement with the Housing Agency to define roles and responsibilities under Bridges.

Because Bridges serves as a transition to a permanent subsidy, many provisions of the program are similar to those in the Housing Choice Voucher (HCV) program. Examples of similar HCV program policies include verification of income, leasing procedures, federal Housing Quality Standards (HQS) and payment standard limits on rents. However, Bridges has required priorities for serving households who have histories of instability and homelessness and is therefore designed to be more flexible in admission criteria. The Bridges housing subsidy is determined by a calculation using the gross income of the household and does not include the same deductions that are used in the HCV program. The maximum subsidy is the difference between the Participant Rent and the contract rent, up to the local payment standard (LPS).

Once initial eligibility has been determined, a Bridges participant remains eligible to receive a housing subsidy provided that the housing assistance is still needed, the household is waiting for another permanent rental subsidy and the household complies with program requirements.

The Bridges Regional Treatment Center program (Bridges RTC) is a program that is administered through the same rules and procedures contained in this Program Guide, with some exceptions noted throughout. Bridges RTC provides a subsidy for people who meet the Bridges eligibility criteria and who are being discharged from Anoka Metro Regional Treatment Center (AMRTC) or Forensic Services.

Chapter 2 – General Administrative Requirements

2.01 Governing Statute

Bridges provides rental subsidies in accordance with Minnesota legislation that authorizes and appropriates funds under provision of Minnesota Statute Section 462A.2097.

The agency may establish a tenant-based or project-based rental housing assistance program for persons of low income or for persons with a mental illness or families that include an adult family member with a mental illness. Rental assistance may be in the form of direct rental subsidies for housing for persons or families with incomes of up to 50% of the area median income as determined by the United States Department of Housing and Urban Development, adjusted for families of five or more. Housing for the mentally ill must be operated in coordination with social service providers who provide services requested by tenants. Direct rental subsidies must be administered by the agency for the benefit of eligible tenants. Financial assistance provided under this section must be in the form of vendor payments whenever possible. HIST: 1995 c 224 s 108

2.02 Entities

The Housing Agency can be a public housing agency, a community development agency or an economic development agency who also manages an HCV program. Under unique circumstances such as there being no other agency in the region willing to oversee Bridges, a non-profit organization may also be a Housing Agency if it is able to demonstrate qualifications and experience. Tribal nations may also be a Housing Agency.

A Housing Agency must enter into a partnership with an LMH Entity responsible for coordinating the local mental health system to oversee operations of Bridges. An LMH Entity can be:

- A Local Mental Health Authority (LMHA) operating under the authority of the county.
- A Tribal Nation Mental Health Agency operating under the authority of the tribal government.
- An Adult Mental Health Initiative (AMHI) comprised of an LMHA, multiple LMHAs, tribal nation(s), or LMHA(s) and tribal nation(s)

2.03 Service Area

Each Housing Agency administering Bridges will operate in the geographic area indicated in its Bridges Agreement, which is known as the Service Area. Minnesota Housing must approve in writing any change in the Service Area designation.

2.04 Cooperative Agreement

Bridges operates as a partnership between the Housing Agency that provides housing subsidies and an LMH Entity that provides connections to housing supports and mental health services to participants. Each Housing Agency administering Bridges must enter into a Cooperative Agreement with an LMH Entity to coordinate the implementation of the program. The Housing Agency and the LMH Entity will perform the duties indicated in the Cooperative Agreement. Any changes in the Cooperative Agreement must be approved by the county or tribal nation. The LMH Entity needs to notify DHS-MHD of these changes.

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The goal of the Cooperative Agreement is to assist People with SMI in obtaining and retaining stable, affordable housing within their community. Other aspects of the Cooperative Agreement should contain:

- Designation of the Parties (LMH Entity and Housing Agency) entering into the Cooperative Agreement
 - Unique features of the parties
- Terms of the Cooperative Agreement
 - Duration
- Purpose
 - To foster cooperation between parties;
 - To assist People with SMI to access appropriate housing, treatment, supportive services and income supports; and
 - To assist People with SMI to live in the community.
- Guiding Principles
 - People with SMI are full members of the community with all rights, privileges, opportunities, and responsibilities accorded to all people
 - People with SMI are not be required to accept services
 - Support services are:
 - Based on need, preferences and desires
 - Offered in the least restrictive manner to the individual
 - Flexible in location, intensity and schedule
- Responsibilities
 - Lists the roles and responsibilities of the Housing Agency and the LMH Entity
 - Lists the participants to be served
 - Lists the services available to participants
 - Lists the site of services, the times available and the manner in which these services can be obtained
- Participant Rights and Responsibilities
 - Describes the rights and responsibilities of participants
- Implementation and Evaluation
 - The process for modification, amendment or termination of the Cooperative Agreement
 - Resolution of problems
 - Interagency meetings, including frequency, attendees and, if known, dates
 - Involvement of participants

- Designation of liaisons to oversee, facilitate, monitor and evaluate the Cooperative Agreement

Each Housing Agency must provide Minnesota Housing with a copy of the Cooperative Agreement as well as any subsequent modifications, amendments or terminations. Minnesota Housing and DHS-MHD will review the Cooperative Agreement and make suggestions for modification. Executed copies of the Cooperative Agreement will be maintained by all parties to the contract. (A sample [Cooperative Agreement](#) is provided on Minnesota Housing's website.)

The Housing Agency and LMH Entity will gather input from Consumers in order to review the program and identify areas of strength and improvement.

2.06 Data Privacy

In working with applicants and participants, the Housing Agency and LMH Entity must comply with applicable data privacy laws and regulations. This includes the Minnesota Government Data Practices Act, which regulates information that can be obtained, stored and/or released in connection with public programs. The Minnesota Housing Government Data Practices Act Disclosure Statement form is available online. This form must be completed at initial occupancy and retained in the participant's file. Additionally, the Housing Agency and LMH Entity need to use their own Release of Information (ROI) forms to share participant information and complete income verification inquiries. Finally, any households entered into HMIS need to sign another required ROI form to allow their tenant data to be entered into the HMIS system. This form is available on the HMIS website at: <http://www.hmismn.org/forms/clientconsent.php>.

All ROIs that are signed by the tenant must be kept in both Housing Agency and LMH Entity files.

2.07 Foundational Service Practices

The concept of foundational service practices arises from the Minnesota Plan to Prevent and End Homelessness, which identifies four relevant areas of program implementation believed to have the greatest potential to positively impact outcomes for people experiencing homelessness. The goals of the recommendations below are to establish standards for Housing Agencies in order to more effectively serve individuals and families who experience challenges in accessing and maintaining participation in Bridges. These recommendations are based on a compilation of practices currently in place across the State.

Documents Required for Enrollment

- Instead of requiring original documents, accept copies or other confirmation, such as a Social Security number rather than the original card. Avoid requiring documents that are costly to obtain.
- Assist or refer applicant to available resources that can help in gathering needed identification materials.
- Notify secondary contact of documentation requirements.
- Offer Certificate of Participation – Statement of Participant Obligations if verified efforts are underway to obtain required documentation.

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Frequency of Required In-person Appointments

- An in-person appointment for the initial Briefing Session may be optional. Allow flexibility for the applicant.
- Annual recertification may be completed by fax, or mail and telephone.
- For in-person appointments, refer for assistance with transportation or offer a home visit option, if needed.
- Second and third chances – implement a lenient policy for missed appointments for people with disabling factors.
- Encourage participation of secondary contact.
- Prior to termination from Bridges for no response, attempt to reach all known contacts in an efficient way.

Mailing Address and Phone Number Requirements

- If the applicant is unable to provide an address, encourage them to provide the address of a family member, a friend, a social service provider or a secondary contact. Update secondary contact information annually.
- Refer applicant to services for a free or low-cost cell phone, voicemail or PO Box.

Communication Methods

- Provide multiple methods of communication, recognizing the barriers that mental illness can present in communication. Use mail, phone, fax, email. Text from work phone if able and requested.
- Release of Information for service provider, representative payee, or other secondary contact assisting the person is recommended. If an ROI is obtained, include the secondary contact on receipt of mailed and emailed documents.
- Clearly state open office hours.
- Provide opportunities for face to face communication. Clearly inform clients of the process and expectations.
- Clearly state in writing what changes or notices are required for continued participation.

In addition to the areas identified by the Minnesota Plan to Prevent and End Homelessness, the following two other areas of practice are critical within Bridges. Administrators are also expected to align their policies to adhere to the following areas of service practices:

Criminal History

Bridges intake does not require a credit or rental history background check and is often more flexible than the HCV program regarding criminal histories. Housing Agencies or the LMH Entity should refer participants to housing navigation resources or assist participants with finding an eligible rental unit that they can qualify for based on screening criteria. Criminal history is evaluated to:

- Determine whether applicant is a lifetime registered sex offender or has been convicted of methamphetamine production in public housing.
- Develop ways to support the individual in transition to the HCV program.

- Identify if tenancy supports and landlord engagement strategies are needed.

Documenting Housing Status

- Bridges does not require that an individual or family be experiencing homelessness to apply; however, all Housing Agencies are required to have a preference for individuals leaving institutions or who are experiencing homelessness.
- If a household is claiming preference points, evidence that the household meets that preference must be verified and kept in the participant file.
- The Long Term Homeless Eligibility Form is not required, but may be used as one way to document eligibility for preference points. An email or other documentation from an emergency shelter, drop-in center, caseworker or other source may also be considered evidence. Under Minnesota definitions, couch hopping is considered homeless. The household may self-certify if necessary, using the Long Term Homeless Eligibility Form, but third party verification is preferred.

2.08 Program Obligations – Checklist of Responsibility

The following is a list of activities that are carried out in implementing Bridges. For each activity, either the Housing Agency or the LMH Entity, or both, may be responsible. Responsibilities vary for different implementations of Bridges and must be described in the Cooperative Agreement. Organizations should use this list as a tool for program development and as a resource for the creation of the Cooperative Agreement.

Activity	Housing Agency	LMH Entity
1. Publish information on the availability and nature of the program.	X	X
2. Explain the program to landlords, RTCs, community-based residential treatment facilities, counties, shelters, social service staff, applicants and participants.	X	X
3. Encourage landlords and managers to make units available for Bridges.	X	X
4. Develop an ROI form for use between the Housing Agency and LMH Entity.	X	X
5. Inform of housing options outside areas of economic and racial concentration.	X	X
6. Outreach to potential applicants meeting Bridges priorities: <ul style="list-style-type: none"> a. People residing in an Institution or other Segregated Setting b. People who are experiencing Homelessness and are in need of Permanent Supportive Housing c. People who are experiencing Homelessness or who are at imminent risk of Homelessness 	X	X
7. Verify diagnosis of People with SMI.		X
8. For Bridges RTC, verify that the applicant meets the additional eligibility criteria.	X	X
9. Verify income and assets.	X	X
10. Maintain an applicant waiting list.	X	X

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Activity	Housing Agency	LMH Entity
10. Communicate with the Continuum of Care (CoC) regarding referrals from Coordinated Entry (CE).	X	X
11. Conduct Briefing Sessions explaining participant's rights and responsibilities, including payment responsibilities.	X	
12. Verify applicant's HCV program eligibility and waiting list status.	X	X
13. Calculate subsidy and Participant Rent.	X	
14. Assist participant with housing appeals for denial of eligibility.		X
16. Assist participant in locating appropriate housing.	X	X
17. Negotiate lease and conditions with landlord.	X	X
18. Determine eligibility of selected units based on rent, unit size and lease provisions.	X	
19. Conduct HQS inspection of selected units.	X	
20. Enter into, administer and enforce Bridges Contracts with landlords.	X	
21. Make payments to landlords.	X	
22. Conduct annual and interim recertification of participant eligibility.	X	
23. Terminate Bridges subsidy for participants who violate program regulations, become ineligible for the HCV program or refuse an HCV subsidy when offered.	X	
24. Maintain financial management records.	X	
25. Maintain consumer demographic information.	X	X
26. Report required information to Minnesota Housing.	X	
27. Provide after-hours emergency response to landlords, participants and Housing Agency.		X
28. Assist participants who choose to be served with the following: a. Case Management services b. Diagnosis and treatment of SMI c. Rehabilitation, vocational training and employment assistance d. Income support and benefits e. General health care and dental services f. Alcohol and/or other drug abuse treatment g. Consumer and family involvement h. Legal protection (including protection provided under civil rights laws, such as the Fair Housing Act, Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990)		X
29. Notify Housing Agency of absences by participants during medical or psychiatric crisis.		X
30. Recalculate subsidy payment and utilities for participants during medical or psychiatric crisis.	X	
31. Develop and maintain a list of housing options.	X	
32. Partner to increase the supply and options of housing available to People with SMI (e.g., locale, style, rent levels, flexible services, integration).	X	X

2.09 Applicant/Participant Records

Each Housing Agency will establish files for applicants and participants. Minnesota Housing requires that these files contain copies of all participant and property related forms listed below. Many of the following forms are available on Minnesota Housing’s website. Some of the following required documents do not have a specific form, as noted below, and Housing Agencies are expected to provide documentation in a format that contains the required elements. Required Bridges forms are updated regularly and Housing Agencies are responsible for using the current version of the required forms.

