MEETINGS SCHEDULED FOR APRIL

Location:

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

THURSDAY, APRIL 27, 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, April 27, 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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Minnesota Housing Finance Agency

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Equal Opportunity Housing and Equal Opportunity Employment

AGENDA
Minnesota Housing Board Meeting
Thursday, April 27, 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 March 23, 2017
   B. (page 11) Special Meeting of April 5, 2017
5. **Reports**
   A. Chair
   B. Commissioner
   C. Committee
6. **Consent Agenda**
   A. (page 15) Modification, Preservation Affordable Rental Income Fund (PARIF) Program
   - Affirmation House, Minneapolis, D7648
7. **Action Items**
   A. (page 19) Workforce and Affordable Homeownership Development Program Selections
   B. (page 27) Family Homeless Prevention and Assistance Program (FHPAP) Landlord Risk Mitigation Fund (LRMF) Pilot Program Concept and Reallocation of Initiative Funds
8. **Discussion Items**
   A. (page 39) Discussion Regarding 2019 Housing Tax Credit Program Qualified Allocation Plan
9. **Information Items**
   A. (page 41) Post-Sale Report, Homeownership Finance Bonds 2017 Series CD
10. **Other Business**
    None.
11. **Adjournment**

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DRAFT MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING
Thursday, March 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: Gene Aho, Ryan Baumtrog, Dan Boomhower, Wes Butler, Kevin Carpenter, Erin Coons, Jessica Deegan, Rachel Franco, Anne Heitlinger, Darryl Henchen, Krissi Hoffmann, Margaret Kaplan, Kasey Kier, Tresa Larkin, Diana Lund, Nira Ly, Paul Marzynski, Eric Mattson, Kim McAfee, Tom O'Hern, John Patterson, Lauren Phillippi, Devon Pohlman, Caryn Polito, Ester Robards, Irene Ruiz-Briseno, Megan Ryan, Danielle Salus, Joel Salzer, Becky Schack, Terry Schwartz, Nancy Slattsveen, Barb Sporlein, Mike Thomas, Susan Thompson, Will Thompson, Mary Tingerthal, LeAnne Tomera, Katie Topinka, Ted Tulashie, Elaine Vollbrecht, Karin Wilbricht, Jennifer Wille.
Others present: John Anfinson, National Park Service; Owen Metz, Eric Omdahl, Mark Moorhouse, Paul Sween, Dominium; Mary Lu Seidel, National Trust for Historic Preservation; Laura Janke, RBC Capital Markets; Paul Rebholz, Wells Fargo; Chip Halbach, Minnesota Housing Partnership; John Rocker, Deb Flannery, Greater Minnesota Housing Fund; Chris Flannery, Melanie Lien, Piper Jaffray; David Kelliher, Minnesota Historical Society; John Herman, Herman Advisors; Erik Berg, Preservation Alliance of Minnesota; Tom Landwehr, Minnesota Department of Revenue; Cara Letofsky, Met Council and Hennepin Historic Trust; Kyle Markarios, Carpenters Union; Ramona Advani, Office of the State Auditor.

3. Agenda Review
Chair DeCramer announced there were no changes to the agenda.

4. Approval of the Minutes.
A. Regular Meeting of February 23, 2017
Stephanie Klinzing moved approval of the minutes as written. Terri Thao seconded the motion. Motion carries 6-0.

5. Reports
A. Chair
Chair DeCramer announced that a number of people had requested to speak to the board. In keeping with the board policies, that needs to be approved by the board. Members have been provided information regarding these requests. Auditor Otto moved to allow the members of the public to address the board. Joe Johnson seconded the motion. Chair DeCramer stated his intent was to provide two minutes per person or 24 minutes of time total for members of the public to

address the board. Chair DeCramer clarified that time spent answering questions from the board would not be counted in the allotment for speaking.

B. Commissioner

Commissioner Tingerthal reported the following:

- The legislative session continues to be a work in progress.
- The date of the May meeting has been changed to Wednesday, May 24 and there would also be a committee meeting that day to meet with the auditors.
- The Agency has executed a lease on new office space. The current lease expires on August 31. A dual track process to explore renovation in place as well as alternate sites was explored. This process was in partnership with the Department of Administration. Four proposals were received and the fourth floor of the former Macy's building has been selected. The August board meeting will be not be at the Agency offices due to the move.

The following employee introductions were made:

- Darlene Zangara introduced Diane Doolittle. Ms. Doolittle joined the Olmstead Implementation Office as a project manager. Ms. Doolittle was previously employed with Minneapolis Public Schools and General Mills working in project management.
- Wes Butler introduced Lauren Phillippi. Ms. Phillippi joined the Multifamily Division as an administrative assistant and was previously a listing and sales coordinator with a real estate sales company.

C. Committee

None.

6. Consent Agenda

A. New Initiative, Community Fix Up Loan (CFUL) Program, Lake Elmo Bank

B. Proposed Revisions to the 2017 Single Family Request for Proposals Scoring Criteria

MOTION: Joe Johnson moved approval of the consent agenda. Terri Thao seconded the motion. Motion carries 6-0.

7. Action Items

A. Approval, Bridges Program Guide Changes

Elaine Vollbrecht requested approval of changes to the Bridges program guide. Elaine Vollbrecht described the Bridges program, which supports persons with mental illness to live in integrated settings within the community through housing subsidies. Priority for the subsidies are given to those who are exiting institutions or who are experiencing homelessness. Agency staff worked collaboratively with staff from the Department of Human Services on the requested changes, which have a minor fiscal impact. Major changes included the following: Priority given to recipients referred through coordinated entry; application fees are now eligible uses of fund, and the incorporation of Bridges RTC guidelines.

Stephanie Klinzing inquired about the waiting list priorities and how homelessness is defined for the program. Elaine Vollbrecht responded that the assessment conducted through Coordinated Entry would be used to assess homelessness, adding that Coordinated Entry uses a score to determine the housing needs of an individual. Commissioner Tingerthal added that Coordinated Entry is a more comprehensive tool which takes in to account factors beyond whether someone has experienced homelessness in the past year. Commissioner Tingerthal added that the supportive piece of permanent supportive housing serves varying levels of need and resources for supportive housing are very scare. The assessment tool helps to target those scarce resources in order to both help those most in need of supportive services and housing assistance and to ensure the right level of services and assistance is provided.

Stephanie Klinzing responded that she believed this assessment would do a better job of honing in on the combination of issues faced. Elaine Vollbrecht added that local housing agencies will also have some latitude in the referral list and other factors to be considered.

John DeCramer requested more information about the replacement of the Ending Long Term Homelessness Initiative Fund (ELHIF) resources. Commissioner Tingerthal responded that the board had in the early 2000s established an initiative that was funded by Pool 3. Since that time, state appropriations to the Bridges program have increased, allowing a consistent level of funding for the Bridges program while Pool 3 resources have grown scarce. Commissioner Tingerthal added that part of the reason for the increase in state appropriations was because the Bridges program is critical to the state's Olmstead Plan because the Bridges program targets people with serious mental illness who are leaving institutions. **MOTION:** Auditor Otto moved approval of the changes to the Bridges program guide. Joe Johnson seconded the motion. Motion carries 6-0.

8. Discussion Items

A. Discussion Regarding Requested Conduit Bond Issuance for Upper Post Flats, D7976

Chair DeCramer reminded the board that this was a discussion item only and not a decision-making point. The board would hear information from the public and an allotment of time is being provided for presentations and questions. The following individuals addressed the board:

Commissioner Tom Landwehr, Minnesota Department of Natural Resources

Commissioner Landwehr provided a handout and shared the history of the Upper Post site. Commissioner Landwehr stated that the Dominium housing proposal was the received during a second RFP for uses of the site, whose redevelopment presents a unique opportunity to create a neighborhood that is close to many natural amenities as well as jobs. Commissioner Landwehr stated that failure to redevelop the site would be a loss of historic significance and black mark on the state and asked that the Board consider approving bonds to fund the development.

Auditor Otto stated the property was extraordinary, and added that bonding is a very constrained resource for which there is a lot of demand. Auditor Otto inquired if the state legislature or the Federal delegation has been approached for resources. Commissioner Landwehr responded that DNR in the past requested $4 million in bonding to make infrastructure improvements to the site and it has been a struggle. Commissioner Landwehr also stated that, because the site was conveyed by the Federal government, obtaining financial resources for its redevelopment may also be a struggle. Auditor Otto stated the congressional delegation should be excited about the project and should be able to get support if the site is considered a national treasure that should be preserved and suggested that Commissioner Landwehr approach the congressional delegation. Commissioner Landwehr responded that the delegation has been approached about a particular funding stream and to inform them of the project and its potential use of tax credits, but they had received no responses.

John Anfinson, National Park Service
John Anfinson described the National Park Service and stated that Fort Snelling is a national treasure and is the most important historic site in Minnesota. John Anfinson described some of the history of the site as well as the conveyance of the site and struggles with obtaining the financial resources to protect the site and the buildings on the site. John Anfinson stated that the decision to provide resources is important because it will allow the use of historic preservation credits and will save a national treasure.

Peter McLaughlin, Hennepin County Commissioner
Commissioner McLaughlin stated that Hennepin County is the local government of record of the unincorporated territory in with the Upper Post is located. Commissioner McLaughlin described partnerships that had been formed to help stabilize some of the buildings on the site and the investments needed to get the buildings back to a proper use. Commissioner McLaughlin described the Dominium proposal as very viable, stating Hennepin County feels this is an important development and urged the Board to work with partners to bring affordable housing to the site.

