Minnesota Housing Finance Agency

This package contains revisions to 7.D and 7.E

MEETING SCHEDULED FOR JULY

Location:

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

<u>THURSDAY, JULY 27, 2017</u>

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, July 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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Equal Opportunity Housing and Equal Opportunity Employment

AGENDA
Minnesota Housing Board Meeting
Thursday July 27, 2017
1:00 p.m.

1. **Call to Order**
2. **Roll Call**
3. **(page 3)Agenda Review**
4. **Approval of Minutes**
   A. (page 5) Special Meeting of June 14, 2017
   B. (page 7) Regular Meeting of June 22, 2017
5. **Reports**
   A. **Chair**
   B. **Commissioner**
   C. **Committee**
6. **Consent Agenda**
   A. (page 13) National Housing Trust Fund 2017 Allocation Plan
   B. (page 31) Extension of maturity and amendment of terms on a MHFA loan to Greater Metropolitan Housing Corporation
   C. (page 33) Amend Board Resolution for Family Homeless Prevention Program and Assistance award to correct a clerical error
7. **Action Items**
   A. (page 39) Approval/Motion, Affordable Housing Plan Amendments, Home Mortgage Programs, Deferred Payment Loan Program and Family Homeless Prevention and Assistance Program
   B. (page 43) Approval, Family Homeless Prevention and Assistance Program (FHPAP), Landlord Risk Mitigation Fund (LMRF), Pilot Program Selections
   C. (page 49) 2017 RFP Early Award Initiative – Dorothy Day – D7890
   D. (page 57) Approval, Qualified Allocation Plan (QAP) and Procedural Manual, 2019 Housing Tax Credit (HTC) Program
   E. (page 197) Minnetonka Affordable Housing, Minnetonka and Golden Valley– D3102
   F. (page 203) Request to Consider Waivers to Agency Debt Management Policy, Upper Post Flats, D7976
8. **Discussion Items**
   None.
9. **Information Items**
   A. (page 233) Post-Sale Report, Residential Housing Finance Bonds (RHFB) 2017 Series ABC
10. **Other Business**
    None.
11. **Adjournment**

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DRAFT MINUTES

MINNESOTA HOUSING FINANCE AGENCY SPECIAL BOARD MEETING
Wednesday, June 14, 2017
1:00 p.m.
Jelatis 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 1:02 p.m.

2. Roll Call.
   Members present (by phone): John DeCramer, Stephanie Klinzing, and Terri Thao,
   Member present: Craig Klausing
   Minnesota Housing staff present: Mary Tingerthal, Tom O'Hern, Will Thompson, Kevin Carpenter, Rachel Franco and Paula Rindels.
   Others present (by phone): Michelle Adams, Kutak Rock, LLP; Paul Rebholz, Wells Fargo; Ramona Advani, Office of the State Auditor; and Gene Slater, CSG Advisors
   Others present: Cory Hoeppner, RBC Capital Markets;

3. Resolution authorizing issuance and sale of Minnesota Housing Finance Agency Residential Finance Housing Bonds, 2017 Series C, and authorizing execution of certain documents related thereto
   Kevin Carpenter led the discussion of the request put before the board. He reviewed the overall transaction as well as the specifics related to the variable rate debt. In addition, he provided a review of roles and responsibilities of the various counterparties the Agency works with in variable rate transactions. Mr. Klausing inquired about the forward swap and asked for clarification as to who within the Agency was the "Authorized Officer". Mr. Carpenter confirmed he is the Authorized Officer.

   Kevin Carpenter asked Michelle Adams, Kutak Rock to review with the board the series bond resolution that the board was being asked to adopt. Ms. Adams walked through the details contained in the Resolution.

   MOTION: Craig Klausing moved approval of the Resolution authorizing issuance and sale of Minnesota Housing Finance Agency Residential Finance Housing Bonds, 2017 Series C, and authorizing execution of certain documents related thereto. Terri Thao seconded the motion. Motion carries 3-0.

4. Discussion Item:
   A. Announcement of Board Member
   Commissioner Tingerthal informed the board that Governor Dayton appointed Damaris Hollingsworth to our board of directors, effective June 18, 2017, ending January 1, 2018. She is finishing the term of George Garnett. Ms. Hollingsworth is Vice President of THOR Design Plus, THOR Companies. She has background working with local architectural firms and is a native of Brazil. Due to the proximity of the upcoming June 22, 2017 board meeting, Ms. Hollingsworth will be invited to attend the meeting.

5. Adjournment.
The meeting was adjourned at 1:35 p.m.

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John DeCramer
Chair

Draft MINUTES

Minnesota Housing Finance Agency Board Meeting
Thursday June 22, 2017
1:00 pm
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 Minnesota Housing Finance Agency at 1:02 p.m.