Required file documentation:

	Required - specific format	Required - various formats accepted	Required Annually
1. Application for Bridges Program (Form 2)	X		
2. Preliminary screening forms developed locally for intake		X	
3. Minnesota Government Data Practices Act Disclosure Statement and Acknowledgement (signed by all adults 18 or older on lease)	X		
4. Verification of Serious Mental Illness (Form 4) - Specific records and documents detailing the nature of applicant’s illness should be retained by the LMH Entity	X		
5. Certificate of Participation–Statement of Participant Obligations (Form 6)	X		
6. Consumer Agreement for Requirements of Continued Eligibility (Form 7)	X		X
7. Income and Asset Verification		X	X
8. Computation of Gross Income, Participant Rent and Subsidy (Form 8)		X	X
9. Lead-Based Paint Certification (if applicable)	X		
10. Housing Quality Standards (HQS) inspections	X		X
11. Executed lease agreement (no specific form, must be 1-12 month term)		X	
12. Addendum to Lease (Form 12)	X		
13. Lease Amendment/Extension (Form 13), when applicable	X		
14. Bridges Contract (Form 14)	X		
15. Certification and Authorization for Payment of Deposits and Rent During Crisis (Form 24) (if applicable)	X		
16. Evidence of homeless status or release from Institution required for participants claiming waiting list priority points and all Bridges RTC participants		X	

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Participant files must also include the following correspondence and notes when applicable:

		Required in specific format	Required, various formats accepted	Required Annually
17.	Eligibility/ineligibility notices sent to applicants/participants by Housing Agency or LMH Entity		X	
18.	Letters and notifications of outcome from informal hearings		X	
19.	Documents and correspondence concerning the participant's application and participation in Bridges		X	
20.	Initialed and dated notations regarding conversations about the participant		X	
21.	Notice of termination		X	

The main file for each applicant and participant is kept by the Housing Agency. The Housing Agency may share any documentation that may be needed by the LMH Entity in carrying out its responsibilities to provide housing support services, provided an ROI has been completed. Both the Housing Agency and the LMH Entity need to retain a copy of the ROI in its permanent records. The sharing of information and documents should be outlined in the Cooperative Agreement.

2.10 Monitoring and Evaluation

Minnesota Housing will conduct ongoing evaluations of the financial reports and participant files submitted by the Housing Agency. Minnesota Housing will review participant files kept on site at the Housing Agency during site visits or through an audit of requested files. Review of the Housing Agency and LMH Entity partnership will also be conducted on a regular basis by both DHS-MHD and Minnesota Housing. The review may contain the following components:

- Participant files:
 - Verification of income and eligibility
 - Calculation of Participant Rent
 - FMR limits/Local Payment Standards (LPS)
 - Lease agreements and contracts
 - Housing Quality Standards (HQS)
 - Additional information as required
- Financial records detailing:
 - Expenditures for subsidy payments to landlords
 - Security deposits
 - Payments during medical and psychiatric crises
 - Balance sheet and check register

- Cooperative Agreement:
 - Partnership and communication
 - Management of capacity and funds
 - LMH Entity adherence to the Program Guide
 - Housing Agency adherence to the Program Guide
- Interview of case managers, community support staff and participants

2.11 Financial Management/Records

The Housing Agency must establish one or more separate bank accounts (checking or savings) for Bridges payments from Minnesota Housing. The Housing Agency may combine these funds with other funds in a consolidated account, provided that the Housing Agency's banking system can adequately segregate the various restricted funds within one account. Any interest earned on these funds may be retained locally and may be used in paying administrative expenses. In the event Minnesota Housing requests the information, the Housing Agency must maintain and make available records of payments to landlords and utility companies.

The Housing Agency must provide evidence of insurance for employee dishonesty or crime coverage in the amount of at least one-eighth of the total amount of the grant. Acceptable forms include a copy of an effective policy or certification from the insurance carrier that indicates the policy's effective dates, terms of coverage and describes that coverage meets the above requirements. Housing Agency employees authorized to make payments to landlords must receive formal authorization by the Housing Agency's board and provide a copy of that authorization to Minnesota Housing.

2.12 Funding Reimbursement

Housing Agencies will prepare and submit to Minnesota Housing monthly payment requests that detail actual expenditures and participant information for the previous month. The required Rental Assistance Draw Request form is available on the Minnesota Housing website. The information collected on the Rental Assistance Draw Request form includes:

- Actual expenses incurred in the payment of rent and eligible housing related expenses for the previous month
- A monthly participant log for the previous month, which consists of information such as participant name, unit address, move-in date, move-out date, contract rent, Participant Rent, subsidy amount, and security deposit amount, if paid from Bridges funds

Minnesota Housing will use the monthly Rental Assistance Draw Request Form data to determine the reimbursement amount to be sent to the Housing Agency. The Housing Agency should submit the request for funds to Minnesota Housing no later than the 15th of the month, unless other arrangements have been approved by Minnesota Housing. At the end of the term of the Bridges Agreement, the Housing Agency must refund any excess subsidy funds or administrative fees.

2.13 Administrative Fee

At the time of selection for funding, Minnesota Housing will approve a monthly administrative fee for the Housing Agency, and it will be described in the Bridges Agreement. The administrative fee will be paid each month in which a participant resides in an eligible Assisted Unit.

Minnesota Housing will approve administrative fees that range from \$45 per household per month to \$60 per household per month, based on the target number of households, the amount of the grant, the geography of the service area, the population served and other relevant criteria.

2.14 Future Funding

Funding for Bridges will be allocated through a Request for Proposal (RFP) process. Minnesota Housing and DHS-MHD may follow one, both or a combination of each of the following funding processes for a biennium:

- Applications for continued funding may be requested from all current interested grantees. Housing Agencies with a current Bridges Agreement may be considered for funding based on the results of performance reviews, need and utilization.
- New applications may be solicited with preference given to Housing Agencies proposing to operate in areas underserved by rental subsidies for People with SMI.

Chapter 3 – Household Eligibility, Intake and Certification

3.01 Eligibility Criteria

The basis for Bridges eligibility is as follows:

- The head of household or other household member must be 18 years of age or over and have a diagnosed Serious Mental Illness (SMI) as defined in the Minnesota Comprehensive Adult Mental Health Act, and that is verified using the Verification of Serious Mental Illness (Form 4).
- The household is eligible to receive an HCV or can become eligible based on successful participation in the Bridges program.
- The gross income of the household, at the time of initial eligibility, is at or below 50 percent of the area median income for the household size.

3.02 Bridges RTC Eligibility Criteria

Bridges RTC has additional eligibility criteria. Under Bridges RTC, an eligible participant is defined as a Person with SMI that is eligible for Bridges and:

- Is hospitalized at AMRTC or Forensic Services and does not meet hospital level of care; and
- Has significant or complex barriers to accessing and retaining housing; and
- Is homeless or at imminent risk of homelessness upon AMRTC or Forensic Services admission or discharge.

Bridges RTC is designed to help individuals move from hospitalization at one of the specified state-operated facilities to living in an integrated setting in the community of his or her choice. Referrals may come directly from AMRTC, Forensic Services, the LMH Entity or from other agencies. Consumers should be contacted early about their housing preferences, well in advance of not meeting hospital level of care criteria. Identified participants may transition to Intensive Residential Treatment Services (IRTS) or other treatment prior to community housing and retain their eligibility for Bridges RTC. Bridges RTC may be used as a diversion from AMRTC or Forensic Services hospitalization in some cases, with prior written approval from Minnesota Housing and DHS-MHD.

3.03 Tribal Nations

Programs operated by a tribal nation may have alternate eligibility criteria and rules around the HCV waiting list requirement that align with the permanent housing programs managed by the tribal nation. Because tribal nations do not manage an HCV program, Bridges policies that are specific to HCV program alignment may not apply. Any alternate eligibility criteria or rules must be approved in writing by Minnesota Housing.

3.04 Outreach

Information about Bridges should be widely distributed by the LMH Entity and the Housing Agency to People with SMI who are experiencing housing instability or living in a segregated setting. Specifically, information will be provided to regional treatment centers, community-based residential treatment facilities, homeless shelters, transitional housing programs, board and lodges, county case managers, county employment workers, community mental health centers, drop in centers, and community support programs. People who reside outside the county, but for whom the county assumes financial

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responsibility, should also be informed of the opportunity to apply for Bridges. The LMH Entity is primarily responsible for outreach. Outreach should be well described in the Cooperative Agreement.

3.05 Application

Bridges applicants are required to complete the Application for Bridges Program (Form 2) and a Minnesota Government Data Practices Act Disclosure Statement. The LMH Entity must verify that the head of household or another adult household member has SMI as defined by the Minnesota Comprehensive Adult Mental Health Act. The LMH Entity must review that a qualified Mental Health Professional has signed the Verification of Serious Mental Illness (Form 4) and submit it to the Housing Agency in a timely fashion. An SMI diagnosis is based on a diagnostic assessment not more than two years old. The Mental Health Professional must include documentation of this determination in the participant's case file. At time of application, information regarding all applicants' previous living situation prior to program intake and extent of homelessness must be collected and submitted upon participation in Bridges.

As part of application activity, the LMH Entity must:

- Inform applicants that receiving the Bridges subsidy may reduce other forms of aid that they may be receiving such as food stamps and Minnesota Supplemental Aid (MSA)
- Inform applicants of what types of mental health services and Community Support Services Program services they are eligible for and make referrals for these services if the applicant agrees to a referral
- Advise applicants that participation in services is not required in order to participate in Bridges
- Inform applicants that, as a condition of receiving a Bridges subsidy, they must also be eligible to receive a federal or other permanent housing subsidy and accept the other subsidy when it is offered
- Develop and provide to each applicant a written document that incorporates the information in this section, as well as provide the information to the applicant verbally.

3.06 Housing Choice Voucher Waiting List Requirement

Bridges participants are required to apply for and accept, when offered, a federal or other permanent housing subsidy, primarily the Housing Choice Voucher (HCV) program, formerly known as Section 8. Tribal nation programs may determine another transition plan. The Housing Agency will require Bridges applicants to complete an HCV application at the time of Bridges application if they are currently not on the local waiting list. If waiting lists for the area are closed, the applicant must agree to apply to the HCV program as soon as the waiting list opens. The Housing Agency is responsible for notifying Bridges participants of HCV waiting list openings. A participant may apply to HCV programs outside of the area, but is not required to do so.

Participant files must contain evidence of the HCV application verifying the status on the waiting list(s) or documentation that the waiting list is closed and the participant will sign up as soon as a waiting list opens.

While the participant is receiving a Bridges subsidy, the Housing Agency and LMH Entity will monitor the applicant's status on the HCV waiting list(s) or assist the participant to apply for an HCV when the

waiting list opens. If a participant does not accept an HCV, becomes ineligible, or refuses to apply for an HCV, the participant may be terminated from Bridges.

3.07 Final Subsidy Review

The Housing Agency will calculate the subsidy based on gross income and issue the participant a Certificate of Participation – Statement of Participant Obligations (Form 6). Income limits for Bridges are based on 50 percent of the area median income as defined by HUD.

3.08 Appeal Process

Applicants and participants may request an informal hearing to contest a determination made by the LMH Entity or Housing Agency concerning eligibility to participate or for continued participation in Bridges. The LMH Entity is responsible for disability-related eligibility appeals. The Housing Agency will be responsible for housing-related appeals. The Housing Agency will use procedures established for use in its HCV administrative plan, or otherwise written procedures in the case of a Housing Agency without an HCV administrative plan.

At an informal hearing, the applicant or participant must be given an opportunity to view all documents and information used to make the decision and must have an opportunity to present his or her own evidence in support of eligibility or continued eligibility.

The applicant or participant must be encouraged to have the LMH Entity assist them in their appeal. The hearing should be conducted by an individual who did not take part in the original decision that is being contested. Applicants and participants must be notified in writing of the outcome of the hearing and be informed of the reason(s) for the determination.