Terri Thao inquired if a land use study had been completed and housing was found to be the only choice for land use. Commissioner McLaughlin stated other uses considered included a charter school and air guard museum. The study was open to many uses, and people had many ideas but without money. Commissioner McLaughlin stated the Dominium proposal was the only solid proposal received.
Stephanie Klinzing inquired what would happen if nothing was done with the site. Commissioner McLaughlin responded that money would need to be found to invest in stabilization to keep the buildings from falling down. Commissioner McLaughlin added that the combination of federal and state historic tax credits are very lucrative and there is a danger that those credits may go away, resulting in a higher cost to redevelop the site.

Cara Letofsky, Metropolitan Council and Hennepin History Museum
Cara Letofsky stated she knew the importance of affordable housing and how people having a place to call home helps them to meet the needs in the other parts of their lives, stating the multiple bedroom units in the proposal provide a needed housing resource. Cara Letofksy stated the site is historically significant both in the state and nationally and is in bad straights. Local jurisdictions have worked together and determined the Dominium proposal to be the best project to save the site and bring the buildings to modern use.

David Kelliher, Minnesota Historical Society
David Kelliher provided a letter to the Board and stated that state agencies have a responsibility under statute to protect the physical features and characteristics of places on the register of historic places. David Kelliher added that, through the provision of state and federal tax credits, there is participation from governments in recognition of the importance of the structures on the site and the public contribution to preserve them recognizes a public good for community identity.

Kyle Markarios, Carpenters Union
Kyle Markarios stated the tax credits will not last forever and stated there are not many buildings around where the work lasts for centuries, stating that the buildings on the site are a memorial to predecessors. Kyle Markarois stated that an investment would honor the

legacy of those who built the site and it would be an honor for tradespersons to do the work that would allow the buildings to be back in use.

Mary Lu Seidel, National Trust for Historic Preservation
Mary Lu Seidel stated the site was made a National Treasure in April, 2016, and is considered one of the 11 most-endangered historic sites, and has had significant government resources invested to prevent further decay. Mary Lu Seidel complimented the DNR for their stewardship of the site and said that seasonal changes will continue to have a negative impact on the buildings until they are occupied and regulated. Mary Lu Seidel stated she had seen Dominium's work around the region and encouraged funding of the proposal to create quality affordable housing on a site that is unique and nationally significant.

Paul Sween and Owen Metz, Dominium
Owen Metz spoke to the Board about the cost per unit of the proposal, stating the Upper Post costs should not be compared with the SRO housing that is also located on the historic site. Owen Metz stated the cost per square foot for the Dominium proposal and funding the project would be a good policy investment deserving of a waiver. Owen Metz also stated the project is very low density with access to large amounts of open space. Owen Metz acknowledged that bonding is a scarce resource, but stated that, with the leveraging, Dominium feels allocating bonds is a smart move.
Paul Sween stated that Dominium was requesting an allocation of bonds that historically had gone unused and the scarcity is a new situation. Paul Sween stated the Upper Post project is more affordable than a project on the historic site previously funded. Paul Sween invited the Board to tour the site, stating that, when completed, will be park-like and provide access to jobs.

John Herman, Herman Advisors
John Herman stated that he had spent his career working on matters related to housing and has been consulting with DNR on the Dominium proposal. John Herman described the work to date on the site, including emergency bonding for repairs, legislative approval of a long-term lease, and working with the federal government and others to allow the site to be used for a purpose other than a park. John Herman stated he recognized a significant amount of bond cap would be needed in order to receive low-income housing tax credits, but would also leverage an unusually large amount of those tax credits, as well as historic credits from both the state and federal government. John Herman also addressed project costs, stating the family housing intended for the site results in higher per-unit costs. John Herman stated the project's public and recreational opportunity is of significant value and there were no known impediments in proceeding with the project.

John DeCramer made comments to the board, stating this was a discussion and, based on general procedures for the board, a very unique situation to have allowed the group to speak. John DeCramer added that the typical process is for an application to be submitted for staff review and the board is given a recommendation regarding funding by staff. At this point, a completed application has not been received, which is in part why the discussion is taking place; there are significant development costs that need to be spent in order to submit a complete application. John DeCramer reiterated that the board may ask questions for clarification, but would not be making a decision, in part because there are other parties who may have a different point of view from whom the board has not heard. Any decision regarding moving the proposal forward would occur at a future meeting.

Commissioner Tingerthal provided a clarification regarding bonding authority, stating that Minnesota Housing must be the issuer of its entitlement bonding authority and the only action the board can take regarding the Dominium proposal is to vote to issue conduit bonds; there is not authority that Minnesota Housing can allocate to the project. Commissioner Tingerthal acknowledged that it sounds like a technicality, but felt it was necessary for all parties to understand Minnesota Housing has been put in an unprecedented position where it is being asked to think about a project that is not yet before it and the project has unusually large pre-development costs that must be absorbed somewhere.

Discussion item. No action.

9. Informational Items

A. Post-Sale Report, Homeownership Finance Bonds 2017 Series AB

B. Report of Complaints Received by Agency or Chief Risk Office

Informational items. No action.

10. Other Business

None.

11. Adjournment.

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

DRAFT MINUTES

MINNESOTA HOUSING FINANCE AGENCY SPECIAL BOARD MEETING
Wednesday, April 5, 2017
1:30 p.m.
Boardwalk Conference Room – Fourth 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 1:31 p.m.

2. **Roll Call.**
Members present (by phone): John DeCramer, Joe Johnson, Rebecca Otto, and Stephanie Klinzing. Terri Thao joined at 1:43 p.m.
Minnesota Housing staff present: Mary Tingerthal, Tom O'Hern, John Patterson, Barb Sporlein, Ryan Baumtrog, Will Thompson, Kevin Carpenter, Tresa Larkin, Susan Thompson, Anne Heitlinger, Becky Schack, Wes Butler.
Others present: Paul Rebholz, Wells Fargo; Ramona Advani, Office of the State Auditor.

3. **Discussion, Debt Management Policy**
Tom O'Hern described the debt management policy, which was included in the meeting materials, stating the purpose of the policy is to raise capital at the lowest cost while reflecting the priorities of the Agency. Tom O'Hern stated the following:

- A section was added to the debt management policy pertaining to conduit bond issuance in 2009. That portion of the policy allows staff to seek board approval for the issuance of conduit bonds in circumstances where 11 threshold conditions have been met.
- One of the policy thresholds is that the bond proceeds are used to preserve housing that currently receives federal rent subsidies.
- Staff felt it would be useful for the board to discuss the debt management policy and the considerations involved if the board were asked to approve a conduit bond issuance and any waivers to the policy.
- Conduit bonding is a circumstance in which a governmental entity issues bonds that are paid by another entity and conduit bond financing is not a transaction that is favored by the Agency.
- The portion of the debt management policy related to conduit issuances was added in 2009, and, at that time, the Agency had issued conduit bonds only once, in 2005, for a project that preserved 17 properties.
- Conduit bonding is not favored because it is not in the Agency's best financial interests because it provides for a one-time fee rather than a continuing income stream as is typical with other bond issuances.

Tom O'Hern reviewed the 11 thresholds that must be met under the debt management policy for staff to request approval of a conduit bond issuance. One such condition is that the project must preserve existing affordable housing, which reflects the Agency's strategic plan and the directive of the Agency's authorizing statute that projects with federal rental subsidy, or federal insured or guaranteed loans be preferred. This priority is also reflected in the bonding allocation statute that is administered by Minnesota Management and Budget, which requires the first priority of awards from the bonding pool to be issued to projects that preserve existing federally subsidized housing.

Tom O'Hern stated that, since the adoption of the conduit issuance thresholds, the Agency has issued conduit bonds once, in January of 2016 for the Grainwood project, for which a local issuer had missed the deadline to issue bonds and the project was unable to wait for more authority. At that time, there was excess bond cap that flowed from the MMB pool to Minnesota Housing. Tom O'Hern added that the Agency is not against funding non-preservation projects, but it is preferred to not use conduit bonding to fund them; normally a long-term first mortgage is provided for a non-preservation project and this financing provides the Agency with capital to be used in the future.

Tom O'Hern acknowledged that there may be times where it is appropriate for the board to entertain certain requests for waivers under certain circumstances. Tom O'Hern added that it was important for the board to give due consideration to precedent when determining if waivers should be granted.

Joe Johnson inquired if the Agency has declined other waiver requests. Commissioner Tingerthal responded that one written request had been received for a senior development the previous fall. The requester was informed the application would not be processed based on the debt management policy.

John DeCramer requested clarification regarding that application. Commissioner Tingerthal responded that staff did not receive an application for the project, only an inquiry, adding that an unsolicited application had been received for Dominium's Fort Snelling project.

Auditor Otto stated the statutory authority of the board is tied to the Agency's mission and strategic plan that outlines priorities. Auditor Otto stated when resources are scarce; there is a need to ensure future financial security, adding that, when conduit bonds are issued it may impact the Agency's availability to support other affordable housing. Auditor Otto stated that, while conduit bonds have been issued in the past, bonding is now a scarce resource and that scarcity can impact the board's desire to waive policies.