2. Roll Call.

Members Present: John DeCramer, Joe Johnson, Craig Klausing, Rebecca Otto, Terri Thao, Stephanie Klinzing and Damaris Hollingsworth

Minnesota Housing staff present: Ryan Baumtrog, Laura Bolstad, Dan Boomhower, Kevin Carpenter, Erin Coons, Jessica Deegan, Matthew Dieveney, Rachel Franco, Marcia Kaasa, Kasey Kier, Kevin Knase, Tresa Larkin, Diana Lund, Nira Ly, Paul Marzynski, Eric Mattson, Shannon Myers, Tom O'Hern, Ashley Oliver, John Patterson, Devon Pohlman, Paula Rindels, Megan Ryan, Joel Salzer, Terry Schwartz, Barb Sporlein, Emily Strong, Kim Stuart, Will Thompson, Mary Tingerthal, LeAnne Tomera, Katie Topinka, and Elaine Vollbrecht

Others Present: Ramona Advani, Minnesota Office of the State Auditor, Chip Halbach, Minnesota Housing Partnership, Melanie Lien, Piper Jaffray, and Paul Rebholz, Wells Fargo.

3. Agenda Review.

Chair DeCramer announced that there was one change to the agenda- item 6.B was moved to Action Items. An updated Resolution for Item 6.B, Star Tribune NOAH Article and Single Family and Multifamily organization charts we handed out at the board meeting.

4. Approval of the Minutes.

A. Regular Meeting of May 24, 2017

Auditor Otto moved the approval of the minutes as amended. Mr. Johnson seconded the motion. Motion carries 6-0. Auditor Otto noted that Ramona Advani's name is incorrect in the meeting minutes. Staff acknowledged the error and noted that the error will be fixed. Chair DeCramer noted that Ms. Hollingsworth is abstaining from voting today.

5. Reports.

A. Chair

None.

B. Commissioner

Commissioner Tingerthal shared the following with the board:

- Introduction of new board member, Damaris Hollingsworth. Damaris shared her background and her excitement for the opportunity to join the Minnesota Housing Board of Directors.
- No new employees this month
- The provisional Legislative report that staff shared at our May meeting was true; we received the appropriations and the bonding that was outlined in the May board report. Staff is hard at work incorporating the dollars from the Housing Infrastructure Bonds into our planning for the RFP. We implemented the potential for the early award program that the board authorized at the May board meeting. More to come on both items.
- Partial success story with the new Multifamily portal. Staff followed up with individuals who indicated an intent to apply the week prior to the deadline but who had not yet submitted their materials on the day of the deadline. Staff reported that those they connected with did meet the deadline and all materials were received. We had an issue with the reporting due to some of the inputs and that prevented us with providing you with a report as to the number of applications received. Staff are working hard to resolve the issue and we will provide an update on the number of applications received at an upcoming board meeting. We are well on our way to far more automated process in the Multifamily RFP. Congratulations to the staff for their job well done.
- Following July board meeting, we are having a mini annual employee appreciation event in Mears Park. Ice cream will be served and we invite the board to stay and partake in the festivities.

6. Consent Agenda

A. Selection, Commitment, Operating Subsidy Renewal Grants

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

7. Action Items

A. Commitment, Low and Moderate Income Rental (LMIR), LMIR Bridge Loan (BL) and Flexibly Financing for Capital Costs (FFCC) Programs- Dublin Crossing (formerly 6.B)

Paul Marzynski presented to the board the staff's request for board approval for funding commitments for the Dublin Crossing project. Last October, the project was selected for funding as part of the 2016 RFP selection process. Dublin Crossing is new construction project that will provide workforce housing in Mankato. It will consist of 50 tax credit units for households with incomes at or below 60% of area median income level. The project will also provide ten units with Project Based Section 8 Rental Assistance, five units with Section 811 rental assistance that will service low-income adults with disabilities and seven units reserved for households experiencing Long-Term Homelessness. CommonBond Communities is the sponsor and managing partner of the project.

Chair DeCramer opened the discussion. Commissioner Tingerthal commented that the next item on the board agenda is related to this funding request. Chair DeCramer noted that a revised resolution was handed out at today's meeting. **Motion**: Auditor Otto moved Approval of Commitment, Low and Moderate Income Rental (LMIR), LMIR Bridge Loan (BL) and Flexible Financing for Capital Costs (FFCC) Programs- Dublin Crossing. Seconded by Ms. Klinzing. Motion carries.

B. Approval, Resolution, Rental Housing Bonds for Dublin Crossing (formerly 7.A)

Kevin Carpenter presented to the board the staff's request for board authorization to issue short-term fixed rate tax-exempt bonds, in an amount not to exceed $6,000,000, to acquire and finance the construction of a 50-unit rental housing development located in Mankato, Minnesota. Michelle Adams, Partner, Kutak Rock joined the meeting via conference call. She provided the board with an overview of the Series Resolution.