3.09 Calculating Gross Income

Gross income includes all income expected to be received in the next 12 months for all household members age 18 and over, excluding the income of a non-related person who is living in the household solely to care for a disabled, handicapped or elderly household member. When computing gross annual income, include the actual income earned from assets, such as interest or dividends.

Gross income includes, but is not limited to:

- Amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses
- Net income from operating a business or profession or from rental of real or personal property
- Interest and dividends
- Amount of periodic payments received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and similar types of periodic payments
- Unemployment, disability, or workers' compensation or severance pay, and similar types of payments in lieu of income
- Public assistance payments
- Periodic allowances such as alimony, child support, gifts/contributions received from people not residing with the participant

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- Regular and/or special pay and allowances for a member of the armed services who is the head of household or the spouse of the head of household

Gross income does not include:

- Casual, sporadic or irregular gifts
- Amounts specifically for reimbursement of medical costs, including Medicaid spend-down
- Inheritances, one-time insurance payments, capital gains, settlements for personal losses or property losses and similar lump sum amounts
- Educational grants or scholarships paid expressly for tuition, fees, books or equipment (amounts not for these purposes are counted as income)
- Combat pay for a participant head of household who is in the armed services
- Relocation payments made under the federal Uniform Relocation Act (URA)
- Foster care payments
- Value of allotments such as food stamps and fuel assistance
- Payments made for people participating in federal or state volunteer programs

3.10 Verification of Income and Assets

Regarding verification of income and assets, Bridges follows HUD's Housing Choice Voucher Program Guidebook, which explains verification by a third party. A Housing Agency may use the procedure it has adopted in its HCV administrative plan, or otherwise written procedures in the case of a Housing Agency without an HCV administrative plan.

Verified information must be no more than 120 days old prior to the award of the Bridges Certificate of Participation – Statement of Participant Obligations. Income and assets to be verified are:

- Records of earned income:
 - Income tax return – state and/or federal (most recent)
 - Paycheck stubs
 - W-2 forms
- Records of other income:
 - Pensions and annuities – latest check stub from issuing organization
 - Social Security – current award letter
 - Unemployment compensation – determination letter or latest check stub
 - Supplemental Security Income (SSI) – award letter/most recent check stub
 - Minnesota Family Investment Program (MFIP) – award letter/most recent check stub
 - Workers' Compensation – determination letter, recent check stub
 - Alimony – copy of court order
 - Child support – copy of court order

- Educational scholarships/stipends (federal Title IV grants are excluded) – award letter
- Other public assistance – award letter
- Income from assets – credit union/bank/savings and loan statements, etc.

Assets to be evaluated include, but are not limited to:

- Checking, savings accounts or CDs
- Stocks and bonds
- Mortgage note or property tax statement
- Life insurance policy redemption or cash surrender value
- Net equity in real property
- Personal property held as an investment

3.11 Bridges Waiting List

If the number of applicants for Bridges subsidies exceeds the number of subsidies available, a waiting list must be established. The Cooperative Agreement must specify:

- Party responsible for the waiting list
- Procedure for maintaining the waiting list
- Procedure for making selections from the waiting list (using priorities identified in the Cooperative Agreement)

Bridges is designed to assist people with high needs through provision of a housing subsidy that is linked with community mental health services. To achieve this goal, administrators must give priority to the following populations, with highest priority given to people residing in an Institution or other Segregated Setting who will be homeless upon discharge. These priorities must be identified in the Housing Agency's waiting list selection plan.

1. People residing in an Institution or other Segregated Setting who will be Homeless Upon Discharge
2. People experiencing Homelessness who are in need of Permanent Supportive Housing as determined by an approved assessment tool and referred by Coordinated Entry (CE)
3. People who are experiencing Homelessness or are at Imminent Risk of Homelessness

The Housing Agency must submit its waiting list selection plan to Minnesota Housing for review and approval. The plan must be developed jointly by the Housing Agency, the LMH Entity and, where applicable, tribal nation. Other objective criteria may be included, such as household income or date and time of application, or a preference for transition-aged youth or families with children. Minnesota Housing may consider waiting list selection plan proposals that set aside a specific number of subsidies for households at Imminent Risk of Homelessness, in particular for service areas where low rental vacancy rates are contributing to administrators having difficulty utilizing subsidies.

Applicants who are experiencing Homelessness and claiming preference under priority two or three above must be referred from the local Coordinated Entry (CE), when it is available, with the exception for households who are at Imminent Risk of Homelessness. Verification of any waiting list priority must be kept in the applicant/participant file. Tribal nation programs may develop an alternate referral practice, which must be approved in writing by Minnesota Housing.

3.12 Verification of Bridges Waiting List Priorities and Bridges RTC Eligibility

The Housing Agency must retain evidence in the participant file for participants who are preference under priority one above. The LMH Entity is responsible for providing this evidence, which may be noted on the Verification of Serious Mental Illness (Form 4), or on a separate document, and retained in the participant file. People residing in an Institution or other Segregated Setting who will be Homeless Upon Discharge are not required to be assessed by or referred from CE.

For the second and third waiting list priorities, required documentation will be provided by CE and will demonstrate the assessment or ranking. Households at Imminent Risk of Homelessness are not required to be referred from CE and must provide evidence such as an eviction notice or notice of condemnation.

Verification that a person is at AMRTC or Forensic Services, or was prior to entering an IRTS, is required for Bridges RTC. Verification may come from the referral source, which is usually the IRTS, RTC, county or a tribal nation. People who are eligible but not identified while at AMRTC or Forensic Services may have that evidence confirmed after the fact by the facility.

3.13 Certificate of Participation – Statement of Participant Obligations

The administrator will issue a Certificate of Participation – Statement of Participant Obligations (Form 6) to each eligible participant when they reach the top of the waiting list and are offered a rental subsidy. This document certifies that the participant is eligible for Bridges and outlines the criteria for an eligible Assisted Unit. The document also describes the process and required documents for obtaining the subsidy as well as the participant's obligations.

The Certificate of Participation – Statement of Participation allows the participant 90 days to locate an eligible Assisted Unit and submit necessary documents to the Housing Agency. If a unit is not located within that timeframe, the Housing Agency has the discretion of extending the Certificate of Participation – Statement of Participant Obligations.

A signed Certificate of Participation – Statement of Participant Obligations is retained in the participant file after it is issued at a Briefing Session where the program requirements are verbally explained to the participant. The Housing Agency must inform the participant during the Briefing Session that if they need additional time to locate an eligible Assisted Unit, they should contact the Housing Agency to request an extension of the certificate.

3.14 Unit Size (Occupancy Standards)

The Housing Agency may use the unit size (occupancy standards) established for their HCV program. If different than the HCV program, or if the Housing Agency does not have an HCV program, the occupancy policy proposed for use in Bridges must be submitted to Minnesota Housing for review.

The bedroom size allocated to a participant must count full-time household members, children expected to reside in the Assisted Unit and any live-in attendant necessary to care for a household member living with a disability, regardless of age. The Housing Agency must count the child or children:

- Of a pregnant woman
- Being adopted
- Whose custody is being obtained
- In joint custody, as long as the child/children will live in the Assisted Unit at least 50 percent of the time
- Who are in the unit under foster care
- Who are temporarily absent due to placement in a foster home

The Housing Agency and LMH Entity may establish criteria for granting exceptions to the occupancy standards. Such exception criteria may include, but is not limited to the following:

- Unique disability-related circumstances of the participant
- Availability of the specified size in the Housing Agency's service area
- Housing market conditions prevalent in the Housing Agency's service area

An exception policy must be in writing and submitted to Minnesota Housing for review and approval and be made part of the Cooperative Agreement.

3.15 Rent Limits

The maximum subsidy available to the participant is the difference between 30 percent of their gross income and the area Fair Market Rent (FMR)/Local Payment Standard (LPS) or contract rent, whichever is less. The participant may rent a unit that exceeds the area FMR/LPS; however, they are responsible for paying the difference. The maximum Participant Rent allowed is 40 percent of their gross monthly income. Bridges does not include utility allowances. FMR are published by HUD annually and can be obtained by calling the regional HUD office in Minneapolis. The LPS is established by the local Public Housing Authority (often the same as the Housing Agency) and is based on the FMR. Tribal nation programs may use an alternate written affordability standard, which must be approved in writing by Minnesota Housing.

3.16 Calculating Participant Rent

The participant's rent portion is calculated in a similar manner as the HCV program with the exception that Bridges uses gross income, not adjusted income. The minimum Participant Rent is 30 percent of their monthly income and the maximum payment is 40 percent of their monthly income. Participants can pay up to 40 percent of their monthly income if they choose a unit that exceeds the area FMR/LPS.

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NOTE: The Bridges subsidy cannot pay more than the difference between 30 percent of the participant's gross monthly income and the area FMR/LPS or the contract rent, whichever is less.

If zero income is claimed by a participant at entry to the program, verification must occur again within 90 days and every 90 days thereafter. This verification requires the participant to provide a signed zero income statement to the Housing Agency until a source of income is established. The LMH Entity will offer the participant assistance in obtaining and maximizing income if the participant wishes. It is important for the Housing Agency and the LMH Entity to collaborate in order to serve the target number of households by connecting households to eligible benefits and employment services.

Shared units can be provided only if allowed under the Housing Agency's HCV program administrative plan, or other written procedures approved by Minnesota Housing. The subsidy for shared households will be calculated according to the guidelines specified in the HCV program administrative plan, except for the use of gross income for the Bridges participant. Likewise, households that are comprised of eligible and ineligible members for the HCV program are considered eligible for Bridges under the prorated formula defined in the HCV program administrative plan. Tribal nation programs may use an alternate written standard, which must be approved in writing by Minnesota Housing.

3.17 Briefing Session

The Housing Agency must schedule a Briefing Session for each participant receiving a Bridges Certificate of Participation – Statement of Participant Obligations for the first time. It is recommended that an LMH Entity representative or other secondary contact such as a friend or family member attend the Briefing Session. The Housing Agency may decide whether to hold individual or group sessions. If group sessions are held, the participant's income and rent discussions must be conducted privately. A Briefing Session must be available by phone, by request, if a participant is unable to attend in person.

A Briefing Session must cover the following topics:

- Program overview of Bridges
- Explanation of the participant's obligations listed on the Certificate of Participation – Statement of Participant Obligations (Form 6)
- Review of the calculation worksheet, Computation of Gross Income, Participant and Subsidy Rent (Form 8) and the amount of the Participant Rent
- Review of the lease approval process and the content of the forms, emphasizing provisions of the Request for Lease Approval (Form 10) that must be incorporated into landlord generated leases
- Key requirements in state law affecting landlord/participant relationships
- Responsibility of the participant to pay the Participant Rent as well as utility expenses not paid by the landlord
- Review of the HQS requirements for Assisted Units
- Service Area in which the Housing Agency may execute Bridges Contracts with landlords
- Assistance the LMH Entity and Housing Agency can provide if a participant needs help in locating a unit or in receiving mental health or other supportive services

At the session, the participant signs and receives the Certificate of Participation – Statement of Participant Obligations (Form 6). Participants receive a briefing packet containing the following, or other similar information, which can be found on the Minnesota Housing website, unless otherwise noted:

- Index for Briefing Packet (Form 16)
- Participant Payment Computation Form (Form 17)
- How to Find a Rental Unit (Form 18)
- A Good Place to Live – HQS (Form 21)
- Request for Lease Approval (Form 10)
- Information on the Fair Housing Act (available from HUD)
- Landlords and Tenants Rights and Responsibilities (available from the Minnesota Attorney General's Office)
- Additional information for the owners of potential Assisted Units
- Certificate of Participation – Statement of Participation Obligations (Form 6)
- Consumer Agreement for Requirements of Continued Eligibility (Form 7)

The Housing Agency may include additional materials that would be useful for the participant.

Chapter 4 – Leasing Process

4.01 Freedom of Choice in Selecting Units

Bridges will assist People with SMI to live in various types of conventional rental housing that may be available in the Housing Agency's service area. While participants may need advice about finding a unit and understanding legal requirements and options for making a selection, they have full responsibility for making the final choice. The Housing Agency and LMH Entity may not directly or indirectly reduce a participant's opportunity to choose from any potentially eligible unit. The information and assistance given to participants in locating housing must also provide a broad range of choices.

4.02 Eligible Units

The rental unit must be eligible for use by the participant household under the local HCV program or other identified permanent rental subsidy. Bridges participants may choose from eligible units, which may include:

- Units owned or substantially controlled by a Housing Agency if all of the following apply:
 - All of a property's units are available for occupancy by the general public
 - Rents are market rate and subsidized only with Bridges funds
 - Minnesota Housing receives assurances that a participant was given choices of other housing in the service area
- Units that were constructed with federal or state assistance such as Section 236 or USDA Rural Development, provided that:
 - Rents approved for Bridges participants are the market rate for the building
 - No other deep subsidy (i.e. rent based on 30 percent of income) is provided to the Bridges participant.