Stephanie Klinzing stated her agreement with Auditor Otto and expressed her concerns with granting waivers for projects that fail to meet multiple thresholds and the precedent that action may create. Stephanie Klinzing also mentioned that she had concerns about the Fort Snelling project, stating it was her understanding the project may need several waivers.

Tom O'Hern reiterated that the issuance of conduit bonds themselves are an exception under the debt management policy and is not a tool the Agency likes to use. A project requesting conduit bonds that also requires waivers under that portion of the debt management policy makes it an even larger exception to the debt management policy.

Stephanie Klinzing stated that granting waivers for non-preservation projects would not be an action she would in most circumstances support and such a project would need to meet all other thresholds of the policy.

Joe Johnson stated his agreement with Stephanie Klinzing, adding that you can't definitively say a waiver would never be granted, but it was important that other conditions be met. Tom O'Hern stated there are ten thresholds in addition to the preservation requirement that must be met for a conduit issuance to be considered. Stephanie Klinzing stated she believed it was necessary for the board to indicate how high the bar is for meeting those threshold conditions and she felt the bar was quite high.

Commissioner Tingerthal added that it was important to keep in mind that bonding authority is not the Agency's only scarce resource, stating the Consolidated RFP was in part developed in order to get a wide variety of proposals seeking a wide variety of resources. Through the RFP, staff is able to evaluate all proposals on a ranked basis and assess which projects should receive those scarce resources. Commissioner Tingerthal added that requests for conduit issuances avoid being evaluated competitively to receive Agency resources. Commissioner Tingerthal added that is part of the rationale for the preservation threshold in the conduit bond policy; it allows projects that have changed ownership during the course of a year and a new owner may not have the resources to maintain the affordable status of that housing. Commissioner Tingerthal added that the consideration must evaluate if a project fits within Agency criteria but also if meets the highest set of criteria of the opportunities that are available.

John DeCramer added that it is clear when looking at the statutory authority of the Agency that preference must be given to preservation and any issuance of conduit bonding for a non-preservation project must happen only when there is an excess of bonding authority available. John DeCramer added that, when the conduit issuance for the Grainwood non-preservation project was approved in January of 2016, it did not put other projects at risk to receive funding and bonding was not a scarce resource at that time. Tom O'Hern acknowledged that there is impact to other Agency programs, so the magnitude of the request is also a consideration. Tom O'Hern also acknowledged that the landscape for bonding is different now than it was in early 2016.

Auditor Otto stated that the board should look to the current resource availability and the Board's authority and priorities to guide its decision making. Joe Johnson stated his agreement. Terri Thao stated her agreement.

John DeCramer inquired if any member wished to speak on behalf of making a change to the preservation requirement in the conduit bond issuance policy. Stephanie Klinzing stated she would like that threshold to remain in place, and clarified that her comments were not seeking change to the policy or an ability to seek waivers, but to stress that there must be solid footing on why the board would say "no," and, with the scarcity of bond cap and other waivers, she would not vote in favor to waive the preservation requirement.. Joe Johnson also stated the preservation threshold should remain.

Tom O'Hern stated there is pending legislation that may materially affect the financial operations of the agency, adding that staff would appreciate guidance on what to take in to account in considering whether to bring a waiver request to the board. Joe Johnson stated the board would not consider never granting a waiver, but the bar for doing so would be very high.

John DeCramer reiterated that this was a discussion, not an action item, but asked for board members to indicate if they were in favor of retaining the first conduit bond issuance threshold for preservation projects. Rebecca Otto stated it should be left in place. Terri Thao stated it should be left in place. Joe Johnson stated it should be left in place. Stephanie Klinzing stated it should be left in place. Chair DeCramer stated it should be left in place.

Discussion item. No action.

4. Approval of Any Related Administrative Matters that May be Necessary
None.

5. Adjournment.
The meeting was adjourned at 2:07 p.m.

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John DeCramer
Chair

Board Agenda Item: 6.A
Date: 4/27/2017

Item: Affirmation House, Minneapolis, D7648, M17133

Staff Contact:
Paul Marzynski, 651.296.3797, paul.marzynski@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests the board adoption of a resolution authorizing a modification to increase the Preservation Affordable Rental Investment Fund (PARIF) loan commitment to $650,272. The project was selected for a $500,000 PARIF loan during the 2015 RFP funding. Due to timing delays, changes to the scope of work and increased construction costs, an additional $150,272 of PARIF funding is needed.

Fiscal Impact:
The PARIF loan will be funded from state appropriations.

Meeting Agency Priorities:

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

Attachment(s):
- Background
- Resolution

On October 22, 2015, Minnesota Housing board members selected the development, Affirmation House Apartments, Minneapolis, for a $500,000 Preservation Affordable Rental Investment Fund (PARIF) loan.

The following summarizes the changes in the composition of the proposal since that time:

Description:	Selection	Current	Variance
Total Construction Cost (including contingency)	$ 585,647	$ 739,032	$ 153,385
Financing Cost and Reserves	$ 249,603	$ 246,490	($ 3,113)
Total Development Cost	$ 835,250	$ 985,522	$ 150,272
Agency Sources			
PARIF	$ 500,000	$ 650,272	$ 150,272
Non-Agency Sources			
City of Minneapolis - AHTF	$ 125,250	$ 125,250	$0
Hennepin County - AHIF	$ 210,000	$ 210,000	$0
Total Sources	$ 835,250	$ 985,522	$ 150,272

At the time Minnesota Housing selected the development for funding, the other funding sources had not yet been committed, and took an extended period until all funding sources were secured. A year after selection when the project was bid out, construction costs had increased significantly. Minnesota Housing architects recommend that the scope of work not be scaled back in order to ensure the long-term physical viability of the project. As a result, the project construction costs have increased $153,385 (26%) since selection.

The proposed modification increases the PARIF loan commitment from $500,000 to $650,272 (30% increase). Deferred loan funding modifications that equal or exceed 15% of the originally committed loan amount require board approval.

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

RESOLUTION NO. MHFA 17-
Modifying Resolution No. MHFA 15-054

RESOLUTION APPROVING MORTGAGE COMMITMENT MODIFICATION PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF)

WHEREAS, the Minnesota Housing Finance Agency board, at its October 22, 2015, meeting, previously authorized a commitment for the development hereinafter named by its Resolution 15-054; and

NOW THEREFORE, BE IT RESOLVED:

THAT, the board hereby increases the funding commitment on the development noted below and hereby confirms the renewal of said commitment, subject to any revisions noted:

1. Affirmation House Apartments, D7648, M17133: The amount of the Preservation Affordable Rental Investment Fund (PARIF) funding commitment shall be increased from $500,000 to $650,272;

2. All other provisions of Resolution 15-054 remain unchanged.

Adopted this 27th day of April, 2017

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CHAIRMAN

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Item: Workforce and Affordable Homeownership Development Program Selections

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

Request Type:

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

Summary of Request:
Staff requests board approval of the Workforce and Affordable Homeownership Development Program Selections Committee funding recommendations.

Fiscal Impact:
The Agency's 2017 Affordable Housing Plan (AHP) includes Workforce and Affordable Homeownership Development Program funds in the amount of $750,000. These are one-time funds that the Legislature appropriated to Minnesota Housing in its 2016 Supplemental Budget.

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

Attachment(s):
- Background
- Map of Recommended Projects
- Project Summaries
- Summary Spreadsheet

BACKGROUND
Minnesota Housing received a one-time $750,000 appropriation by the Minnesota legislature in the 2016 supplemental budget for the Workforce and Affordable Homeownership Development Program. The funds will serve households with incomes up to 115 percent of area median income (AMI) except in the case where a project directly benefits a neighborhood or development that includes individuals with a wide range of incomes, such as a manufactured home park community.

Eligible Activities
Eligible housing development activities under the Workforce and Affordable Homeownership Development Program are similar to the eligible activities under the Community Homeownership Impact Fund (Impact Fund). The funds may be used for development costs, rehabilitation, land development, and residential housing. In addition, the legislation allows for manufactured home park infrastructure development and repair and storm shelter development.

Eligible Program Applicants
The statute limits eligible program applicants to nonprofit organizations, cooperatives, and community land trusts.

Process for Selection of Recommended Projects
The selection of recommended projects was implemented in a two part process. First, organizations submitted letters of interest (LOIs) which were evaluated for program eligibility, target area, project design, partnerships, and leverage. Second, select organizations were invited to submit full applications that were evaluated for project feasibility, organizational capacity, and community need.