Chair Cramer opened up the discussion. **Motion:** Mr. Johnson moved the Approval, Resolution, Rental Housing Bonds for Dublin Crossing. Seconded by Ms. Thao. Motion carries.

C. Approval, Selection/Commitment, Housing Trust Fund- Rental Assistance for Exploited Families Pilot (formerly 7.B)

Joel Salzer presented to the board the request of approval for the selection, commitment and funding of $210,000 from the state appropriated Housing Trust Fund to Hmong American Partnership (HAP) for the Rental Assistance for Exploited Families Pilot. In collaboration with Asian Women United of Minnesota (AWUM) and SEWA-AIFW (Asian Indian Family Wellness), HAP will provide rental assistance and support services to up to 10 households experiencing housing instability and who have a family member who has been a victim of gender-based violence.

Chair DeCramer opened up the discussion. Ms. Klinzing inquired about the availability of supportive services for the program because funding cannot be used to pay for supportive services. What assurance do we have that supportive services will be provided for the individuals participating in the program? Mr. Salzer indicated that the Hmong American Partnership is applying for the Department of Human Services (DHS) Transitional Housing Program Fund and if they were not successful in obtaining these funds, the organization as a whole would commit the necessary funding for these services.

Ms. Thao inquired if we typically administer these pools of funding as they are normally administered through DHS. Mr. Salzer indicated that these dollars in particular are a rental assistance program and because Minnesota Housing runs several state rental assistance programs, the Legislature ultimately decided that it would be best if the program was run out of Minnesota Housing. Chair DeCramer inquired about the remaining $290,000 and what will happen with those funds, Mr. Salzer indicated that staff discussed a variety of options for the funds and determined that it was most prudent to wait six to nine months to allow for the program to get up and running, and then assess the program. After that, staff will determine how to move forward with the funds in 2018.

Commissioner Tingerthal inquired if there was language in the appropriation stating that if the model is not successful, the funds can be used within the Housing Trust Fund or used in a different program. Mr. Salzer indicated that they are exclusively for this program. Mr. Klausing inquired if the funds must be used as awarded and the model is not sustainable, what happens to the funds. Commissioner Tingerthal indicated that presumably we would go back to the Legislation and ask for permission to use the remaining funds in the Housing Trust Fund. Ms. Thao inquired if it would it be possible to expand the definition of the population. Commissioner Tingerthal indicated that in general if it was outside of the parameters of the statutory language, we would have to back and have the language changed. **Motion:** Auditor Otto moved Approval, Selection/Commitment, Housing Trust Fund- Rental Assistance for Exploited Families Pilot. Seconded by Ms. Thao. Motion carries.

8. Discussion Items

A. Developing the 2018 Affordable Housing Plan- Initial Thoughts and Feedback

John Patterson provided the board members with an overview of the Affordable Housing Plan (AHP). He reviewed the presentation that was included in the board materials. The request before the board today is to get their feedback on the initial thoughts for the 2018 Affordable Housing Plan. The board members asked a variety of questions and their feedback will be used in the next phase of developing the AHP.

B. Single Family and Multifamily Divisional Staff Update

Kasey Kier, Ashley Oliver and Diana Lund shared a power point presentation highlighting the recent changes to the Single Family and Multifamily divisions. There were no questions from the board.

C. Fiscal 2018 Administrative Budget

Barb Sporlein reviewed the FY 2018 Administrative Budget. Board members asked questions about the items reviewed.

9. Information Items

A. Post-Sale Report, Homeownership Finance Bonds 2017 Series (HFB) 2017 Series EF Carpenter

B. Closing of Minnesota Housing Investment in Naturally Occurring Affordable Housing (NOAH) Fund

C. Report of Complaints Received by Agency or Chief Risk Officer

D. Semi-Annual Status Report, Enhanced Financial Capacity Homeownership Initiative (Homeownership Capacity)

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 2:55 p.m.

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John DeCramer
Chair

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Minnesota Housing Finance Agency

Board Agenda Item: 6.A
Date: 7/27/2017

Item: Adoption, 2017 Allocation Plan for National Housing Trust Fund
(Addition to the Consolidated Plan 2017-2021 and the 2017 Annual Action Plan Submission)

Staff Contact(s):
Jessica Deegan, 651.297.3120, jessica.deegan@state.mn.us

Request Type:

☒ Approval
  ☒ Motion
  ☐ Resolution

☐ No Action Needed
  ☐ Discussion
  ☐ Information

Summary of Request:
Staff requests the Board adopt the National Housing Trust Fund Allocation Plan for Federal Fiscal Year 2017 (as part of the submission for to the 2017-2021 Consolidated Plan and 2017 Annual Action Plan). The Allocation Plan covers October 1, 2016 to September 30, 2017, and is required by the U.S. Department of Housing and Urban Development (HUD) for Minnesota Housing to receive the FY2017 allocation of the National Housing Trust Fund program.