Subsidies cannot be provided for the following:

- Units within or established by public or private Institutions that provide psychiatric or medical services such as:
 - Nursing homes or psychiatric hospitals/facilities
 - Board and care facilities
 - Other facilities such as independent group residences established specifically to serve People with SMI
- Landlord occupied units (unless the participant leases a portion of the unit, such as a basement that contains a private entrance, private bath and private kitchen)
- Lot rental for a landlord occupied manufactured home

4.03 Utility Allowances

Utility allowances are not provided by Bridges.

4.04 Inspections – Housing Quality Standards

All properties and units to be leased by Participants must be inspected by the Housing Agency or a contracted housing professional certified or otherwise qualified to perform HQS inspections. A standard federal form (or another version approved by HUD) must be used for reporting the results of the inspection. Units must pass the initial inspection before the Housing Agency makes a payment to the landlord. No subsidy payments from Bridges may be made for a period when the unit was not in compliance with the initial or annual HQS requirements. Exceptions may be considered for unusual circumstances, fully documented in the participant file and approved in writing by Minnesota Housing.

Units must be inspected at least annually. Housing Agencies should schedule the inspection well in advance of the annual due date in order to allow time for repairs, if needed. A copy of all HQS inspections, including passes and fails, must be kept in the participant's file.

4.05 Portability

Bridges participants must lease a unit within the service area of the Housing Agency in which they applied. The Bridges subsidy is not portable outside of the service area. Participants who wish to relocate must apply to Bridges or other housing resources in their desired area. The LMH Entity will assist participants to assess other housing options.

4.06 Leasing Procedures

The procedure for processing leases is like the HCV program:

1. The participant locates a suitable unit.
2. The participant submits a signed Request for Lease Approval (Form 10).
3. The Housing Agency conducts an HQS inspection.
4. If the unit passes the HQS inspection, the lease and the Bridges Contract (Form 14) are signed with the landlord.

The term of the lease may not extend beyond one year. The Housing Agency, at its sole discretion, may permit lease terms from one month to twelve months. A copy of the lease, the HQS inspection report and the Bridges Contract (Form 14) must be retained in each participant file.

4.07 Lease Amendment/Extension

A current lease agreement is required for all Bridges participants. Some lease agreements may have a provision for a renewal after the initial term. Renewals may be month to month or longer, up to a maximum of one year.

A Lease Amendment/Extension (Form 13) must be signed at the time that a lease expires and parties to the lease would like to extend the term or when parties to the lease agree to an increase to the contract rent.

In the case of income changes, which result in a change to the rental subsidy and the tenant paid rent, a Lease Amendment/Extension (Form 13) is not required, but verification of income and the calculation of the rental subsidy must be retained in the participant file. The Housing Agency must notify the landlord and the participant of the new amounts in writing.

4.08 Security Deposits

If the participant cannot afford to make a security deposit for the Assisted Unit and no other resource is available within a reasonable amount of time, the Housing Agency, upon request of the participant, may pay the security deposit to the landlord using Bridges funds. The security deposit may not exceed one month's rent and cannot be paid until after a unit passes inspection. Bridges RTC allows security deposits to be paid up to an amount equal to two months of contract rent if necessary to ensure landlord cooperation and if no other resources are available within a reasonable amount of time. If the landlord requires a deposit in excess of one month's rent, other resources may be combined.

If the participant leaves a unit and the unit has damages or unpaid rent and/or unpaid utilities, then the landlord retains all or part of the security deposit to pay for unpaid rent and/or unpaid utilities or damages to the unit or property. The landlord must provide documentation to the Housing Agency and participant that the deposit, plus interest, was used to offset expenses.

Participants who are transferring to a new Assisted Unit may request assistance from the Housing Agency for a new security deposit, which may be permitted at the Housing Agency's discretion.

A participant may keep all or part of the security deposit plus interest when any of the following apply. The participant:

- Leaves a unit and the unit has no damages
- Leaves a unit and the unit has damages in an amount less than the security deposit
- Stays in a unit, leaves Bridges and does not receive an HCV or a permanent subsidy
- Stays in a unit, leaves Bridges and goes onto an HCV or another permanent subsidy

A participant may retain only the balance of one security deposit that has been paid from Bridges funds. If a participant has left Bridges, and reapplied and has been issued a new Certificate of Participation – Statement of Participant Obligations, they may retain the balance of a second security deposit upon the sole discretion of the Housing Agency.

4.09 Payment Terms

The Bridges subsidy is equal to the contract rent less the Participant Rent. Subsidy payments will be made by the Housing Agency to the landlord on behalf of participants when all of the following payment terms have been met:

- The participant leases a unit within HUD's published FMR or LPS or, if the rent exceeds these rates, the participant's payment does not exceed 40 percent of his or her monthly income
- The participant's unit has passed an HQS inspection
- The landlord and the Housing Agency have signed and dated a Bridges Contract
- The participant and landlord have signed and dated an approved lease

The landlord may not charge more rent for Assisted Units than for comparable unassisted units. The landlord may not assess additional charges to the participant for items not included in the rent unless all other participants pay the same charges for the same items. All additional charges (e.g., garage rental,

cable TV, storage lockers, pet deposits) must be described in the lease and approved by the Housing Agency.

Subsidy payments on behalf of participants meeting the above requirements for payment will continue until the participant receives a permanent housing subsidy, becomes ineligible, voluntarily withdraws from Bridges or the program terminates.

The contract rent plus actual cost of utilities may be paid on behalf of participants who have a mental health crisis and have their income diverted. Such payments may be made for up to 90 days. Written documentation on such situations must be retained in the applicant/participant record. Housing Agencies and LMH Entities must first utilize the Crisis Housing Fund resources, if available.

4.10 Eligible Payments

The following types of payments may be made with Bridges funds:

- Direct payment to the landlord for the subsidy portion of the rent
- Payment to the landlord for the security deposit
- Payment to the landlord for the application fee (only eligible for Assisted Unit)
- Payment to the landlord for the contract rent for up to 90 days during a medical and/or psychiatric crisis

The participant's file must be properly documented prior to eligible payments

Chapter 5 – Occupancy Guidelines

5.01 Interim Changes

All decreases in the participant's gross monthly income, regardless of the amount, must be verified and the changes implemented on the first day of the next month after the Housing Agency receives the information about the decrease (e.g., a verified decrease in income reported in June would result in a reduced Participant Rent on July 1). Written notice of the change in tenant paid rent and subsidy must also be provided to the participant and landlord.

Changes related to increases to the participant's gross monthly income must be handled in compliance with the HCV program, or other written policies approved in writing by Minnesota Housing.

Participants who wish to add another adult to the lease must inform both the Housing Agency and the landlord in advance. A participant must be informed that they must seek the landlord's permission to add an additional adult to the participant's lease or they could be evicted. The landlord may deny permission of an additional adult, based on the landlord's usual participant screening procedures. All income of the additional adult must be verified and added to the participant's gross income. A Lease Amendment/Extension (Form 13) must be used when adding an additional adult to the lease.

The participant is not required to report to the Housing Agency the addition of a minor to the lease. The participant should review the lease for requirements regarding reporting additional minors. If a larger unit is needed, a new Certificate of Participation – Statement of Participant Obligations (Form 6) is issued when the participant terminates the current lease and seeks other housing.

A Lease Amendment/Extension (Form 13) may be used if the participant moves from one unit to another unit in the same building or another building owned by the same landlord. An HQS inspection must be conducted on the new Assisted Unit before the participant moves or payment from Bridges funding is made.

5.02 Annual Recertification

The income and assets of all participants must be verified on an annual basis. At each annual recertification, the participant must sign a new Consumer Agreement for Requirements for Continued Eligibility (Form 7) and ROI forms, if the participant has agreed to the release of information. The participant must be encouraged to update information for a secondary contact at this time. The secondary contact may be a professional caseworker or a friend or family member who can be contacted in the event that the Housing Agency is unable to reach the participant.

For participants with an annual lease, the recertification should coincide with the effective date of a new lease. It is not necessary to verify income if the most recent interim change was done within the last 120 days. If the verification indicates that 30 percent of the participant's gross monthly income equals or exceeds the contract rent for the Assisted Unit for three consecutive months, then the participant will be declared ineligible because the Participant Rent will be equal to the contract rent and no subsidy is provided. Participants who are determined ineligible due to income must be notified in writing and given the option to request an informal hearing if they disagree with the findings.

The landlord may increase the rent only upon the expiration of the lease term and execution of a new or renewal lease. In the case of properties that are subject to a HUD approved increase, such as Section 236 or USDA Rural Development buildings, an increase in rent may be implemented upon HUD approval of the new rent and upon sufficient notice to the participant and Housing Agency. A new lease or a Contract Amendment/Extension should be used to change the contract rent. A copy of the HUD rent approval letter should be inserted in the Participant's file.

When negotiating a renewal rent, the Housing Agency may, at its discretion, use the HCV Annual Adjustment Factors (AAF) to limit the amount of the landlord's rent increase. If the AAFs are not used, the Housing Agency must determine that the requested rent is reasonable based on the Housing Agency's HCV program rent reasonableness system. A participant's contract rent may not exceed contract rents paid by unassisted participants at the same property.

5.03 Lease Termination

Participant Chooses to Move. When a participant chooses to move, written notice must be given by the participant to the landlord and Housing Agency in accordance with the lease. If the participant intends to continue receiving a Bridges subsidy, they must additionally notify the Housing Agency at least 31 days before they intend to move. If the LMH Entity is aware of a tenant's move, they must notify the Housing Agency if the participant has not already done so. If the participant intends to continue receiving a Bridges subsidy after moving, the Housing Agency must issue the participant a new Certificate of Participation – Statement of Participation Obligations (Form 6) and Request for Lease Approval (Form 10). When the participant locates a new unit, the Housing Agency must use the same procedures as described in the Leasing Process (Chapter 4 of this Program Guide).

Unit Does Not Meet HQS. If at recertification the Housing Agency determines that the Assisted Unit is not in compliance with HQS, the Housing Agency must give the landlord reasonable time to correct the deficiencies. The Housing Agency may retain the subsidy until the unit meets HQS. If the landlord fails to comply in reasonable time, the Housing Agency must notify the landlord and the participant in writing that subsidy payments will be suspended and the Bridges Contract terminated. If the participant wishes to continue receiving a Bridges subsidy at a different location, they must be issued a new Certificate of Participation – Statement of Participant Obligations (Form 6) and Request for Lease Approval (Form 10). The Housing Agency should notify the LMH Entity.

Landlord Gives Participant Notice to Move. The landlord may give the participant notice to move (not connected with an eviction) only if the lease provisions permit such a notice, and the landlord must notify the Housing Agency. The Housing Agency should notify the LMH Entity. The participant may wish to locate to a new unit and continue to receive the Bridges subsidy.

Landlord Issues an Eviction Notice to Participant. If the landlord issues an eviction notice, the requirements of the lease and state and local laws must be followed, which may permit the landlord to evict the participant for one or all of the following:

- Serious and repeated lease violations
- Violations of federal, state or local law in connection with the occupancy or use of the Assisted Unit and surrounding premises
- Other good cause

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The landlord must send a copy of the eviction notice to the Housing Agency at the same time it is served to the participant. The participant may, at the Housing Agency's discretion, remain eligible to participate in Bridges, subject to the provisions of Section 5.04 of this Program Guide and the Consumer Agreement for Requirements for Continued Eligibility (Form 7), and may seek other housing. The Housing Agency should notify the LMH Entity. The LMH Entity should advise the Housing Agency regarding the determination of ongoing participation in Bridges.

One of the benefits of the Cooperative Agreement between the Housing Agency and the LMH Entity is that they are available to collaboratively respond to Participant and landlord issues and assist in resolving conflicts before they lead to eviction. Bridges is intended to incorporate the availability and responsiveness of a mental health service provider. This is a recognizable asset noted by most landlords renting to Bridges participants, and may be promoted when marketing Bridges to private market landlords.

5.04 Termination of Eligibility

A participant's eligibility to continue receiving subsidy under Bridges may be terminated for any of the following reasons:

- 30 percent of gross monthly income equals or exceeds full rent
- Failure to apply for, accept or utilize an HCV
- Failure to report all income, additional adults, or having zero income for over six months
- Illegal drug related or violent criminal activity
- Expired Bridges Certificate of Participation – Statement of Participation Obligations
- Receiving an HCV or other housing subsidy
- Voluntary termination
- The Housing Agency or LMH Entity is unable to locate the participant
- Evicted
- Refusal to cooperate with recertification or HQS inspection process
- Deceased

All participants must have the option to request an informal hearing similar to an HCV informal hearing to contest the termination of their subsidy. The procedures to be used in conducting informal hearings are described in Household Eligibility, Intake and Certification (Chapter 3 of this Program Guide).