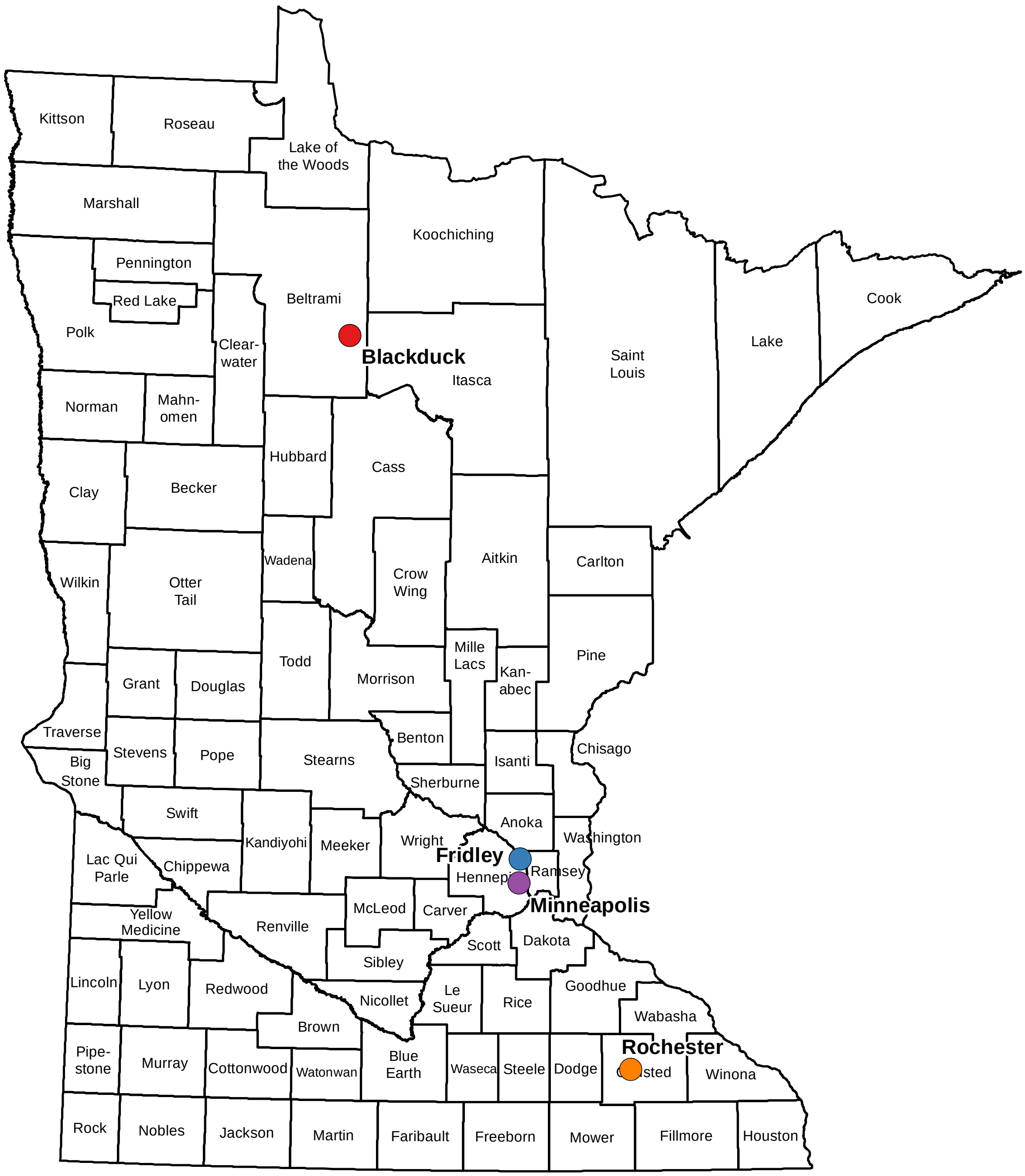
The Agency received 27 LOIs requesting a total of $6,466,510. We received 15 LOIs from the Twin Cities Metropolitan area requesting $3,161,510 and 12 LOIs from Greater Minnesota requesting $3,305,000. Of the LOIs received, two projects are ineligible for funding due to the proposed housing activity and 16 are eligible for funding under the Impact Fund. Staff reviewed the LOIs and invited five organizations to submit full applications.

The Agency's senior leadership and staff evaluated the five projects and recommend funding four of the five projects for a total of $750,000. Some projects are recommended to be funded at a lower amount due to the limited funds available. The appropriation language also requires that funds be distributed in approximately equal amounts between the Twin Cities Metropolitan area and Greater Minnesota. As a result, not all projects can be funded at the requested amount. Attached are summaries of each of the recommended projects.

Senior leadership and staff reviewed an application from West Central Minnesota Communities Action, Inc. (WCMCA) but do not recommend funding its project. While the goals of the project meet Minnesota Housing strategic priorities, the program's limited funds appear not to be needed in this project. WCMCA anticipates that the appraised value of each completed home will exceed the total development cost of each unit. As a result, there is no anticipated value gap to fund. Additionally, WCMCA has committed funds from other sources to complete the construction of the proposed homes.

Minnesota Housing Finance Agency

Workforce and Affordable Homeownership Development Program



Applicant

- Headwaters Housing Development Corporation - New Construction
- Park Plaza Cooperative - Land Development
- Rebuilding Together - Rehabilitation
- Northcountry Cooperative Foundation - Land Development

0 20 40 Miles

Applicant	**Park Plaza Cooperative**
Project Title	Park Plaza Cooperative Storm Shelter
Activity Type	Land Development
Geographic Location	Twin Cities Metropolitan Area

	# of Units	**Total**
Funding Requested	89	$ 375,000
Staff Recommendation	89	$ 350,000

Project Description

Park Plaza Cooperative (Cooperative) will use the funds for the construction of a storm shelter at the cooperatively-owned Park Plaza manufactured home park in Fridley. The storm shelter will provide refuge for 89 households during times of severe weather and will also serve as a community center and meeting space. Currently, in times of severe weather, Park Plaza residents must walk or drive to seek shelter at Unity Hospital. The existing office space in the community is also too small to host large community events so many events are held off-site. As a result, many Park Plaza residents who have limited physical mobility and/or lack transportation have difficulty accessing shelter at Unity Hospital and attending community events.

The project is developed in collaboration with the Northcountry Cooperative Foundation (NCF) which will provide project management support to Cooperative residents and its Board of Directors. TSP, an architecture, engineering, and planning firm has provided plans and preliminary specifications that call for a structure capable of withstanding an EF5 tornado. The City of Fridley has shown support for the project by formally adopting the Anoka County All Hazards Mitigation Plan.

NCF and TSP have developed preliminary designs and estimated project costs. The estimated cost is $445,469, which includes hard costs such as masonry, plumbing, ventilation, and electrical, and soft costs such as building permits, insurance, and project management. The Cooperative indicates that TSP will oversee a competitive bidding process for contractors. The Cooperative has committed $70,000 from its reserves to the project.

Park Plaza is a cooperative association formed for the purpose of providing housing on a cooperative basis. The residents of Park Plaza, in partnership with NCF, established their cooperative in 2011. The Cooperative has engaged in a long list of capital improvements in just the five short years since becoming resident-owned.

NCF is a nonprofit organization committed to transforming lives and communities through cooperative enterprise. Over the past 18 years, NCF has helped residents of nine manufactured home communities purchase their communities. It has also assisted cooperatives like Park Plaza in infrastructure and land development projects, including a $1.2 million water, sewer and roads project at Park Plaza completed in fall 2015.

TSP has completed two dome K-12 schools that, due to the nature of the domes, are considered storm shelters. TSP has also completed many other types of projects that require increased structural resilience, such as military and other government buildings required to meet Department of Defense anti-terrorism specifications.

Applicant	Rebuilding Together Twin Cities
Project Title	Youth Workforce Training Program
Activity Type	Single Family Rehabilitation
Geographic Location	Twin Cities Metropolitan Area

	# of Units	Total
Funding Requested	8	$ 25,000
Staff Recommendation	8	$ 25,000

Project Description

Rebuilding Together Twin Cities will implement a pilot program modeled after a very successful program developed by Rebuilding Together NYC. The Youth Workforce Training Program is an apprenticeship program that will provide hands-on training to homeless youth in the construction trade. This program addresses three distinct needs in the community. First, it will provide hands-on job training to at-risk, homeless youth. Second, it will address the need in the Twin Cities for skilled construction workers. Finally, it will make repairs for homeowners currently on Rebuilding Together's waitlist whose needs are not met by its current program design. This program is unique and innovative because it not only rehabilitates owner-occupied homes, but also grows the construction workforce.

Avenues for Homeless Youth will interview and select five youth from their program to participate. They will also provide supportive coaching and counseling in the life-skills of a first job. Selected participants will attend a classroom training that introduces students to several different trades. Once trainees complete the classroom portion, they will immediately begin four weeks of on-site training with Rebuilding Together Twin Cities. During the four week on-site training the participants will have the opportunity to provide home repairs for low-income homeowners. After "graduating" from this program the participants will move into apprenticeships secured by the Builders Association of the Twin Cities (BATC).

The youth will provide repairs to eight low-income homeowners with incomes at or below 50% of the area median income (AMI) in North or South Minneapolis. They will serve older adults, individuals living with a disability, families with children, or active or retired members of the armed services. The funds will cover hard costs of the repair such as construction materials and tools. The construction materials, supplies, and tools will be purchased specifically for this project. Rebuilding Together's current inventory of materials, supplies, and tools is already committed to projects in its other programs.

Rebuilding Together Twin Cities is a nonprofit organization that transforms the lives of low-income homeowners by improving the safety and health of their homes and revitalizing communities. It coordinates volunteers, skilled labor, tools and supplies necessary to repair the homes. It focuses its efforts on older adults, individuals living with disabilities, active and retired members of the armed services, and families with children, tailoring services to meet the needs of each individual homeowner.