Fiscal Impact:
The 2017 allocation for the National Housing Trust Fund is $3,118,428.

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
- Public Comment and Response
- Annual Allocation Plan

BACKGROUND:

The National Housing Trust Fund is a formula based Federal source of funds that complements existing Federal, State, and local efforts to increase and preserve the supply of decent, safe, and sanitary affordable housing for extremely low- and very low-income households, including families experiencing homelessness. The Fund is capitalized through contributions by government sponsored enterprises Fannie Mae and Freddie Mac and administered by the US Department of Housing and Urban Development (HUD). The Fund was established through the Housing and Economic Recovery Act of 2008, and FY 2016 was the first year of the program.

The State of Minnesota will receive $3,118,428 for 2017 and these funds will be made available through the 2017 Annual Request for Proposals.

Minnesota will direct the resources to provide opportunities to increase or preserve the supply of multifamily rental housing for extremely low-income families, including homeless families.

Minnesota's program will provide financing for one to two developments for any of the following activity types:

- New construction
- Acquisition with rehabilitation
- Rehabilitation without acquisition
- Operating Subsidy with one of the above for developments producing new units meeting the Permanent Supportive Housing strategic priority

The National Housing Trust Fund Allocation Plan is an annual submission required by HUD that describes how the State will distribute the funds, including how it will use the funds to address its priority housing needs. The allocation plan also describes what activities may be undertaken with these funds and how recipients and projects will be selected.

The Allocation Plan is an addition to the 2017-2021 Consolidated Plan and 2017 Annual Action Plan submission which was approved by the board in October, 2016, but was delayed in submission due to federal appropriations delays for FY 2017. The Allocation Plan was presented as a draft for public comment June 20th-July 5th with a public hearing on July 5th. Public comment and the agency's response follow.

The Allocation Plan is subject to a 45 day period prior to approval by HUD.

PUBLIC COMMENT RESPONSE:

Minnesota Housing Partnership Submitted Comment

1. We support the Agency's integration of NHTF resources into the Consolidated RFP. This provides flexibility for the Agency in utilizing NHTF with other resources, and spares developers the need to submit a separate application for NHTF. One caveat, cost and competitiveness of the Consolidated RFP proposals will likely mean NHTF will not go to small communities. The Agency should periodically examine the Consolidated RFP to ensure that all Minnesota communities are served by Agency rental programs.
2. We support the Agency's proposed use of up to one-third of NHTF for operating cost or operating reserves. NHTF eligible households can rarely be reached with capital subsidies alone so it is sensible to maintain the maximum flexibility in subsidizing operating costs.
3. With a target of serving Extremely Low Income households, the Agency is appropriately allocating all NHTF to rental housing.
4. We do not agree with the Agency position that no preference would be given to proposed developments that promise affordability periods beyond 30 years. While there are many factors to consider in ranking competitive proposals, extra-long affordability should be encouraged. An incentive for affordability beyond 30 years was provided by the Agency in the 2019 QAP and that type of encouragement should carry forward to the NHTF.

mhp

Chip Halbach | *Executive Director*
Minnesota Housing Partnership
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Minnesota Housing Response

1. We understand the need to ensure balanced distribution of resources across the state, and continually monitor the distribution of investments.

4. We appreciate the comment. This 2017 NHTF allocation plan is designed to align with the affordability requirements in the 2018 Qualified Allocation Plan (QAP), which does not contain additional incentives for longer affordability. The 2019 QAP, which does include incentives for longer affordability, will be in effect for the 2018 RFP, and thus the 2018 NHTF allocation plan. We will consider aligning this priority with the 2018 NHTF allocation plan.

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Minnesota's National Housing Trust Fund Allocation Plan

Substantial Amendments to Minnesota's 2017 Annual Action Plan and 2017-2021 Consolidated Plan

July 6, 2017

Table of Contents

Introduction

Minnesota Housing Finance Agency's (Minnesota Housing) 2017 National Housing Trust Fund (NHTF) 2017 Allocation Plan is a part of the State of Minnesota's 2017-2021 Consolidated Plan and the 2017 Annual Action Plan[1] currently ready for submission to the U.S. Department of Housing and Urban Development (HUD). This amendment providing the details of the allocation plan were offered for public comment June 20-July 5, 2017.

Minnesota Housing has been designated by the Governor as the Minnesota recipient of NHTF from HUD.