The Housing Agency must report monthly to Minnesota Housing the reason why participants ended their participation in Bridges on the Rental Assistance Draw Request Form.

Participants who lose their subsidy may reapply to Bridges, unless the Housing Agency has identified issues of fraud or deliberate misrepresentation of information. In the case of an eviction, a participant may retain their Bridges Certificate of Participation and look for another unit.

It is important for the Housing Agency and Mental Health Service Agency to develop relationships with landlords so that they can be notified of lease violations and assist the participant in being lease compliant.

Chapter 6 – Services

6.01 Services Overview

Bridges does not provide funding for services. Rather, it provides connections to community providers who provide mental health, housing transition, tenancy sustaining services, and outreach services. The LMH Entity is responsible for providing these connections for participants to community service providers, typically one or more Mental Health Service Agencies. Bridges requires that participants have choice in what Mental Health Service Agency they work with and what services they accept.

6.01 Housing Transition and Tenancy Sustaining Services

Housing transition and tenancy sustaining services are supportive housing services focused on helping the participants to obtain and retain affordable, permanent housing of the tenant's choice. Service activities include:

- **Housing Transition Services** provide direct support to People with SMI who need assistance with accessing housing. The service may start prior to someone leaving the AMRTC or Forensic Services, and/or during transition through Intensive Residential Treatment Services (IRTS) or chemical dependency treatment, or from other Segregated Settings, as part of the apartment search, application and securing apartment process.
 - Conduct tenant screening and housing assessment to identify the person's preferences and barriers to successful tenancy.
 - Develop an individualized housing support plan based on the housing assessment that identifies barriers, measurable short- and long-term goals, establishes the person's approach to meeting the goal and identifies needed providers or services to meet the goal.
 - Assist with the housing search and application process.
 - Identify resources to cover one-time expenses that facilitate access to housing and establishment of a household such as security deposits, moving costs, furnishings, adaptive aids and environmental modifications.
 - Ensure that the living environment is safe and ready for move-in.
 - Assist with arranging for and supporting the details of the move.
 - Develop a housing support crisis plan that includes prevention and early intervention services when housing is jeopardized.
- **Tenancy Sustaining Services** provide direct services to support People with SMI in sustaining tenancy once housing is secured.
 - Provide early identification and intervention for behaviors that may jeopardize housing.
 - Provide education and training on the roles, rights and responsibilities of the tenant and the landlord.
 - Coach on developing and maintaining key relationships with landlords and property managers in order to foster successful tenancy.
 - Assist with resolving disputes with landlords, property managers and neighbors to

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- reduce the risk of eviction or other adverse action.
- Provide advocacy and linkage to community resources to prevent eviction or other negative housing outcomes.
- Assist with the housing recertification process.
- Coordinate with the tenant to review, update and modify their individual housing support and housing support crisis plans on a regular basis to reflect current goals, needs, and housing retention barriers.
- Provide ongoing training on responsible tenancy, lease compliance and support, with activities related to household management.

6.02 Outreach Services

Outreach services are services that are offered to potentially eligible individuals who are homeless or in an Institutional or Segregated Setting, and are not connected with a mental health or housing service. They engage the person with immediate services, provide assessments and help them access and transition to sustainable services. The activities of outreach services are comprised of four elements:

- **Identification.** Identifying potentially eligible mental health service recipients, locating unserved or underserved people who are homeless in the community and in Institutional or Segregated Settings.
- **Engagement.** Contacting a person in order to engage them in services. Engagement establishes trust, builds a working relationship and educates the person about service and resource options.
- **Assessment.** Ongoing evaluation of a person's strengths, needs, preferences, recovery goals and their barriers to accessing services, housing and resources.
- **Access.** Assisting the person with identifying their service and housing preferences, helping them to resolve barriers in accessing those preferences, and facilitating the person's transition to sustainable services, housing and needed resources.

6.03 Expectations of Mental Health Service Agency

It is expected that the Mental Health Service Agency has regular contact with the participant to assist with establishing and retaining housing and to assist with goal and crisis planning. It is also expected that the Mental Health Service Agency maintains regular contact with tenant advocacy services and provides client-selected mental health services.

The Mental Health Service Agency may be a tribal nation or county department, or a contracted provider. In many cases, the Mental Health Service Agency will be a participating member of the LMH Entity.

Chapter 7 – Contract Compliance and Equal Opportunity

7.01 Policy

It is the policy of Minnesota Housing to practice affirmative action to provide equal opportunity in all of our projects, programs, and other endeavors. Minnesota Housing’s goal is to achieve a client and recipient mix that is representative of the people who live in our state and our communities so that all employment and contractual benefits that develop as a result of our programs will be shared by all Minnesotans. This policy applies to all Minnesota Housing employees and Minnesota Housing’s external partners.

7.02 Purpose

The purpose of this policy is to make Minnesota Housing’s commitment to act affirmatively to achieve equal opportunity in all facets of its operation, clear to both internal staff and outside parties with whom we do business.

7.03 Goals

Our goal is to ensure minority and female contractors and subcontractors equal access to business opportunities on Minnesota Housing financed projects and to encourage the presence of minorities and women at all levels, including on the staffs of the program participants having contractual agreements with Minnesota Housing. Minnesota Housing’s goal is to ensure that the workforces on the projects and programs we finance reflect demographically the area in which they are located. These goals will apply for the length of the contract. Minnesota Housing, at its discretion, may set appropriate numerical or percentage goals.

7.04 Requirements

Minnesota Housing is required to comply with all applicable local, state, and federal laws. These requirements are passed on to everyone that Minnesota Housing does business with, either by contractual agreement or as a Minnesota Housing policy.

7.05 Sanctions

Minnesota Housing has the contractual authority to demand full payment of any loan or grant, stop proceeding with any project at any stage, and cease to do business with any entity or individual that fails to follow its affirmative action policies or fails to meet its/his/her contractual equal opportunity obligations.

Chapter 8 – Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation.

Minnesota Housing's fair housing policy incorporates the requirements of the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, as well as the Minnesota Human Rights Act. Housing providers are expected to comply with the applicable statutes, regulations, and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements.

In part, the Fair Housing Act and the Minnesota Human Rights Act make it unlawful to, because of protected class status:

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;
- Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

Appendix A – Terms

Term	Definition
AMHI	Adult Mental Health Initiative. A collaboration of county LMHAs and/or a Tribal Nation Mental Health Agency that provide or enhance coordination of the delivery of mental health services required under the Minnesota Comprehensive Adult Mental Health Act.
AMRTC	Anoka Metro Regional Treatment Center. A state psychiatric hospital that serves people who have a mental illness.
Assisted Unit	An eligible unit that is occupied by a participant, who has executed an approved lease with the landlord, is receiving a Bridges subsidy and whose landlord has executed a Bridges Contract with a Housing Agency.
Bridges Agreement	A document Minnesota Housing executes with a Housing Agency outlining respective responsibilities in administering Bridges.
Bridges Contract	An agreement executed by a Housing Agency and a landlord describing the terms that must be met for the landlord to receive subsidy payments on behalf of a participant residing in an eligible unit.
Bridges	Bridges Rental Assistance Program. A state rental assistance program for People with SMI who are waiting for a permanent housing subsidy.
Bridges RTC	A state rental assistance program for People with SMI who are leaving AMRTC or Forensic Services and are waiting for a permanent housing subsidy.
Briefing Session	A meeting at which the eligible applicant receives an explanation of Bridges and instructions for leasing an Assisted Unit.
Case Management	Activities that are designed to help People with SMI gain access to services that meet mental health needs. Case management services include developing an individual community support plan, referring and assisting the person in obtaining needed mental health and other services, ensuring coordination of services and monitoring the delivery of services.
Certificate of Participation – Statement of Participant Obligations	A document provided by the Housing Agency that lists the unit size and rent limits and that authorizes an eligible participant to find a unit.
CoC	Continuum of Care. A community strategic plan to organize and deliver housing and services to reduce the incidence of homelessness by assisting homeless individuals, youth and families with children to move to self-sufficiency and permanent housing.
CE	Coordinated Entry. A centralized or coordinated process designed to coordinate program participant intake, assessment, and provision of referrals.
Community Support Services Program	<p>A program, under the clinical supervision of a Mental Health Professional, designed to provide supportive services for People with SMI to improve their ability to live in the community. Services include:</p> <ul style="list-style-type: none"> • Outreach • Education about mental illness, treatment and recovery • Development of competitive employment and work related opportunities

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Term	Definition
	<ul style="list-style-type: none"> • Opportunities for social, peer and recovery support • Assistance in applying for basic needs and health insurance benefits • Housing support services
Competency Restoration Program at St. Peter	A program that provides comprehensive treatment and evaluation of individuals who have been committed for competency restoration pursuant to Minnesota Rule of Criminal Procedure Rule 20.01 Subd. 7.
Consumer	A Person with SMI, inclusive of Bridges participants and non-participants.
Cooperative Agreement	An outline of the respective roles and responsibilities of a Housing Agency and a LMH Entity.
Crisis Housing Fund	A flexible pool of money that provides short-term housing assistance to People with SMI whose income is being used to pay for an inpatient psychiatric treatment of 90 days or less.
DHS-MHD	Minnesota Department of Human Services Mental Health Division
FMR	Fair Market Rent. HUD established rent limits for geographical areas.
Forensic Services	Formerly known as St. Peter Regional Treatment Center and is the location of the Minnesota Security Hospital, Competency Restoration Program and Transition Services.
HMIS	Homeless Management Information System. A computerized database that allows organizations that provide services to people experiencing homelessness to collect client information electronically to easily produce required reports. Minnesota’s HMIS provides standardized and timely information to improve access to housing and services and strengthen efforts to end homelessness. The statewide goal is to eventually provide as comprehensive a picture of homelessness as possible by incorporating information from all emergency shelters, transitional housing and Permanent Supportive Housing providers, as well as other points of contact for people experiencing homelessness, such as outreach programs, drop-in centers and food shelves. Minnesota Housing requires all fund recipients for programs targeting households experiencing long-term homelessness to utilize the HMIS system.
Homelessness	As defined in the Stuart B. McKinney Homeless Assistance Act of 1987, a homeless person is an individual who lacks a fixed and adequate nighttime residence. As interpreted by the Minnesota Interagency Task Force on Homelessness and the Mental Health Division of the Department of Human Services, this may include, but is not restricted to: <ol style="list-style-type: none"> 1) An individual or family that lacks a fixed, regular and adequate nighttime residence; or 2) An individual or family whose primary nighttime residence is: <ol style="list-style-type: none"> a. A supervised, publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters and transitional housing for the mentally ill), b. An institution that provides a temporary residence for individuals intended to be institutionalized, or c. A public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

Term	Definition
	The term does not include any individual imprisoned or otherwise detained under an act of Congress or a state law.
Homeless Upon Discharge	Discharge to an emergency shelter or no longer meets criteria to remain in the Institution (e.g. level of care) but cannot be discharged because of lack of a place to go. Discharge to a friend or family member's home in order to prevent homelessness may also be considered Homeless Upon Discharge. Discharge to a short-term residential or treatment program, without other housing options, may also meet this definition.
Households Experiencing Long-Term Homelessness	Individuals, unaccompanied youth, or families with children who lack a permanent place to live continuously for a year or more or at least four times in the past three years. Any period of institutionalization or incarceration shall be excluded from the determination of the duration of homelessness. NOTE: Minnesota's definition does not require that the person have a disabling condition. Time spent in transitional housing is also excluded from the determination of the duration of homelessness. See Minnesota Housing's website for further clarification on the LTH definition.
Housing Agency	A local unit of government or a non-profit organization with an active Bridges Agreement.
HCV	A subsidy provided through the housing choice voucher program, which is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Formerly known as Section 8.
HQS	Housing Quality Standards. A federal housing inspection standard used for inspection of market rate housing to determine that a unit is decent, safe and sanitary.
Housing Support Crisis Plan	A person-centered plan that reflects current needs and addresses existing or recurring housing retention barriers and includes prevention and early intervention services needed when housing is jeopardized.
Housing Support Services	<p>A Community Supports Service Program service that:</p> <ul style="list-style-type: none"> • Assists adults in obtaining, moving to and retaining housing • Provides resources for local public housing authorities, subsidized housing programs, realtors, private apartment rental services or similar housing services • Assists in applying for housing program subsidies • Assists in appealing denial, suspension, reduction or termination of a housing subsidy • Mediates and teaches coping and mediation skills to resolve disputes with a landlord or roommate • Provides ongoing support • Provides periodic home visits to ensure health and safety
HUD	The United States Department of Housing and Urban Development.
Imminent Risk of Homelessness	<p>People who are:</p> <ul style="list-style-type: none"> • Being evicted from a private dwelling unit, or