Applicant	Headwaters Housing Development Corporation
Project Title	Blackduck New Construction Project
Activity Type	Single Family New Construction
Geographic Location	Greater Minnesota

	# of Units	Total
Funding Requested	2	$ 100,000
Staff Recommendation	2	$ 40,000

Project Description
Headwaters Housing Development Corporation (HHDC) will construct two single family homes in the City of Blackduck targeting households with incomes at or below 80 percent of area median income (AMI). The project will address the local workforce housing needs of the community by increasing the supply of affordable homes. Anderson Fabrics, based out of Blackduck, hopes to expand its local workforce to meet its sales demands. It currently employs 300 people and has reported that it needs to add 20-25 new jobs for its manufacturing facility in Blackduck. It reports that the lack of adequate, affordable housing has hampered its ability to expand and as a result has been contracting with an out-of-state business to meet its current sales demands. This project will create affordable housing opportunities that will help keep jobs in Minnesota. HHDC's partners include the Blackduck Development Corporation (BDC), the City of Blackduck, the Beltrami County Housing and Redevelopment Authority (HRA), and Anderson Fabrics. BDC owns the land for the development and will reduce the cost of the land by $5,000 per lot. The Beltrami County HRA provided funding and staff to support BDC in platting the lots and encouraged developers to consider housing development options. It also has an entry cost assistance pool that is available to households in Beltrami County. Anderson Fabrics will assist in marketing. It is an Employee Stock Ownership Plan (ESOP) company therefore is limited in its ability to provide resources. It is currently focusing on providing assistance to the multifamily project that is currently underway because the sources of assistance for this market segment are much more difficult to obtain. HHDC is a nonprofit housing development organization. It is a subsidiary of Headwaters Regional Development Commission, a local unit of government. Its mission is to ensure quality affordable housing options for low and moderate income households throughout the entire Headwaters Region, either independently or through strategic partnerships. HHDC has completed over 90 single family homes in the Headwaters Region (Beltrami, Clearwater, Hubbard, Lake of the Woods and Mahnomen counties).

Applicant	**Northcountry Cooperative Foundation**
Project Title	Zumbro Ridge Infrastructure Improvement Project
Activity Type	Land Development
Geographic Location	Greater Minnesota

	# of Units	**Total**
Funding Requested	119	$ 400,000
Staff Recommendation	119	$ 335,000

Project Description

The Northcountry Cooperative Foundation (NCF) will use the funds to assist in connecting Zumbro Ridge Estates to the City of Rochester's sewer system. Zumbro Ridge Estates is a manufactured home park community that is home to 119 units. It currently operates a private sewer and well system.

The proposed connection to the City of Rochester's sewer system will deliver reliable and cost-effective utility service to Zumbro Ridge Estates. Currently, it costs $2700 per month to maintain the sewer system for the community, putting pressure on lot rents. The cost drains resources that would otherwise allow the community to make capital investments for long-term preservation. The project will save the community approximately 60 percent of its current sewer expense. The resources saved will be invested into the community to create greater operational efficiency and stabilize lot rents for the long term.

There is a great need at this time to preserve affordable housing in Olmsted County, particularly in light of the expansion of the Mayo Clinic Destination Medical Center. It is projected that naturally occurring affordable housing is at risk due to escalating home values and redevelopment pressures resulting from the expansion. Additionally, it is expected the Destination Medical Center will create 25,000 to 30,000 new jobs in the region over the next few decades. This will result in a significant increase in demand for affordable housing. Zumbro Ridge Estates is a critical source of affordable housing for low income households in the area. This project will help preserve 119 units of affordable housing.

The project has strong support from Olmsted County which has submitted an application to the Minnesota Pollution Control Agency (MPCA) for financing for the project. The County also believes that the project will qualify for a Point Source Implementation Grant (PSIG) from the Minnesota Public Facilities Authority which will cover 50 percent of the connection costs.

NCF worked with city and county engineers, its own engineers, and the Zumbro Ridge Estates owner to estimate costs for the project. The estimated cost is $891,000 and includes the costs of engineering, a sewer availability charge, sewer loop construction, a lift station, force main, legal fees, and contingency.

NCF is a nonprofit organization committed to transforming lives and communities through cooperative enterprise. Over the past 18 years, NCF has helped residents of nine manufactured home communities purchase their communities. It has assisted cooperatives in infrastructure and land development projects including sewer, water, and storm water improvement projects and street work projects.

Workforce and Affordable Homeownership Development Program Funding Selections

	Activity	Households Benefitted	Funds Awarded
TWIN CITIES METROPOLITAN AREA			
Park Plaza Cooperative *Fridley*	Storm Shelter	89	$ 350,000
Rebuilding Together Twin Cities *Minneapolis*	Owner Occupied Rehabilitation	8	$ 25,000
	Total:	97	$ 375,000

	Activity	Households Benefitted	Funds Awarded
GREATER MINNESOTA			
Headwaters Housing Development Corporation *Blackduck*	New Construction	2	$ 40,000
Northcountry Cooperative Foundation *Rochester*	Manufactured Home Park Infrastructure	119	$ 335,000
	Total:	121	$ 375,000

NOT RECOMMENDED FOR FUNDING
West Central Minnesota Communities Action, Inc.

Board Agenda Item: 7.B.
Date: 4/27/2017

Item: Family Homeless Prevention and Assistance Program (FHPAP) Landlord Risk Mitigation Fund (LRMF) Pilot Concept and Reallocation of Initiative Funds

Staff Contact(s):
Diane Elias, 651.284.3176, diane.elias@state.mn.us
Kim Bailey, 651.296.9833, kim.bailey@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests approval of the pilot concept for the Landlord Risk Mitigation Fund (LRMF) Pilot. Staff also requests funds from the Homeless Management Information System (HMIS) Support Initiative be reallocated to the LRMF Pilot.

Fiscal Impact:
The 2016 Minnesota Legislature approved $250,000 in appropriations for the Landlord Risk Mitigation Fund Pilot. Funds for the HMIS Support Initiative were originally appropriated in 2015 and approved for allocation by the board in 2015.

Meeting Agency Priorities: select all that apply
☐ 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
- Landlord Risk Mitigation Fund Pilot Concept
- Executive Summary from *Landlord Risk Mitigation Funds: A Literature and Design Review*
- Resolution

As part of the Governor's Equity Agenda, the 2016 Minnesota Legislature approved a one-time appropriation of $250,000 to establish a Landlord Risk Mitigation Fund (LRMF) Pilot. The pilot was initiated to create or expand risk mitigation programs to reduce landlord financial risks when renting to persons with barriers to accessing housing opportunities. Beneficiaries of the funds must be persons eligible under the Family Homeless Prevention and Assistance Program (FHPAP) guidelines and should include individuals, families and youth who have high housing barriers including poor rental, credit or criminal background histories. Funds will be allocated to eligible program administrators. The funds will be used by administrators to reimburse landlords for costs associated with an enrolled tenant, including, but not limited to, non-payment of rent or damage costs above those costs covered by security deposits.

After review of national research and best practices, staff determined that a successful pilot required a systematic approach that would allow program administrators to provide greater capacity to meet the needs of newly-enrolled tenants and the ability to outreach, engage and retain landlords to participate within the pilot. Staff is recommending that $100,000 in one-time funding be reallocated from the HMIS Support Initiative to address the additional needs of this pilot. These funds would be available to cover eligible service costs associated with housing navigation services, including, but not limited to, housing location services for households, landlord/tenant mediation, and landlord recruitment, engagement and retention.

At the May 28, 2015 Minnesota Housing board meeting, board members adopted resolution No. MHFA 15-017, approving certain funding recommendations for FHPAP. It authorized use of funds for several initiatives, including payment for Homeless Management Information System (HMIS) related expenses. Since this time, HMIS has experienced many changes, including a change in the statewide system administrator from Wilder Research to the Institute for Community Alliance (ICA). This change restructured how system costs were distributed, and it resulted in a reduction of these expenses to FHPAP. Due to these changes, there is $100,000 of uncommitted funds in the HMIS Support Initiative that is available to reallocate to the LRMF pilot.

Staff requests approval of the LRMF pilot concept as described in the attached Program Concept summary, in preparation for issuing a Request for Proposals for the pilot. Staff also requests approval of the reallocation of funds from the HMIS Support Initiative to the LRMF pilot.

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

RESOLUTION NO. MHFA 17-
MODIFYING RESOLUTION NO. MHFA 15-017

RESOLUTION TO REALLOCATE HMIS SUPPORT INITIATIVE FUNDS TO LANDLORD RISK MITIGATION FUND PILOT FUNDS
FAMILY HOMELESS PREVENTION AND ASSISTANCE PROGRAM

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

WHEREAS, the HMIS Support Initiative was identified as an activity for the period of July 1, 2015 through June 30, 2017; and

WHEREAS, a portion of funding for the HMIS Support Initiative remains uncommitted; and

WHEREAS, staff determined funds from the HMIS Support Initiative should be reallocated to the Landlord Risk Mitigation Fund Pilot; and

WHEREAS, it is the desire of the board to ensure FHPAP funds be committed for programs and initiatives to prevent and end homelessness; and

WHEREAS, the reallocation continues to be in compliance with Minnesota Statutes Chapter 462A and the Agency's rules, regulations, and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT the board hereby approves the pilot concept for the Landlord Risk Mitigation Fund Pilot and reallocates HMIS Support Initiative funds to the Landlord Risk Mitigation Fund Pilot as shown below:

	Original 2016-2017 Award	Revised 2016-2017 Award
HMIS Support Initiative	$ 150,000	$ 50,000
Landlord Risk Mitigation Fund Pilot	$ 0	$ 100,000

THAT all other terms of Resolution No. MHFA 15-017 remain in effect.

Adopted this 27th day of April 2017.