Minnesota will receive the $3,118,428 in 2017. All NHTF funds that Minnesota Housing receives in 2017 will be used to house extremely low-income families. In accordance with 24 CFR Part 93, Minnesota Housing will allocate 10% of its grant to program planning and administration costs ($311,400); up to one-third for operating cost assistance or funding operating cost assistance reserves (up to $1,039,400); the balance of the grant will provide capital funding for new construction or rehabilitation of NHTF units.

1. National Housing Trust Fund Strategic Plan §91.315(b)(2)

Geographic Priorities

The NHTF funds will be part of a deferred pool of resources, through Minnesota Housing, which are targeted to address specific and critical needs in rental housing markets, including multiple geographic priority areas: transit oriented development, areas with strong job markets or job growth, economic integration areas with higher incomes, and tribal areas. (As defined in Minnesota Consolidated Plan 2017-2021, SP-10).

Goals

Goals for the five year period 2017-2021 as defined in the Consolidated Plan and in the 2017 Annual Action Plan anticipates funding for NHTF of $3 million annually, for a total of $15,000,000 over the five year period.

	2017 Annual Action Plan Goals	2017-2021 Consolidated Plan Goals
Number of NHTF units constructed or rehabilitated	22	110
Number of NHTF units receiving operating subsidies	Up to 12	Up to 60

Operating subsidies assume providing assistance for up to fifteen years of the thirty year affordability period. The number may be greater if it is found that less than fifteen years of subsidy is necessary, or less if eligible applications are not received and operating funds are not committed to projects. Minnesota Housing intends to use operating subsidies only with other NHTF units constructed or rehabilitated.

[1] Find current 2017-2021 Consolidated Plan and 2017 Annual Action Plan on Minnesota Housing's website: www.mnhousing.gov > Policy & Research > Plans for Federal Funds

Table 1: Strategic Plan Goals and Outcomes (Consolidated Plan 2017-2021, SP-45)

Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
Enhance Affordable Housing Opportunities – Minnesota Housing	2017	2021	Affordable Housing	Statewide	Low-Moderate Income Renter and Owner Households	HOME: $29,890,550 National Housing Trust Fund $15,000,000	Rental units rehabilitated: 955 Household Housing Units Rental units constructed: 955 Household Housing Units Other: 60 other

2. National Housing Trust Fund Action Plan §91.320(k)(5)

Distribution of NHTF funds

Minnesota will not allocate funds to subgrantees for their distribution to owners/developers. Instead, NHTF funds will be distributed directly to owner/developers of affordable housing via Minnesota Housing's annual Consolidated Request for Proposal (Consolidated RFP). The NHTF funds will be part of a deferred pool of resources, through Minnesota Housing, which are targeted to address specific and critical needs in rental housing markets, including multiple geographic priority areas: transit oriented development, areas with strong job markets or job growth, economic integration areas with higher incomes, and tribal areas. Minnesota Housing retains the option to offer funds on a pipeline basis in the event qualified proposals are insufficient to use the entire NHTF grant.

Application Requirements and Selection Criteria

The Consolidated RFP provides a comprehensive system to evaluate a project against eligibility criteria, selection priorities, and capacity of developers and owners. Selections are made after careful and thorough consideration of the project.

The RFP application process begins with the announcement of the Consolidated RFP, and includes outreach and technical assistance to interested applicants. Once applications are submitted to the agency, they undergo application and eligibility review to determine if they pass basic application requirements and selection criteria. The applications then undergo feasibility review by staff underwriters, including detailed analysis of applicant and organizational capacity and priority housing needs. Next, all applications are reviewed together in consistency meetings with staff to ensure consistency in evaluation by individual underwriters. When applications pass this level of review, they undergo a second application review for feasibility, including site visits, if applicable. Once applications are considered feasible, they move on to a selection meeting, which is run through the agency's Mortgage Credit Committee and includes underwriters, managers, and senior leadership. The Mortgage Credit Committee deliberates on feasible applications compared with funding resources available, weighing appropriate uses of those funds and the agency's Strategic Priorities, feasibility, and organizational capacity, and recommends a package of developments for selection. This recommendation is then brought before Minnesota Housing's Board of Directors for final review and approval.

There are three main components of the RFP review process that are captured in the attached RFP guide (Addendum B):

- **Initial Eligibility and Feasibility**: Applicants must satisfy project feasibility and organizational capacity requirements to be considered for funding. Once applications are submitted to the agency, they undergo application and eligibility review to determine if they meet the basic eligibility requirements. The applications then undergo feasibility review by staff underwriters, including detailed analysis of applicant and organization capacity and priority housing need.
- **Strategic Priorities**: Strategic priorities are the main strategic focus and driving policy goals of the agency in the funding round and are of primary importance in the evaluation of the applications. Every proposal must satisfy at least one strategic priority to be eligible for funding through the RFP. Minnesota Housing gives priority to proposals that best meet the greatest number of Strategic Priorities.
- **Selection Priorities**: Selection priorities capture other elements that are beneficial to a project. These are given less weight in evaluation than the Strategic Priorities.