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Term	Definition
	<ul style="list-style-type: none"> • Being discharged from a hospital, correctional facility, or other institution, or • Living in housing that has been condemned by housing officials that is no longer considered meant for human habitation and who have no subsequent housing options identified, • AND are lacking the resources or support networks needed to retain current housing or obtain temporary or permanent housing.
Institution	Institutions include facilities such as a Regional Treatment Center, Community Behavioral Health Hospital, nursing homes, adult foster care, or other hospital or residential treatment. Typically, persons meeting this priority will be in the Institution as a result of their mental illness. If you have questions about a particular facility and whether it meets the definition of an Institution, please contact DHS-MHD or Minnesota Housing.
IRTS	Intensive residential treatment services are time-limited mental health services provided in a residential setting.
LMHA	Local Mental Health Authority. A county operating under the Minnesota Comprehensive Adult Mental Health Act.
LMH Entity	Local Mental Health Entity. An Adult Mental Health Initiative (AMHI), Tribal Nation Mental Health Agency, or LMHA that collaborates with a Housing Agency to deliver Bridges.
Mental Health Professional	<p>A person providing clinical services in the treatment of mental illness who is qualified in at least one of the following ways:</p> <ol style="list-style-type: none"> 1) In psychiatric nursing: a registered nurse who is licensed under sections 148.171 to 148.285; and: (i) who is certified as a clinical specialist or as a nurse practitioner in adult or family psychiatric and mental health nursing by a national nurse certification organization; or (ii) who has a master's degree in nursing or one of the behavioral sciences or related fields from an accredited college or university or its equivalent, with at least 4,000 hours of post-master's supervised experience in the delivery of clinical services in the treatment of mental illness 2) In clinical social work: a person licensed as an independent clinical social worker under chapter 148D, or a person with a master's degree in social work from an accredited college or university, with at least 4,000 hours of post-master's supervised experience in the delivery of clinical services in the treatment of mental illness 3) In psychology: an individual licensed by the Board of Psychology under sections 148.88 to 148.98 who has stated to the Board of Psychology competencies in the diagnosis and treatment of mental illness 4) In psychiatry: a physician licensed under chapter 147 and certified by the American Board of Psychiatry and Neurology or eligible for board certification in psychiatry, or an osteopathic physician licensed under

Term	Definition
	<p>chapter 147 and certified by the American Osteopathic Board of Neurology and Psychiatry or eligible for board certification in psychiatry</p> <p>5) In marriage and family therapy: the mental health professional must be a marriage and family therapist licensed under sections 148B.29 to 148B.39 with at least two years of post-master's supervised experience in the delivery of clinical services in the treatment of mental illness;</p> <p>6) In licensed professional clinical counseling, the mental health professional shall be a licensed professional clinical counselor under section 148B.5301 with at least 4,000 hours of post-master's supervised experience in the delivery of clinical services in the treatment of mental illness</p>
Mental Health Service Agency	A mental health provider agency eligible to provide Minnesota Health Care Programs services.
Minnesota Comprehensive Adult Mental Health Act	A statute that describes the fundamental mental health system in Minnesota. The statute is Minnesota Sections 245.461–245.4863.
Minnesota Health Care Programs	Adults with low incomes who meet eligibility rules may qualify for Minnesota Health Care Programs. Programs include Medical Assistance (MA), MinnesotaCare, Minnesota Family Planning Program and others.
MSA	Minnesota Supplemental Aid provides cash assistance to help adults who get Supplemental Security Income (SSI) pay for their basic needs.
Participant Rent	A portion of the rent payable by the Participant to the landlord.
Permanent Supportive Housing	Permanent rental housing affordable to the population served where support services are available to residents. Permanent Supportive Housing is available to individuals and families with multiple barriers to obtaining and maintaining housing, including those who are formally homeless or at risk of homelessness and those with mental illness, substance abuse disorders, and/or HIV/AIDS.
Person/People with SMI	<p>People with Serious Mental Illness. People with an organic disorder of the brain or a clinically significant disorder of thought, mood, perception, orientation, memory, or behavior that meets both of the following:</p> <ul style="list-style-type: none"> • Is detailed in a diagnostic code list published by the commissioner of Minnesota Department of Human Services and verified by a qualified Mental Health Professional • Seriously limits a person's capacity to function in primary aspects of daily living such as personal relations, living arrangements, work, and recreation
Program Guide	A document developed to implement Bridges under statutory requirements.
Public Housing Authority	Public housing authorities (PHAs) provide decent, safe, and affordable quality rental housing for eligible low-income families, the elderly, and persons with disabilities.
RTC	Regional Treatment Center. A facility where the state provides active inpatient treatment for People with SMI, developmental disabilities,

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Term	Definition
	chemical dependency and/or elderly who have complex medical conditions and challenging behaviors.
ROI	Release of Information. A signed and dated authorization by the participant allowing the Housing Agency and relevant LMH Entity to share information about the participant.
Segregated Settings	As defined by the Minnesota Olmstead Plan, “often have qualities of an institutional nature. Segregated settings include, but are not limited to: (1) congregate settings populated exclusively or primarily with individuals with disabilities; (2) congregate settings characterized by regimentation in daily activities, lack of privacy or autonomy, policies limiting visitors, or limits on individuals’ ability to engage freely in community activities and to manage their own activities of daily living; or (3) settings that provide for daytime activities primarily with other individuals with disabilities.” Examples of Institutions or Segregated Settings include a regional treatment center (RTC), a community behavioral health hospital, nursing homes, adult foster care, or other hospital or residential treatment center.
Service Area	A geographic area in which a Housing Agency and a Mental Health Agency operate Bridges.
St. Peter Regional Treatment Center	Now known as Forensic Services.
Tribal Nation Mental Health Agency	The agency primarily responsible for tribal nation mental health services.

Appendix B – Mental Illness

1) Adults

Minnesota Statute 245.462, subdivision 20, Mental illness. (a) "Mental illness" means an organic disorder of the brain or a clinically significant disorder of thought, mood, perception, orientation, memory, or behavior that is detailed in a diagnostic codes list published by the commissioner, and that seriously limits a person's capacity to function in primary aspects of daily living such as personal relations, living arrangements, work, and recreation.

(b) An "adult with acute mental illness" means an adult who has a mental illness that is serious enough to require prompt intervention.

(c) For purposes of case management and community support services, a "person with serious and persistent mental illness" means an adult who has a mental illness and meets at least one of the following criteria:

- (1) The adult has undergone two or more episodes of inpatient care for a mental illness within the preceding 24 months;
- (2) The adult has experienced a continuous psychiatric hospitalization or residential treatment exceeding six months' duration within the preceding 12 months;
- (3) The adult has been treated by a crisis team two or more times within the preceding 24 months;
- (4) The adult:
 - (i) Has a diagnosis of schizophrenia, bipolar disorder, major depression, or borderline personality disorder;
 - (ii) Indicates a significant impairment in functioning; and
 - (iii) Has a written opinion from a mental health professional, in the last three years, stating that the adult is reasonably likely to have future episodes requiring inpatient or residential treatment, of a frequency described in clause (1) or (2), unless ongoing case management or community support services are provided;
- (5) The adult has, in the last three years, been committed by a court as a person who is mentally ill under chapter 253B, or the adult's commitment has been stayed or continued; or
- (6) The adult (i) was eligible under clauses (1) to (5), but the specified time period has expired or the adult was eligible as a child under section 245.4871, subdivision 6; and (ii) has a written opinion from a mental health professional, in the last three years, stating that the adult is reasonably likely to have future episodes requiring inpatient or residential treatment, of a frequency described in clause (1) or (2), unless ongoing case management or community support services are provided.

2) Child with Severe Emotional Disturbance

Minnesota Statute 245.4871, subdivision 6, for purposes of eligibility for case management and family community support services, "child with severe emotional disturbance" means a child who has an emotional disturbance and who meets one of the following criteria:

- a) The child has been admitted within the last three years or is at risk of being admitted to

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- inpatient treatment or residential treatment for an emotional disturbance; or
- b) The child is a Minnesota resident and is receiving inpatient treatment or residential treatment for an emotional disturbance through the interstate compact; or
 - c) The child has one of the following as determined by a mental health professional:
 - i) Psychosis or a clinical depression; or
 - ii) Risk of harming self or others as a result of an emotional disturbance; or
 - iii) Psychopathological symptoms as a result of being a victim of physical or sexual abuse or of psychic trauma within the past year; or
 - d) The child, as a result of an emotional disturbance, has significantly impaired home, school, or community functioning that has lasted at least one year or that, in the written opinion of a mental health professional, presents substantial risk of lasting at least one year.

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Item: Discussion Regarding Requested Conduit Bond Issuance for Upper Post Flats, D7976

Staff Contact(s):

Mary Tingerthal, 651.296.5738, mary.tingerthal@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 checked="" type="checkbox"/> Information |

Summary of Request:

Agency staff has reviewed a partially complete application for the proposed issuance of conduit bonds by the Agency from its entitlement bond volume cap allocation. Staff requests feedback from the Board regarding several items that would need to be considered by the Board if a complete application for this project was processed.

Fiscal Impact:

Issuance of tax-exempt bonds from the Agency's entitlement bond volume cap is a critically important resource in providing capital to finance the Agency's affordable housing programs.

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

Background

In September, 2016 Minnesota Housing staff received a request for the Agency to issue tax-exempt private activity bonds, using the Agency's entitlement authority, for this development. Upper Post Flats is a \$100 million redevelopment proposal by Dominion to restore 26 historic buildings, located on the Fort Snelling Upper Post, into 176 rental apartments. The rental units would be affordable to households at 60% of the area median income. The Fort Snelling Upper Post is currently owned by the Minnesota Department of Natural Resources (DNR), which has sought proposals for redevelopment of the site on two occasions. In 2015 following the second such request for proposals (RFP), the DNR selected Dominion as the potential developer of the site based on their proposal to convert all of the buildings on the site to affordable housing through the use of tax exempt bonds, 4% housing tax credits and both state and federal historic tax credits. Minnesota Housing was unaware of the RFP and of the selection of Dominion to develop housing on the site until the selection was publicly announced.

Dominion has requested that the Agency issue a total of approximately \$58 million in bonds (\$18,000,000 in long term tax-exempt and \$40,000,000 in short term tax exempt bonds) which would be used to fund mortgages provided by a third party mortgage lender. The use of tax exempt bonds would make the development eligible to apply for 4% Low Income Housing Tax Credits. The application indicates that these credits are anticipated to generate approximately \$44,500,000 in syndication proceeds. The total amount of bonds needed for the project would depend on the final costs of the project.

In addition to the bond funded loans and proceeds from the tax credits requested from Minnesota Housing, the project proposes to apply for federal and state historic tax credits, which are anticipated to generate approximately \$33,000,000 in syndication proceeds.

Staff initially processed this application as a full request for conduit bond issuance and requested that the developer submit items that are required for such a request. During the review it became apparent that staff had significant concerns regarding the project. The DNR and the developer requested that Minnesota Housing staff discuss these concerns about the proposed project with the Board before requiring the developer to incur significant costs for items necessary to process a complete application, such as an appraisal and completion of environmental studies. Staff has determined that the project does not meet several threshold conditions of the Agency's debt management policy that are required for staff to recommend a conduit bond issue. These threshold conditions are as follows:

- **Threshold Condition: "The issuance is for preservation of affordable rental units the Agency determines are important units to preserve under its strategic plan."**

This project proposes the adaptive reuse of historic buildings that have been vacant for an extended period of time. Therefore, because there is no federal rental assistance at risk if this project is not pursued, the project does not meet the criteria of being a preservation project.

- **Threshold Condition: "Significant barriers to issuance by a different government issuer exist, such as properties located in multiple jurisdictions, making public notice and authorization requirements difficult."**

Staff knows of no reason that the developer could not request that Hennepin County submit application for an allocation of private activity bonds from the state housing pool at MMB. The project is located in an unincorporated area of Hennepin County. Because of the current

competitive environment for allocations from the State housing pool, it is uncertain whether such an application would result in an allocation of bonding authority.