____
CHAIR

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Family Homeless Prevention and Assistance Program
Landlord Risk Mitigation Fund Pilot Concept

Background

According to the 2015 Minnesota Homeless Study conducted by Wilder Research, approximately 40,000 Minnesotans experience homelessness each year, with an estimated 15,000 people homeless on any given night. Effectively using the available housing stock by partnering with existing landlords will be an essential component to ending homelessness in communities across the state. With very tight rental markets, households with multiple housing barriers are finding it extremely difficult to secure housing, even with sufficient income or a rental subsidy. Landlord risk mitigation funds encourage landlords to rent to households with high housing barriers by providing added protection and reducing their financial risk. Landlords renting to a tenant enrolled in the program have the ability to request reimbursement from the fund when damages or other expenses exceed a tenant's security deposit.

As part of the Governor's Equity Agenda, the 2016 Minnesota Legislature established a Landlord Risk Mitigation Fund (LRMF) Pilot. The pilot was initiated to create or expand risk mitigation programs to reduce landlord financial risks when renting to persons with barriers to accessing housing opportunities. Beneficiaries of the funds must be persons eligible under the Family Homeless Prevention and Assistance Program (FHPAP) guidelines and should include individuals, families and youth who have high housing barriers including poor rental, credit or criminal background histories.

In preparing for the launch of this pilot, a graduate student from the University of Minnesota interning at Minnesota Housing conducted a review of existing Landlord Risk Mitigation Fund programs across the country. The results of that review were used by an internal, multi-disciplinary workgroup to inform the parameters of this pilot. This research information is in the discussion paper titled, *Landlord Risk Mitigation Funds: A Literature and Design Review*.

Available Funding

The legislature provided a one-time appropriation of $250,000 to fund this pilot. These funds will be used by program administrators to reimburse landlords for costs associated with an enrolled tenant, including, but not limited to, non-payment of rent or damage costs above those costs covered by security deposits. A minimum of 90 percent (90%) of these funds must be used for direct fund coverage. A maximum of 10 percent (10% or $25,000) of the total appropriation may be used for administrative costs. This funding is not subject to renewal.

In order to provide greater capacity to program administrators to develop a systematic approach based on national research and best practices, Minnesota Housing is also providing up to an additional $100,000 in one-time funding from the Family Homelessness Prevention and Assistance Program (FHPAP). These funds are available to cover eligible service costs associated with housing navigation services, including, but not limited to, housing location services for households, landlord/tenant mediation, and landlord recruitment, engagement and retention. On-going tenancy support services and administrative costs are not allowable expenses from these funds. A request for these dollars must not exceed 50 percent (50%) of the total budget request. This funding is not subject to renewal.

Program Expectations

Program administrator grantees are expected to prioritize these funds for households with high housing barriers who have or would be unable to obtain housing without fund coverage. Communities may further target these funds based on local needs assessments or data.

Under this pilot, grantees will also be required to:

- Utilize a Housing First model with low barrier entrance procedures for fund beneficiaries
- Employ strategies to recruit, engage and retain landlords
- Refer or link households with services to support tenancy, if needed
  - On-going tenancy support services, including case management, can be provided through existing FHPAP providers or referrals to other community resources.
- Have established guidelines for a coverage dollar limit, length of coverage and eligible expenses
  - Coverage dollar limit cannot exceed $2,000 per tenant.
  - Length of coverage should not exceed one year.
- Have an established procedure to review and validate claims and reimbursements
  - Claim requests from landlords should be received no later than 45 days.
  - Claims process should ensure the validity of claims while reducing the burden on tenants, landlords and providers.

Grantees will be required to use Minnesota's Homeless Management Information System (HMIS) to collect household data, claims usage, and program outcome information. They will be required to submit to Minnesota Housing regular HMIS reports and annual narrative reports describing lessons learned. They will also be asked to conduct a survey with participating landlords to gain their perspectives on the effectiveness of the pilot.

Request for Proposals (RFP)

Minnesota Housing will seek proposals from interested program administrator applicants through an RFP. The 20 current FHPAP program administrator grantees will be eligible to apply. New or existing sub-grantee relationships may be utilized to implement and perform the obligations under the pilot. This will be a competitive application process. Applications will be reviewed and scored by Minnesota Housing staff, along with the Minnesota Interagency Council on Homelessness (MICH) FHPAP committee, to determine selections and funding recommendations. Recommendations will be presented to the Minnesota Housing board for approval. The anticipated schedule is:

RFP Released	May 1, 2017
RFP Information Session	May 4, 2017
RFP Due	May 31, 2017
Selections to Board	July 27,2017

Priority will be given to applicants who can demonstrate being able to obtain a leveraged or matching amount of money by a local government, business or nonprofit organization. Leveraged or matching funds can include in-kind or cash funds that are directly used to expand or enhance the pilot.

Applications will be reviewed and scored on the following:

- Planning and readiness to proceed -10 points
  - Sufficient planning has occurred; partner agencies are identified
  - Realistic timeline with minimal ramp up needed to implement the pilot
- Pilot design and adherence to pilot expectations -50 points
  - Prioritizes households with the highest housing barriers who are unable to secure housing without fund coverage
  - Utilizes a Housing First model with reasonable eligibility criteria
  - Well defined referral procedures with low barrier application process
  - Significant and thoughtful plan to recruit, engage and retain landlords
  - Establish process to connect tenants with on-going support services when needed
  - Fund coverage is within parameters, addresses needs and is supported by data
  - Well defined claim process with all the necessary components, while reducing the burden on tenants, landlords and providers
  - Housing navigation includes outreach, recruitment and ongoing services to landlords
- Outcomes and evaluation -10 points
  - Pilot model is designed to further address disparities and expand housing opportunities to those highly impacted by homelessness
  - Pilot outcomes are clear, specific and measureable
  - Demonstrates an effective method to monitor and evaluate the pilot
- Reasonableness of budget -10 points
  - Budget is reasonable, detailed and well developed
- Leveraged/matching resources -20 points
  - Leveraged/matching funds are included in the budget
  - Sources are appropriate and enhance the pilot model

Minnesota Housing anticipates funding three to five proposals under this request. The grant term will be September 1, 2017 – August 31, 2020; however, at the discretion of Minnesota Housing, the grant term could be extended. Upon execution of the grant agreement, Minnesota Housing anticipates disbursing no more than one-half of a grantee’s total awarded funds at the time the grant agreement is executed. Grantees will be required to request additional funds as needs are demonstrated throughout the grant term, up to the total awarded amount.

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Discussion Paper

Landlord Risk Mitigation Funds:

A Literature and Design Review

EXECUTIVE SUMMARY

August, 2016

Hattie Hiler
Graduate Student
University of Minnesota
Humphrey School of Public Affairs

Minnesota Housing Finance Agency

This discussion paper was written by a graduate student working as a summer research intern with Minnesota Housing. While the paper was written under the supervision of Minnesota Housing staff, it is an independent research project and does not necessarily reflect the views and policies of Minnesota Housing.

Executive Summary

Minnesota is experiencing an extremely tight rental market. Current vacancy rates in much of Minnesota remains at or below three percent[1] with the vacancy rate for the Twin-Cities metro region just above three percent.[2] Tight rental markets pose additional challenges for Minnesotans with housing barriers beyond affordability. Individuals and families with criminal records, poor credit, or poor rental history struggle to compete for housing opportunities with applicants who have a "clean record." In response, communities have developed innovative tools such as landlord risk mitigation funds to partner with landlords and address these housing needs.

Landlord risk mitigation funds, sometimes called risk mitigation pools or landlord guarantee funds, provide financial assurances for landlords concerned about additional risks related to damaged property, non-payment of rent, or evictions costs.[3] Landlords renting to tenants enrolled in these programs can access reimbursement from these funds when damages and expenses exceed a tenant's security deposit. Often, landlords have not needed to access these safeguards and the assurance of these programs creates opportunities for individuals and families to be successful tenants.

This report reviews existing landlord risk mitigation funds and outlines best practices used by programs utilizing this tool. Strong programs outline strategies for tenant participation, landlord engagement, and the claims process. Although no program outlined official evaluation metrics, these practices ensure that funds successfully assist households with barriers beyond affordability access and maintain safe and stable housing. As communities consider developing or expanding this tool, programs should consider the following crucial elements to a successful landlord risk mitigation fund:

Tenant Participation

- Successful programs outline coverage eligibility and the household application process.
- Successful programs link households with services to support tenancy. Housing conflicts and concerns can and will arise. These services ensure that these conflicts do not escalate to damages, evictions, and claims to the funds.
- Most funds partner with existing programs and agencies to provide referrals and supportive services, such as case management and tenant education.
- Landlord risk mitigation funds are successful tools to expand housing opportunities for voucher holders. However, restricting coverage to voucher holders may screen out households with the highest barriers.

Landlord Engagement

- Successful programs establish a point of contact for participating landlords to address landlord needs and concerns.
- Most programs shared that providing ongoing support for landlords in the program is crucial to the success of the fund. Efforts to address landlord concerns ensure landlords' ongoing participation in the program even when difficulties arise.
- Programs utilize two general approaches to landlord engagement: employing specific staff to act as a housing specialist and landlord team or utilizing partnering case managers as a

landlord's primary contact. Housing specialist teams have a greater capacity to develop a systemized approach to landlord recruitment and household matching. However, communities that do not have the capacity to develop specific teams can successfully utilize case managers for landlord engagement.