Priority for Awarding Funding to Eligible Applicants §91.320(k)(5)(i)

Minnesota Housing's RFP process incorporates each of the six priority funding requirements of NHTF, as described below.

1. **Geographic Diversity.**

   Minnesota Housing will accept and consider proposals for NHTF from across the state consistent with the state's certification to affirmatively further fair housing. The needs of very low-income and extremely low-income tenants across Minnesota are a high priority in the Consolidated Plan; however, geographic location of a project may be considered in the context of the project's proximity to certain community features whose presence is a priority for Minnesota Housing.

   Of 18 Selection Priorities (described below in *5. Priority Housing Needs*), six relate specifically to the geographic location of projects, including economic integration areas, workforce housing communities, rural and tribal areas, location efficiency (transit), access to higher performing schools, and community revitalization areas. In sum, these geographic priority areas support a balanced and diverse distribution of resources across the state.

2. **Applicant Capacity.**

   Applicants must be capable of undertaking and completing NHTF-funded activities in a timely manner, consistent with regulatory requirements to meet five year expenditure deadlines. Minnesota Housing expects all project funds to be secured within approximately nine months of selection, and the project must close within 20 months from the date of selection. This capability is evaluated during the Consolidated RFP process. Capacity of the entire development team is evaluated, taking into consideration experience with similar projects, financial and staff capacity, status of other projects in the team's development pipeline, and other factors relevant to the role of the entity.

As described in the agency's Multifamily RFP Guide (Addendum B), the following factors will be considered in determining whether an organization has demonstrated sufficient organizational capacity:

- The applicant's purpose and mission;
- The applicant's related housing experience;
- Whether the applicant has successfully completed similar projects or is partnering with other organizations that have successfully completed similar projects;
- Whether the applicant has strong current and expected ongoing capacity to complete the proposed housing as well as other proposals being developed by the organization; and
- Whether the applicant has the capacity to maintain the rental housing long term.

3. Project-based Rental Assistance.

As described below in *5. Priority Housing Needs*, preservation of federally assisted housing is a Strategic Priority of the agency. In addition, developments that provide fully executed commitments for project based rental assistance (standard or in conjunction with Long Term Homeless units) at the time of application are given selection priority.

4. Duration of Affordability Period.

New Construction, rehabilitation, and rehabilitation and acquisition rental projects with NHTF have a required affordability period of thirty years. No additional consideration will be given to projects that will provide affordability beyond thirty years. Operating cost assistance reserves may be funded for the amount estimated to be necessary for up to fifteen years from the start of the affordability period.

5. Priority Housing Needs.

Minnesota's most recent Consolidated Plan (2017-2021) identifies priority housing needs among extremely low income renters for all renter household types. The total unmet need among extremely low income renters in Minnesota was estimated to be 136,332 units in at the time of the Consolidated Plan publication. NHTF resources will be used exclusively to support units affordable to extremely low income renters (at or below 30% of area median income).

In addition to helping to meet the substantial unmet need of extremely low income renters, Minnesota Housing has defined the following Strategic and Selection priorities. As described in the previous section, the Strategic Priority policies describe the main strategic focus and driving policy goals of Minnesota Housing in the current funding round, and will be of primary importance in the evaluation of applications. The Selection Priorities capture other elements that are beneficial to a project. These priorities, described below, are communicated to potential applications through the "Multifamily Request for Proposal Guide." The 2017 Guide is included in its entirety as Addendum B.

Projects much meet at least one Strategic Priority to be considered feasible. Minnesota Housing gives priority to proposals that best meet the greatest number of Strategic Priorities. Minnesota Housing's current Strategic Priorities are:

1. Preservation of developments that contain existing federal assistance or other critical affordable units at risk of loss,

2. Finance housing responsive to Minnesota's changing demographics, for example which could be met by developments that provide Permanent Supportive Housing for special populations.
3. Address specific and critical rental housing needs, for example, Transit Oriented Development on fixed transit, economic integration, workforce housing, senior housing, and
4. Prevent and end homelessness through permanent supportive housing.

Among proposals that best satisfy these Strategic Priorities, Minnesota Housing will give priority in awarding funding to the proposals that best meet the greatest number of selection priorities in effect at the time of the RFP. These are given less weight in evaluation than the Strategic Priorities. Selection priorities may be found in the "Multifamily Request for Proposal Guide" and are described below.