- **Threshold Condition: “Bonding authority used for conduit issues does not cause a significant loss of authority available to operate priority programs, in the sole judgment of the Agency.”**
In the current competitive environment for the Agency’s entitlement bond volume cap, using approximately \$58 million of this volume cap for a single project may constrain the Agency’s ability to finance and fund other programs from all areas of the Agency.

In addition to these three specific items contained in the debt management policy, staff is concerned that the estimated Total Development Cost (TDC) per unit for this project is \$593,273 per unit. The predictive model estimate for this project is \$208,201 per unit. This comparatively low amount reflects the fact that there is no land cost or acquisition cost included in the estimates because the Minnesota Department of Natural Resources (DNR) anticipates conveying the property to the developer under a long-term lease at no cost to the project.

It is important to note that the issues outlined here are based on information provided for a partial application. Agency staff is particularly cautious about the fact that environmental assessments and historic preservation requirements for state and federal approval have not yet been completed, and that these, as well as other items, could increase costs further.

Staff requests that the Board discuss both the items that relate to potential waivers from the Agency’s debt management policy and also concerns regarding project costs, and provide feedback on these matters that would need to be considered by the Board if a complete application for this project was processed.

DEVELOPMENT SUMMARY**DEVELOPMENT:**

Name: Upper Post Flats D7976
 Address: 67 Taylor Avenue, Fort Snelling, MN 55111 App#: M17519
 City: Fort Snelling County: Hennepin Region: Metro

MORTGAGOR:

Ownership Entity: Fort Snelling Leased Housing Associates I, LLLP
 General Partner/Principals: Fort Snelling Leased Housing Associates I, LLC

DEVELOPMENT TEAM:

General Contractor: TBD
 Architect: BKV Group
 Attorney: Winthrop & Weinstine, Minneapolis
 Management Company: Dominion Management Services, LLC
 Service Provider: NA

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORD-ABILITY*
1BR	58	900	\$ 966	\$ 966	\$ 38,640
1BR	2	1,100	\$ 966	\$ 966	\$ 38,640
2BR	75	1,100	\$ 1,159	\$ 1,159	\$ 46,360
2BR	2	1,300	\$ 1,159	\$ 1,159	\$ 46,360
3BR	1	1,100	\$ 1,338	\$ 1,338	\$ 53,520
3BR	13	1,100	\$ 1,338	\$ 1,338	\$ 53,520
3BR	1	1,300	\$ 1,338	\$ 1,338	\$ 53,520
4BR	1	1,400	\$ 1,494	\$ 1,494	\$ 59,760
4BR	23	1,300	\$ 1,494	\$ 1,494	\$ 59,760
TOTAL	176				

*The 3 & 4 bedroom units are above payment standards.

Target Population:

The project is a general-occupancy property and will serve families earning 60% or less of the Area Median Income. There will be a priority preference given to military veterans who apply to live at the property in the form of moving veteran's applications to the top of the list for prospective residents.

Physical and Technical Review:

Upper Post Flats is for the historic preservation and adaptive reuse of the 26 historic buildings known as the Upper Post in Fort Snelling, MN. The State of Minnesota deeded the land to the Minnesota Department of Natural Resources in 1971, and through the use of a long term land lease, Dominion intends to gain effective ownership to construct the proposed project.

The development includes a mix of one-, two-, three-, and four-bedroom units in 26 buildings, which vary from one to three stories, and include walkup, duplex, elevator and one building that contains a single unit. Proposed gross rents range from \$966 for a one-bedroom unit to \$1,494 for a four-bedroom unit.

DEVELOPMENT COST SUMMARY (estimated):

	<u>Total</u>	<u>Per Unit</u>
Total Development Cost	\$ 104,416,062	\$ 593,273
Acquisition or Refinance Cost	\$ 0	\$ 0
Gross Construction Cost	\$ 75,978,784	\$ 431,698
Soft Costs (excluding Reserves)	\$ 27,482,170	\$ 156,148
Reserves	\$ 955,108	\$ 5,427
 Non-Agency Sources		
Freddie Mac Tax Exempt Loan	\$ 18,080,000	\$ 102,727
Housing Tax Credit Syndication		
Proceeds	\$ 44,569,826	\$ 253,238
Federal Historic TC Syndication		
Proceeds	\$ 16,954,362	\$ 96,332
State Historic TC Syndication		
Proceeds	\$ 16,718,884	\$ 94,994
Imputed Interest on Equity	\$ 236,498	\$ 1,344
Deferred Developer Fee	\$ 7,856,492	\$ 44,639
 Total Non-Agency Sources	 \$ 104,416,062	 \$ 593,273

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Item: Post-Sale Report, Homeownership Finance Bonds 2017 Series AB

Staff Contact(s):

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 type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input checked="" type="checkbox"/> Information |

Summary of Request:

The agency sold \$49,932,656 of Homeownership Finance Bonds (HFB), 2017 Series AB on February 9, 2017 with a closing on February 22, 2017. In accordance with the Debt Management Policy the attached detailed post-sale report is provided by the Agency's financial advisor, CSG Advisors.

Fiscal Impact:

None.

Meeting Agency Priorities:

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

Attachment(s):

- Post-Sale Report

Via Email Delivery

MEMORANDUM

Date: February 27, 2017

To: Minnesota Housing Finance Agency

From: Gene Slater, Tim Rittenhouse, David Jones, Eric Olson

Re: Post-Sale Report
\$49,932,656 Homeownership Finance Bonds (HFB)
2017 Series A (Non-AMT) and B (Taxable)

BOND CRITERIA

The 2017 Series A & B Homeownership Finance Bonds were issued to finance single-family new production. The key criteria for issuing the debt were:

1. ***Avoid major interest rate risk*** by continuing to hedge pipeline production until loans are either sold or permanently financed by bond issues.
2. ***Maintain high ratings on all Minnesota Housing single-family bonds***, with Series A & B rated Aaa.
3. ***Enhance Minnesota Housing's long-term financial sustainability*** through a mix of bond financing and sales of MBS, so as to provide more balanced and financially sustainable results for Minnesota Housing.
4. ***Provide at least a comparable expected level of return to selling MBS***, at reasonably anticipated prepayment speeds.
5. ***Use new bond volume cap as efficiently and sparingly as possible***, so that the Agency can continue both its single-family and multi-family programs even though volume cap has become an increasingly scarce resource.

KEY RESULTS FOR MINNESOTA HOUSING

Key Measurable Objectives. Minnesota Housing's objectives for the issue are to:

1. Achieve full spread utilizing the least amount of zero participations (or generating zero participations to finance future production).
2. Obtain a present value return for Minnesota Housing at least similar to selling MBS in the secondary market, assuming a reasonable prepayment speed.

3. Minimize the amount of new volume cap needed in financing such production.

Accomplishments. The results were exceptionally successful in meeting Minnesota Housing's objectives:

- **Leveraging Limited Volume Cap.** The issue was structured so that Minnesota Housing could finance \$49.9 million of new mortgages on balance sheet *with only approximately \$4 million of new volume cap*. To achieve this result, Minnesota Housing used \$24.966 million of taxable bonds (on Series B) and recycled approximately \$21 million of past series. The Agency has been remarkably successful over the last 4 HFB issues in only using \$15 million of new volume cap to fund \$272 million of new production.

Doing this, however, has required using a significant amount of zeros, and the Agency may need to use lower proportions of taxable debt and more new volume cap on future issues. Looking forward, the long-term sustainable average percentage of taxable bonds on future HFB issues may range up to 50%.

- **Full Spread.** On the overall issue, Minnesota Housing obtained approximately a spread of about 1.14%, slightly higher than what the IRS would allow as full spread on an all-tax-exempt issue. This was done through a combination of a spread of 1.46% on the taxable bonds, Series B, and 0.823% on the tax-exempt series A.¹
- **Attractive Bond Yield.** Bond yield was 2.93% on tax-exempt Series A, and 3.25% on taxable Series B. The overall yield was approximately 40 basis points lower than if Minnesota Housing had used traditionally structured fixed-rate issues.
- **Return to Minnesota Housing.** The relative benefits to Minnesota Housing from issuing the bonds depend on how long the mortgages remain outstanding, on average.
 - The break-even speed on 2017 A/B was approximately 131% compared to an MBS sale. Thus, the net present value to Minnesota Housing is greater from bonds than from having directly sold the MBS, so long as mortgages prepay no more quickly than 131% of the PSA standard.² The actual prepayment speed on recent Minnesota Housing loans with similarly low rates has been approximately the same or higher.
 - The net present value to Minnesota Housing (after all hedging costs and net service release premiums) is projected to be approximately \$1.1 million at the 131% break-even prepayment speed. In addition, Minnesota Housing received a cash gain of approximately \$2 million in pairing out of TBA hedge trades in early January.

¹ Minnesota Housing could have achieved even higher total spread, by receiving 1.46% on the taxable series and the full 1.125% on the tax-exempt series, but this would have required significantly more zero participations.

² This break-even prepayment speed differs by issue, partly because the cost of hedge losses is different. The break-even figure has generally ranged between 120% and 160% on recent transactions. The break-even speed measures how fast mortgages can prepay while still assuring Minnesota Housing at least the same present value as an MBS sale. The average prepayment speed on all securities in the HFB indenture since inception is calculated at 129%.

- **Zero Participations.** The issue used approximately \$11 million, of zero participations to help toward getting close to full spread. Going forward, Minnesota Housing has approximately \$38 million of zeros for future transactions.

The Agency made three choices that affected how many zero participations were used:

- a) *Level of overall spread.* As indicated above, the Agency could have received even higher total spread than about 1.125% overall, but this would have required using more zeros to earn that higher spread.
- b) *Hedge gains.* By using these \$11 million of zeros, Minnesota Housing obtained both the full 1.125% spread and kept the \$2 million of cash gains.
- c) *Impact of taxable bonds.* If the entire transaction had been tax-exempt, Minnesota Housing would have used approximately \$2.4 million fewer zeros. On each issue, it is important to balance two competing needs: to stretch out the supply of available zeros while stretching out the amount of available bond cap.

The trade-offs can be summarized as follows. If Minnesota Housing simply wants to earn what would be 1.125% overall on the bonds it issues (and not use more zeroes to either earn more spread and/or earn for a second time cash gains it has already received), then it can simply decide on how many zeroes to use to leverage its volume cap.

- **Hedging.** The loan production pipeline remained fully hedged until bonds were sold. Hedge gains were excluded from bond yield by pairing out of trades in January. New hedges were then entered into, to keep the pipeline fully hedged. By taking the losses on these new hedges into account in bond yield, Minnesota Housing recovered these losses over time.
- **Continuing to Build Investor Demand.** With approximately \$136 million of going away orders from 9 investors, RBC continued to expand the market and liquidity for future pass-through bond issues. The number of investors for taxable pass-through bonds has been limited, and it has proven more difficult to expand that market.

Implications. Key implications include:

- **Viability of Pass-Through Approach.** Minnesota Housing's pass-through issues since June 2014 demonstrate the renewed viability of this approach for financing production on-balance sheet. The Agency has been, by far, the national leader in such financings.
- **Size.** Given investor demand, the Agency and RBC have been quite successful in building up interest for tax-exempt pass-through series in the \$50 million to \$100 million range and taxable series in the \$50 million range. There is generally more interest among investors in the tax-exempt than taxable series at the yield levels Minnesota Housing is able to obtain.
- **Balance Sheet Management.** Minnesota Housing remains the national leader in finding ways to fully hedge its pipeline while financing *more than three-quarters* of that pipeline, and effectively all of its tax-exempt eligible pipeline (eg Start-Up Loans) on the Agency's balance sheet.

- **Volume Cap.** Minnesota Housing's single-family production together with demand for multi-family issuance in the State is now so great that *private activity volume cap is a major constraint* on tax-exempt issuance. To help address this:
 - The Agency is actively utilizing taxable bonds, and
 - Has established a major credit facility with RBC to recycle over \$300 million of past private activity volume cap when old bonds are redeemed (whether on a monthly or semi-annual basis).

This bond issue took advantage of both approaches.

TIMING AND STRUCTURE

Timing. The issue was priced on Thursday, February 9th, for closing on Wednesday, Feb. 22nd.

Sizing. The sizing was based on specific hedged MBS in Minnesota Housing's pipeline.

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

- Continue to include a 10-year par call at Minnesota Housing's option so that the Agency can potentially take advantage of interest rates in the future to either refund the bonds or sell the MBS and pay off the bonds.
- Include Ginnie Mae, Fannie Mae and Freddie Mac MBS in the issue, with no percentage limit on any category. This provides Minnesota Housing the ability to adjust to the actual mix of loans in its pipeline. Ginnie Mae MBS were approximately 50% of this issue. This has decreased from recent issues.
- Finance half of the issue as taxable bonds.
- Schedule the closing so as to allow losses on hedges to be included in the bond yield. (Only hedges which terminate not more than 14 days before closing can be included in bond yield.)