Claims Process

- Successful programs outline dollar limits, time constraints, claim coverage, and a claim validation process.
- Programs should communicate limits clearly with landlords at enrollment. Outlining these limitations in writing and in person ensures that landlords do not later feel mislead about the capacity of the fund.
- Programs should consider requiring participating landlords maintain insurance for duration of coverage. This requirement ensures that landlords have coverage for damages beyond the fund's limit.

Program Evaluation

- Programs should utilize program evaluation as a way to demonstrate the program's ability to create housing opportunities for individuals and families with housing barriers.
- Programs could consider collecting information about the number households served, number of households who have been able to maintain housing, and the housing barriers of households served.
- Programs could consider keeping track of the number of landlords willing to rent to households as a result of the fund. Programs could periodically survey participating landlords for continual feedback about the program.
- Program should use caution when utilizing claim rates as a measure of program success. Claim rates may vary year to year, especially between the early and later years of the fund. Additionally, claim rates may vary depending on the needs of households covered by the funds.

Landlord risk mitigation funds are a powerful tool for communities exploring strategies to expand housing opportunities for households with barriers beyond affordability. However, these funds do not operate successfully without additional supports for participating landlords and households. This report serves as a guide to develop these components to a successful fund. Although this report developed as a tool for Minnesota Housing and communities within Minnesota considering landlord risk mitigation funds, the programs and practices outlined in this report can be helpful for any community or organization developing a fund.

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[1] Minnesota Housing analysis of data from the U.S. Census Bureau, 2000 Decennial Census and 2013 American Community Survey.
[2] Marquette Advisors (2016). Apartment Trends: Twin Cities Metro Area 1st Quarter 2015.
[3] Sarver, M. (2014). Promoting Landlord Partnerships to Overcome Housing Attainment Barriers. HomeBase.

Board Agenda Item: 8.A
Date: 4/27/2017

Item: Discussion Regarding 2019 Housing Tax Credit Program Qualified Allocation Plan

Staff Contact(s):
Summer Jefferson, 651.296.9790, summer.jefferson@state.mn.us

Request Type:

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

Summary of Request:
Staff will provide an overview of the potential changes being considered for the 2019 Housing Tax Credit Program Qualified Allocation Plan. Materials to guide the discussion will be distributed at the Board meeting.

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):
- Materials will be distributed at the meeting

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Board Agenda Item: 9.A
Date: 4/27/2017

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

Staff Contact(s):
Kevin Carpenter, 651.297.2007, kevin.carpenter@state.mn.us

Request Type:

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

Summary of Request:
The Agency sold $47,807,881 of Homeownership Finance Bonds (HFB) on March 13, 2017 with a closing on March 28, 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

Agenda Item: 9.A
Post-Sale Report

Via Email Delivery

M E M O R A N D U M

Date: **April 7, 2017**

To: **Minnesota Housing Finance Agency**

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

Re: **Post-Sale Report**
$47,807,881 Homeownership Finance Bonds (HFB)
2017 Series C (Non-AMT) and D (Taxable)

BOND CRITERIA

The 2017 Series C & D 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 C & D 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 $47.8 million of new mortgages on balance sheet *with only approximately $6.2 million of new volume cap.* To achieve this result, Minnesota Housing used $23.9 million of taxable bonds (on Series D) and recycled approximately $17.8 million of authority from past issues. The Agency has been remarkably successful over the last 5 HFB issues in only using $21 million of new volume cap to fund $320 million of new production.

  Being able to do this, however, requires using a significant amount of zero participations. These zero participations are generated by RHFB bond issues that help refund past bond issues at lower rates and create these subsidies. The dollar amount of such refundings is expected to be lower over the next few years than it has been in the last few years. This is because old bonds can be refunded approximately 10 years after original issuance, and Minnesota Housing issued fewer bonds during the financial crisis.

  As it becomes more difficult to generate new zeros, Minnesota Housing may find it more difficult to use as much taxable debt and still earn full spread. As a result, the Agency may need to use a lower proportion of taxable debt and a greater proportion of new volume cap on future issues.

- ***Full Spread.*** On the overall issue, Minnesota Housing obtained approximately a spread of about 1.22%, 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 1.71% on the taxable bonds, Series D, and 0.73% on the tax-exempt Series D.[1]

- ***Attractive Bond Yield.*** Bond yield was 2.99% on tax-exempt Series C, and 3.34% on taxable Series D. The overall yield was approximately 40 basis points lower than if Minnesota Housing had used a traditionally structured fixed-rate issue.

- ***Return to Minnesota Housing.*** The relative benefits to Minnesota Housing from issuing the bonds depend on how long the mortgages remain outstanding, on average.

The break-even prepayment speed[2] on 2017 C/D was much higher than on most of its transactions (because the loans were at relatively low rates and would have sold for only

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[1] Minnesota Housing could have achieved even higher total spread, by receiving 1.73% on the taxable Series D and the full 1.125% on the tax-exempt series (or an average of 1.42%), but this would have required significantly more zero participations.

[2] 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.

small premiums in the secondary market). This break-even speed was more than 3 times higher than the actual average prepayment speed on similar loans in this indenture.[3]

The result is that, at expected prepayment speeds, Minnesota Housing will earn significantly more from issuing 2017 C/D than from having directly sold the MBS.

To illustrate this, the net present value to Minnesota Housing (after all hedging costs/gains and net service release premiums) is projected to be approximately $1.5 million at 130% prepayment speed.[4] This was *over $1.3 million higher* than if Minnesota Housing had sold the loans on the secondary market.

- ***Zero Participations.*** The issue used approximately $10.3 million of zero participations. Going forward, Minnesota Housing has approximately $28 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, but this would have required using more zeros to earn that higher spread.

  b) *Inclusion of TBA gains.* To avoid using more zeros, the Agency counted its cash hedge gains within the yield from the transaction.
  c) *Impact of taxable bonds*. If the entire transaction had been tax-exempt, Minnesota Housing would have used approximately $2 million fewer zeros. On each issue, it is important to balance two competing needs: to stretch out the supply of available zeros while minimizing the use of available bond 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 can expect to recover these losses over the life of the financing.
- ***Continuing to Build Investor Demand.*** With approximately $89.7 million of going away orders from 8 different investors, RBC continued to strengthen 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 sub-market.

Implications. Key implications include:

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[3] The average prepayment speed on all securities in the HFB indenture since inception is calculated at 129%.
[4] This includes a cash gain of approximately $350,000 in pairing out of TBA hedge trades.

- ***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 pass-through series in this size range. There was more interest among investors in the tax-exempt Series C than taxable Series D.

- ***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 credit facility with RBC to recycle up to $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 Monday, March 13th, for closing on Tuesday, March 28th.

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 2/3 of this issue. This increased from 50% on Series A / B.

- Finance half of the issue as taxable bonds.

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 $350,000 million in cash. 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. There were $57.8 million of going away orders for tax-exempt Series C and $31.9 million for taxable Series D.

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. They gradually increased in early 2017, given the prospect of Federal Reserve rate hikes and potential fiscal stimulus, and the 10-year Treasury yield reached 2.62% on the date of sale. This compares with 2.40% on sale of Series A & B in February.
   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 continued in March), and uncertainty over what type of fiscal stimulus may result from higher infrastructure spending and possible tax cuts.

3. ***Successful Sale.*** The sale was very well-priced. The Series C tax-exempt bonds were initially priced at 3.10%. They were 2.5 times oversubscribed and repriced down to 3.08%. Even though the taxable Series D bonds were more moderately oversubscribed at 1.3 times, the underwriters were also able to reduce the yield on these bonds by 2 basis points to 3.43%.

4. ***Comparison to GNMA Yields.*** Investors compare yields on pass-through issues to current-coupon GNMAs, as well as Treasuries and municipals. Compared to GNMAs, Minnesota bonds provide much less liquidity in the global markets but do offer tax-exemption. On this transaction, Minnesota Housing was able to achieve its tightest spread to GNMA yields of any recent transaction, either by Minnesota or any other HFA. The spread between Series C and the market GNMA yield based on dealer forecast prepayment speed was 4 basis points, even tighter than the 11 basis points on Series A in February.

	2016 A	**2016 B**	**2016 C/D**	**2016 E/F**	**2016 G/H**	**2017 A/B**	**2017 C/D**
	Jan. 2016	March 2016	July 2016	Sept. 2016	Oct. 2016	Feb. 2017	Mar. 2017
Minn. Housing bond yield **Tax-Exempt**	**2.95%**	**2.70%**	**2.33%**	**2.35%**	**2.30%**	**2.93%**	**3.08%**
Taxable			**2.73%**	**2.68%**	**2.65%**	**3.25%**	**3.43%**
Yield on GNMA I, 3.0 current coupon, at dealer prepay speed	**2.67%**	**2.55%**	**2.08%**	**2.16%**	**2.16%**	**2.82%**	**3.12%**
Minn. Housing v. GNMA							
Tax-exempt	**+ 28 bp**	**+ 15 bp**	**+ 25 bp**	**+ 19 bp**	**+ 14 bp**	**+ 11 bp**	**+ 4 bp**
Taxable			**+ 65 bp**	**+ 52 bp**	**+ 49 bp**	**+ 43 bp**	**+ 39 bp**

5. ***Comparable Single-Family Pass-Through Bond Transactions:*** The only other comparable single-family pass-through issues were Minnesota's own February issue and Illinois's $62.3 million tax-exempt issue in late January. Minnesota significantly outperformed Illinois, with much tighter spreads to all indices, even compared to its own most recent issue.