- **Household Targeting.** Developments that provide housing for large families or that provide single room occupancy.
- **Permanent Supportive Housing for Households Experiencing Homelessness**. Developments that provide permanent housing opportunities for households experiencing long-term homelessness targeted to single adults, or developments that set-aside units for households experiencing long-term homelessness, at significant risk of long-term homelessness, or as prioritized for permanent supportive housing by the Coordinated Entry System, targeted to families with children or youth.
- **Consistency with Local Continuum of Care Priorities**. Proposals that address locally determined priorities as determined by each Continuum of Care.
- **People with Disabilities.** Developments that provide permanent housing opportunities for persons with disabilities.
- **Rental Assistance for Supportive Housing Units.** Developments that have secured rental assistance for supportive housing units or units serving households with disabilities.
- **Serves Lowest Income Tenants/Affordable to the Local Workforce**. Developments that commit to providing rent levels affordable to the lowest income households or in projects meeting the Greater Minnesota Workforce Strategic Priority, affordable to the local workforce, for the term of the loan(s) awarded by Minnesota Housing.
- **Rental Assistance.** Developments that provide fully executed commitments for project-based rental assistance at the time of application.
- **Economic Integration.** Developments that provide housing for households with a wide range of incomes and housing needs in mixed-income projects or within higher income communities.
- **Access to Higher Performing Schools.** Projects serving families in locations that will provide access to higher performing schools.
- **Workforce Housing**. Developments located within five miles of a Metro area workforce housing city or township, or within 10 miles of a Greater Minnesota workforce housing city or township.
- **Location Efficiency**. Developments that promote location efficiency based on access to transportation and walkability.
- **Rural/Tribal**. Developments located in a census tract eligible rural/tribal designated area.
- **Federal, Local, Philanthropic, Employer Contributions**. Developments that have secured contributions from the federal government, a local unit of government, an area employer and/or private philanthropic, religious or charitable organization.

- **QCT/Community Revitalization and Tribal Equivalent Areas**. Developments that are located in a Qualified Census Tract and are part of a plan that provides for community revitalization.
- **Minority Owned/Women Owned Business Enterprise.** Developments that have a project sponsor, general contractor, architect, or management agent who is a minority and/or a woman who owns at least 51 percent And whose management and daily business operations are controlled by one or more minority persons or woman who own it.
- **Preservation.** Developments that meet one of the three Risk of Loss Thresholds in the Strategic Priority category that also meet either the Existing Federal Assistance or Critical Affordable Units at Risk of Loss criteria.
- **Financial Readiness to Proceed**. Developments that have secured funding commitments for one or more permanent funding sources at the time of application
- **Greater Minnesota Workforce Housing – Meaningful Employer Contribution**. Developments that meet the Greater Minnesota Workforce Housing Strategic Priority and have received a meaningful contribution from an area employer.
- **High Speed Internet**. Developments that will provide High Speed Internet access via installation of all appropriate infrastructure and connections for cable, DSL or wireless internet service to every unit in the development.
- **Universal Design**. Developments that are designed to meet the needs of all households to the greatest extent possible, regardless of age, ability, or status in life.
- **Smoke Free Buildings**. Developments that will institute and maintain a written policy prohibiting smoking in all units and common areas.

6. Leveraging.

Minnesota Housing's NHTF funds will leverage other agency, private, and low-income housing tax credit investment. The NHTF funds will be made available through the agency's Consolidated RFP, which consolidates and coordinates multiple housing resources into one application process. Funding partners include the Metropolitan Council, Department and Employment and Economic Development, Family Housing Fund and Greater Minnesota Housing Fund. Financing opportunities that could be leveraged with NHTF funds include several nonfederal sources through the State of Minnesota:

- Amortizing first mortgages through the State of Minnesota's Low and Moderate Income Rental Program
- Deferred loans through State of Minnesota funded Economic Development and Housing Challenge program
- Deferred loans through the State of Minnesota funded Preservation Affordable Rental Investment Fund
- Housing Investment Bonds through the State of Minnesota

Two of the agency's selection priorities incorporate a projects ability to leverage other resources. These include federal, local, philanthropic, and employer contributions; and financial readiness to proceed.

Eligible Activities and Eligible Recipients §91.320(k)(5)(ii)

Eligible Activities.

The application/proposal must describe the activity to be funded with NHTF, and the applicant must certify that the assisted units will comply with NHTF requirements. Activities to be undertaken include rehabilitation (including acquisition), preservation, and new construction of rental housing and operating assistance.

Projects must contain a minimum of four units. Scattered site developments must be located in the same city or county and also contain a minimum of four units.

As described in Chapter 3 of the agency's Multifamily RFP Guide, the following factors will be considered in determining an applicant's demonstrated overall project feasibility:

- The nature of the proposed site;
- Whether the proposed housing is needed in the intended market, based upon population, job growth, and very low housing vacancy rates;
- Whether costs of developing the housing are reasonable;
- Whether the applicant has demonstrated cost containment efforts for all stages and aspects of the development without compromising overall development quality;
- Whether the housing is economically viable; and
- For permanent supportive housing, whether the applicant has secured on-going funding for the support services that address the special needs of the proposed targeted population.