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

Hedging. Minnesota Housing has remained fully hedged on its pipeline until the bonds are sold or MBS are delivered to mortgage buyers. This protects the Agency from risk if interest rates rise between the time the loans are committed and they are packaged into MBS (for either bond or TBA sale). In this case long-term interest rates rose substantially after loans were reserved. Minnesota Housing was able to pair out of those trades and obtain approximately \$2 million in current year cash income. New hedges were then entered into; rates dropped modestly. Minnesota Housing was able to sell the bonds at a lower yield, offsetting higher costs to terminate these replacement hedges that had protected the Agency in case rates had risen. The result, and the purpose of this strategy, is to help make the Agency largely indifferent to changes in rates.

BOND SALE RESULTS. Key highlights are:

1. **Investor Interest for Series 2017 A and B.** There was strong institutional interest, especially on the tax-exempt series. A total of \$97 million of orders were received for tax-exempt Series A and \$40 million of orders for taxable Series B.
2. **Timing.** Treasury yields rose dramatically in late November and December after the Presidential election. Rates rose by about 60 basis points after the election and have stabilized in 2017. The range of the 10 year Treasury has been between 2.33% and 2.53% and was 2.40% on the date of sale. Rates are thus within a few basis points of what they were when Minnesota Housing priced its RHFB DEF issue on Dec. 13th.

This level of rates reflects the perceived strength of the domestic economy, inflation still remaining low, the Federal Reserve's announced gradual set of rate increases (which it began in December), and uncertainty over what type of fiscal stimulus may result from higher infrastructure spending and possible tax cuts. The volatility in national political and legal issues since the start of the new Administration has not been reflected by any volatility in interest rates.
3. **Successful Sale.** The sale was very well-priced. The Series A tax-exempt bonds were initially priced at 2.95%. They were 3.8 times oversubscribed and repriced down to 2.93%. The taxable Series B bonds were more moderately oversubscribed at 1.6 times and were sold at 3.25%.
4. **Comparison to GNMA Yields.** Investors compare yields on pass-through issues to current-coupon GNMA's, as well as Treasuries and municipals. Compared to GNMA's, Minnesota bonds provide much less liquidity in the global markets but do offer tax-exemption. On this transaction, Minnesota Housing was able to achieve its tightest spread to GNMA yields of any recent transaction, either by Minnesota or any other HFA. The spread between Series A and the market GNMA yield based on dealer forecast prepayment speed was 11 basis points.

	2016 A	2016 B	2016 C/D	2016 E/F	2016 G/H	2017 A/B
	Jan. 2016	March 2016	July 2016	Sept. 2016	Oct. 2016	Feb. 2017
Minn. Housing bond yield	2.95%	2.70%	2.33%	2.35%	2.30%	2.93%
Tax-Exempt						
Taxable			2.73%	2.68%	2.65%	3.25%
Yield on GNMA I, 3.0 current coupon, at dealer prepay speed	2.67%	2.55%	2.08%	2.16%	2.16%	2.82%
Minn. Housing v. GNMA						
Tax-exempt	+ 28 bp	+ 15 bp	+ 25 bp	+ 19 bp	+ 14 bp	+ 11 bp

	2016 A	2016 B	2016 C/D	2016 E/F	2016 G/H	2017 A/B
	Jan. 2016	March 2016	July 2016	Sept. 2016	Oct. 2016	Feb. 2017
Taxable			+ 65 bp	+ 52 bp	+ 49 bp	+ 43 bp

5. **Comparable Single-Family Pass-Through Bond Transactions:** The most comparable single-family pass-through issue was Illinois's \$62.3 million tax-exempt issue two weeks earlier. Minnesota significantly outperformed Illinois, with much tighter spreads to all indices.

	Minnesota Housing Tax-Exempt Series A	Illinois Tax-Exempt Series A	Difference
Yield	2.93%	3.125%	-19.5 bp
Spread to 10 year US Treasury	53 bp	66 bp	-13 bp
Spread to 10 year MMD	65 bp	81 bp	-16 bp
Spread to 3% GNMA (at Dealer Forecast Prepayment Speed)	11 bp	24 bp	-13 bp

UNDERWRITING

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

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

ISSUE DETAILS

Key Dates: 2017 A / B Bond Pricing HFB Indenture
 Institutional Order Period: Thursday, Feb. 9, 2017
 Closing Date: Wednesday, Feb. 22, 2017

Economic Calendar. During the week prior to the sale, Consumer Confidence, Personal Income and Hourly Earnings came in lower than forecast, with the unemployment rate inching up slightly from 4.7% to 4.8%. In the week of the sale, Consumer Credit came in at \$14.2 billion, significantly lower than the \$19.4 billion market expectation. On Thursday, the day of pricing, weekly Initial Jobless Claims came in at 234,000 slightly lower than the market expectation of 250,000 while Wholesale Inventories came in as expected at 1.0%.

Treasuries. As indicated above, Treasury yields were generally stable in the weeks leading up to the sale; rates dropped on Wednesday before the sale and then increased on the date of pricing.

Municipals. While municipal bond yields generally closely track the movements in Treasury yields, the relationship has been distorted by changes in the demand for and supply of municipal bonds and other factors. Last fall, twelve months of positive funds flows into the municipal market ended and municipal issuance increased, causing municipal bonds to underperform Treasuries. In the first weeks after the election, this underperformance worsened. As investors began to worry about the impact of future federal tax policy, municipal bond yields shot up. There were significant outflows from municipal bond funds of about \$7 billion per month in November and December.

In early December, however, municipals rallied with MMD dropping by about 15 basis points. This helped bring MMD levels more in line with Treasuries. Fund flows were positive for January. Although municipal bid-wanted briefly reached all-time highs in late January, suggesting investor concern about future performance, these are now closer to typical levels. For the several weeks prior to the sale, MMD/Treasury ratios remained very stable (although at historically high levels) with 10 year MMD about 95% of the 10 year Treasury and 30 year MMD about 100% of the 30 year Treasury.

Issue	Date	10-Year Treasury	10-Year MMD	MMD/Treasury Ratio	30-Year Treasury	30-Year MMD	MMD/Treasury Ratio
2015 HFB A	1/12/15	1.92%	1.84%	95.8%	2.49%	2.63%	105.6%
2015 HFB B	3/10/15	2.14%	2.18%	102.0%	2.73%	3.0%	110.0%
2015 HFB C	5/13/15	2.28%	2.24%	98.2%	3.02%	3.21%	106.3%
2015 RHFB ABCD	7/30/15	2.28%	2.23%	97.8%	2.96%	3.14%	106.1%
2015 HFB D	10/08/15	2.12%	2.04%	96.2%	2.96%	3.09%	104.4%
2015 RHFB EFG	11/24/15	2.24%	2.04%	91.1%	3.00%	2.98%	99.3%
2016 A	1/12/16	2.12%	1.78%	84.0%	2.89%	2.73%	94.5%
2016 B	3/10/16	1.93%	1.88%	97.4%	2.70%	2.86%	105.9%
2016 RHFB ABC	5/25/16	1.87%	1.66%	88.8%	2.67%	2.45%	91.8%
2016 C/D	7/14/16	1.53%	1.41%	92.2%	2.25%	2.05%	91.1%

Issue	Date	10-Year Treasury	10-Year MMD	MMD/Treasury Ratio	30-Year Treasury	30-Year MMD	MMD/Treasury Ratio
2016 E/F	9/12/16	1.68%	1.52%	90.5%	2.40%	2.23%	92.9%
2016 G/H	10/20/16	1.76%	1.73%	98.3%	2.50%	2.56%	102.4%
2016 RHFB DEF	12/13/16	2.48%	2.37%	95.6%	3.14%	3.16%	100.6%
2017 HFB A/B	2/9/17	2.40%	2.28%	95.0%	3.02%	3.06%	101.3%
Change from 2016 G/H		+ 64 bp	+ 55 bp	- 3.3%	+ 52 bp	+ 50 bp	-1.1%
Change from 2016 RHFB DEF		-8 bp	-9 bp	-0.6%	-12 bp	-10 bp	+0.7%

Municipal Calendar. Volume has increased substantially in the fall Labor Day, with Visible Supply reaching over \$18 billion, its high for 2016 in October. With the rise in rates since the election, some potential refundings have become less viable. Visible supply, after reaching as high as \$15 billion in mid-January, was about \$9 billion at the time of MHFA's bond sale, similar to its level at the same time last year.

Major issues during the week of the sale included an \$800 million NYC G.O. on Tuesday followed by a very high volume day on Wednesday, including \$1.1 billion University of California Regents, \$952 million Salt Lake City Airport, \$491 million Oregon G.O. and a \$405 million California health care issue.

The Minnesota competitive sale calendar consisted largely of a \$57 million Minnesota State College and University issue on Wednesday.

No other single-family housing issues were scheduled the same week.

MBS Yields. MBS yields are very relevant because investors can choose between purchasing MBS directly or purchasing Minnesota Housing's bonds backed by MBS. In effect, bond purchasers look as much to the spread between Minnesota Housing's bonds and MBS as they do to the spread between Minnesota Housing bonds and Treasuries. As can be seen, both GNMA and Fannie Mae yields are at their tightest ratios to the 10 year Treasury of the last year.

Type	Delivery	Coupon	Measure	Jan. 12, 2016	Mar. 10, 2016	July 14, 2016	Sept. 12, 2016	Oct. 20, 2016	Feb. 9, 2017
GNMA	Current	3.0	Price	102.14	102.91	104.64	104.36	104.45	101.13
			Yield*	2.67%	2.55%	2.08%	2.16%	2.16%	2.82%
			Dealer Forecast	175% PSA	189% PSA	252% PSA	230% PSA	224% PSA	160% PSA
FNMA	Current	3.5	Price	104.08	104.30	105.52	105.33	105.16	102.52
			Yield*	2.76%	2.72%	2.25%	2.33%	2.46%	3.09%
			Dealer Forecast	211% PSA	245% PSA	341% PSA	315% PSA	277% PSA	168% PSA
10-Year Treasury	n/a	n/a	Yield	2.12%	1.93%	1.53%	1.68%	1.75%	2.40%
GNMA to 10-Year Treasury	n/a	n/a	Yield*	125.94%	132.12%	135.95%	128.57%	123.43%	117.50%
GNMA to 10-Year MMD	n/a	n/a	Yield*	150.00%	135.64%	147.52%	142.11%	124.86%	123.68%

* Yield at dealer forecasted prepayment speed

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

Staff Contact(s):

Will Thompson, 651.296.9813, will.thompson@state.mn.us

Tom O'Hern, 651.296.9796, Tom.O'Hern@state.mn.us

Request Type:

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

This is a quarterly update from the Chief Risk Officer regarding complaints of potential conflict of interest, alleged misuse of funds and alleged fraud that have been reported to the Agency or the Chief Risk Officer

Meeting Agency Priorities:

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

Attachment(s):

Reporting Non-Compliance with Agency Policy and Procedures.

This report informs the Board of complaints received, their current status, and their resolution, if one has been achieved.

Events Occurring During Period (December 2016 through February 2017)

- One new alleged misuse of funds case opened
- One misuse of funds case closed
- No funds were recovered during this period

The next quarterly report will be delivered to the Board on June 22, 2017.

Historical Record

There have been 62 instances of potential conflicts of interests, alleged misused funds and alleged fraudulent activity for the period beginning December 2010 and ending February 2017. A total of \$682,679 has been recovered. A total of \$523,217 has not been recovered: \$445,674 in misused funds, and \$77,543 in fraudulent activity.

Complaints Received Since December 2010			
Complaint	Status		
Resolution	Closed	In Process	Grand Total
Conflict of Interest	14		14
External Employment Approved	2		2
Insufficient Evidence	3		3
Seller Repurchase	2		2
Issue Resolved	2		2
Seller Indemnification	5		5
Fraud / Embezzlement	7		7
Funding Transferred to Different Entity	1		1
Insufficient Evidence	3		3
FBI Investigation Initiated	1		1
Seller Repurchase	2		2
Misuse of Funds	36	5	41
Insufficient Evidence	5		5
Issue Cured	4		4
Negotiated Settlement	10		10
None – Nonviable Counterparty	2		2
OLA Forwarded Complaint to County	1		1
Revenue Recapture	4		4
Entry of Judgment	2		2
None Yet		5	5
Issue Resolved	1		1
None - Affordability Period Expired	3		3
Funds Returned to Agency	4		4
Grand Total	57	5	62

Report Legend:

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