	Minnesota Housing Tax-Exempt Series D	**Minnesota Housing** Tax-Exempt Series B	**Illinois** Tax-Exempt Series D	**Difference v. Illinois**
Pricing Date	Mar. 13, 2017	Feb. 9, 2017	Jan. 24, 2017	
Yield on Tax-Exempt Series	3.08%	2.93%	3.125%	- 3.5 bp
Spread to 10 year US Treasury	46 bp	53 bp	66 bp	**-20 bp**
Spread to 10 year MMD	59 bp	65 bp	81 bp	**-22 bp**
Spread to 3% GNMA (at Dealer Forecast Prepayment Speed)	4 bp	11 bp	24 bp	**-20 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.

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ISSUE DETAILS

Key Dates: 2017 C / D Bond Pricing HFB Indenture
Institutional Order Period: Mon., Mar. 13, 2017
Closing Date: Tues., Mar. 28, 2017

Economic Calendar. During the week prior to the sale, Consumer Credit came in significantly below forecast while ADP Employment was higher than forecast. There were no economic releases on Monday when the issue was priced, but the key focus was on the Federal Reserve meeting and expected rate hike of 0.25% two days later.

***Treasuries*.** Treasury yields were gradually increasing in the weeks leading up to the sale, in expectation of a March Fed rate hike.

***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 and February and flat in early March. Although municipal bid-wanteds briefly reached all-time highs in late January, suggesting investor concern about future performance, these are now closer to typical levels. Municipal volume is anticipated to be slightly less than last year, since rising absolute rates have reduced the amount of anticipated refundings. For the several weeks prior to the sale, MMD/Treasury ratios improves slightly with 10-year MMD about 94% 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	3/1016	1.93%	1.88%	97.4%	2.70%	2.86%	105.9%

Issue	Date	10-Year Treasury	10-Year MMD	MMD/ Treasury Ratio	30-Year Treasury	30-Year MMD	MMD/ Treasury Ratio
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%
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%
2017 HFB C/D	**3/13/17**	**2.62%**	**2.49%**	**94.0%**	**3.20%**	**3.25%**	**101.6%**
Change from 2017 HFB A/B		**+ 22 bp**	**+ 21 bp**	**- 1.0%**	**+ 18 bp**	**+ 5 bp**	**+0.3%**

***Municipal Calendar*.** Volume increased substantially in the fall, 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 the week before, was about $10.8 billion at the time of MHFA’s bond sale.

Issuance planned for the week of the sale was relatively light at $5.8 billion because of the Federal Reserve meeting, down from $9.1 billion for the prior week. The largest issue was $1.84 billion Empire State Development Corporation, followed by a $400 million Ohio water issue.

The prior week had been a busy one for single-family housing issues, with SONYMA, Vermont and West Virginia. The only other single-family housing issue scheduled the same week as Minnesota’s was Ohio.

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 relatively tight to 10-year Treasuries, with GNMA yields having increased more than Fannie Mae’s since the last bond issue.

Type	Delivery	Coupon	Measure	Jan. 12, 2016	Mar. 10, 2016	July 14, 2016	Sept. 12, 2016	Oct. 20, 2016	Feb. 9, 2017	Mar. 13, 2017
GNMA	Current	3.0	Price	102.14	102.91	104.64	104.36	104.45	101.13	99.25
			Yield*	**2.67%**	**2.55%**	**2.08%**	**2.16%**	**2.16%**	**2.82%**	**3.12%**
			Dealer Forecast % PSA	175%	189%	252%	230%	224%	160%	159%
FNMA	Current	3.5	Price	104.08	104.30	105.52	105.33	105.16	102.52	102.19
			Yield*	**2.76%**	**2.72%**	**2.25%**	**2.33%**	**2.46%**	**3.09%**	**3.15%**
			Dealer Forecast % PSA	211%	245%	341%	315%	277%	168%	160%
10-Year Treasury	n/a	n/a	Yield	2.12%	1.93%	1.53%	1.68%	1.75%	2.40%	2.62%
GNMA to 10-Year Treasury	n/a	n/a	Yield*	**125.94%**	**132.12%**	**135.95%**	**128.57%**	**123.43%**	**117.50%**	**119.1%**
GNMA to 10-Year MMD	n/a	n/a	Yield*	**150.00%**	**135.64%**	**147.52%**	**142.11%**	**124.86%**	**123.68%**	**125.3%**

* Yield at dealer forecasted prepayment speed

SINGLE FAMILY PASS-THROUGH BOND PRICING COMPARABLES, OCTOBER 2016 TO DATE

Pricing Date	3/13/17		3/13/17		2/9/17		2/9/17		1/24/17		11/16/16	
Amount	$23,903,940		$23,903,941		$24,966,329		$24,966,327		$62,315,562		$51,489,333	
Issuer	Minnesota HFA		Minnesota HFA		Minnesota HFA		Minnesota HFA		Illinois HDA		Missouri HDC	
Series	2017 Series C		2017 Series D		2017 Series A		2017 Series B		2017 Series A		2016 Series D	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		- / AA+ / -	
Tax Status	Tax Exempt, Non-AMT		Taxable		Tax Exempt, Non-AMT		Taxable		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT	
Use of Funds	New Money		New Money		New Money		New Money		New Money		New Money	
Maturity	2047		2047		2047		2047		2047		2046	
Price	100.000		100.000		100.000		100.000		100.000		103.860	
Coupon/Yield	3.080		3.430		2.930		3.250		3.125		3.4C / 2.875Y at 150% PSA	
Indicator	Indicative Yield 3/13/17	Spread	Indicative Yield 3/13/17	Spread	Indicative Yield 2/9/17	Spread	Indicative Yield 2/9/17	Spread	Indicative Yield 1/24/17	Spread	Indicative Yield 11/16/16	Spread
5-Year US Treasury	2.14	+94	2.14	+129	1.88	+105	1.88	+137	1.94	+119	1.68	+120
7-Year US Treasury	2.43	+65	2.43	+100	2.20	+73	2.20	+105	2.27	+86	2.03	+85
10-Year US Treasury	2.62	+46	2.62	+81	2.40	+53	2.40	+85	2.47	+66	2.22	+66
3% GNMA I @ 100% PSA	3.10	-2	3.10	+33	2.86	+7	2.86	+39	2.92	+21	2.70	+17
3% GNMA I @ Dlr Forecast	3.12 (159%)	-4	3.12 (159%)	+31	2.82 (160%)	+11	2.82 (160%)	+43	2.89 (160%)	+24	2.59 (182%)	+29
10-Year MMD	2.49	+59	2.49	+94	2.28	+65	2.28	+97	2.32	+81	2.21	+67
MBS PREPAY HISTORY (%PSA)												
Past 3 months	-		-		-		-		-		-	
Past 6 months	-		-		-		-		-		-	
Past 12 months	-		-		-		-		-		-	
Since issuance	-		-		-		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)												
At 100% PSA	10.5		10.5		10.4		10.5		10.4		10.6	
At 150% PSA	8.5		8.6		8.5		8.5		8.5		8.6	
At 200% PSA	7.1		7.2		7.1		7.1		7.1		7.1	
At 300% PSA	5.3		5.3		5.2		5.3		5.3		5.3	
WEIGHTED AVERAGE MORTGAGE RATE	3.79%		3.79%		3.84%		3.84%		3.60%		4.27%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	3.30%		3.30%		3.20%		3.20%		3.15%		3.98%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	356		356		355		355		354		356	
Notes											Yield to 8.6 year average life if assume 150% PSA is 2.875%	
Sr Manager	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		Citigroup		George K. Baum	

SINGLE FAMILY PASS-THROUGH BOND PRICING COMPARABLES, OCTOBER 2016 TO DATE

Pricing Date	10/20/16		10/20/16	
Amount	$20,445,117		$30,667,674	
Issuer	Minnesota HFA		Minnesota HFA	
Series	2016 Series G		2016 Series H	
Program	Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -	
Tax Status	Tax Exempt, Non-AMT		Taxable	
Use of Funds	New Money		New Money	
Maturity	2046		2046	
Price	100.000		100.000	
Coupon/Yield	2.300		2.650	
Indicator	Indicative Yield 10/20/16	Spread	Indicative Yield 10/20/16	Spread
5-Year US Treasury	1.26	+104	1.26	+139
7-Year US Treasury	1.55	+75	1.55	+110
10-Year US Treasury	1.76	+54	1.76	+89
3% GNMA I @ 100% PSA	2.46	-16	2.46	+19
3% GNMA I @ Dlr Forecast	2.16 (224%)	+14	2.16 (224%)	+49
10-Year MMD	1.72	+58	1.72	+93
MBS PREPAY HISTORY (%PSA)				
Past 3 months	-		-	
Past 6 months	-		-	
Past 12 months	-		-	
Since issuance	-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)				
At 100% PSA	10.5		10.5	
At 150% PSA	8.5		8.6	
At 200% PSA	7.1		7.2	
At 300% PSA	5.3		5.4	
WEIGHTED AVERAGE MORTGAGE RATE	3.67%		3.67%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	3.10%		3.10%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	357		357	
Notes				
Sr Manager	RBC Capital Markets		RBC Capital Markets	