Eligible Recipients.

Eligible entities for NHTF include owners or developers that must satisfy the definition of recipient in 24 C.F.R. 93.2 and be either:

- A for-profit entity,
- A 501(C)(3) non-profit entity (including Community Housing Development Organizations, or CHDO),
- A government unit (excluding the federal government), or
- A religious organization.

The owner must provide evidence of a qualifying interest in the property. Such interest must be recorded and appear in the county records. The minimum qualifying interest is 100 percent fee simple interest that may also be subject to a mortgage.

The owners and development team must not be debarred or excluded from receiving federal assistance prior to selection or entering into a Written Agreement or closing the loan.

Applicants and their development team must undergo an evaluation by Minnesota Housing of their capacity and pass Minnesota Housing underwriting before the applicant qualifies as an eligible recipient. Applicants must have demonstrated experience and capacity to conduct and eligible NHTF activity as evidenced by its ability to own, construct, or rehabilitate, and manage and operate an affordable multifamily rental housing development.

Minnesota Housing underwriting standards require that at least one sponsor must demonstrate acceptable performance (multifamily housing experience) and financial capacity for the scale for the proposed project regardless of guaranty provisions, if any. All loans require a full sponsor credit review for final approval.

Eligible recipients will certify that housing units assisted with the NHTF will comply with NHTF program requirements during the entire period that begins upon selection and ending upon the conclusion of all NHTF-funded activities. Recipients must demonstrate the ability and financial capacity to undertake, comply, and manage the eligible activity. Recipients must also demonstrate familiarity with requirements of other Federal, State or local housing programs that may be used in conjunction with NHTF funds to ensure compliance with all applicable requirements and regulations of such programs.

Performance Goals and Benchmarks §91.320(k)(5)(iii)

Minnesota will receive the $3,118,428 in 2017. All NHTF funds that Minnesota Housing receives in 2017 will be used to house extremely low-income families. In accordance with 24 CFR Part 93, Minnesota Housing will allocate 10% of its grant to program planning and administration costs ($311,400); up to one-third for operating cost assistance or funding operating cost assistance reserves (up to $1,039,400); the balance of the grant will provide capital funding for new construction or rehabilitation of NHTF units.

At an anticipated average per unit capital cost of $98,000 for supportive housing, Minnesota Housing anticipates completing at least 22 units of housing that is affordable to extremely low-income families.

Based on Minnesota Housing's experience of providing operating assistance through the State's housing trust fund for supportive housing, Minnesota Housing expects average annual operating cost assistance to be $2,700, which will provide operating assistance for up to 12 NHTF units for 15 years.

Minnesota Housing reserves the right to reallocate uncommitted operating funds to capital costs if qualified applications for operating funds are insufficient to award all operating funds.

Maximum Per-unit Development Subsidy Limits.

Minnesota will establish the maximum per-unit development subsidy at the same level as per-unit cost thresholds established the cost containment methodology associated with the State's Low-income Housing Tax Credit Qualified Allocation Plan (QAP). The thresholds, based upon total actual development costs for developments funded by Minnesota Housing since 2002, are adjusted for number of bedrooms and geographic location of the project. Despite the per-unit subsidy limits, subsidies may be further limited on individual projects based on the result of subsidy layering reviews and the financing needs of the project.

Per-unit subsidy limits are set forth in Addendum A, but are subject to change whenever a new QAP is adopted or modified. Adjustments are made in response to cost trends. Any changes will continue to be reasonable, based on actual costs, and adjusted for the number of bedrooms and geographic location of the program.

Rehabilitation Standards §91.320(k)(5)(iv)

All NHTF units must comply with Minnesota Housing’s Multifamily Rental Housing Design/Construction Standards, including Chapter 9, Design, Construction, and Property Standards for Federally Funded Projects. These standards are attached and incorporated hereto as Addendum C. Chapter 9 provides federal program requirements, while projects must achieve all requirements detailed in the guide.

Resale and Recapture Provisions §91.320(k)(5)(v)

Not applicable. Minnesota Housing will not use NTHF to assist first time homebuyers.

Affordable Homeownership Limits §91.320(k)(5)(vi)

Not applicable. Minnesota Housing will not use NHTF for homebuyer assistance.

Limitation on Beneficiaries or Preferences §91.320(k)(5)(vii)

Minnesota Housing does not limit to segments of the NHTF-eligible population. Minnesota Housing makes an effort to integrate units targeted to households experiencing long-term homelessness or those at risk of long-term homelessness (collectively LTH households) across a variety of developments. In the appropriate situation, Minnesota Housing may utilize NHTF funds in units that are targeted to LTH households or whose eligibility is limited to LTH households. In the interest of furthering economic integration, LTH units typically make up a small number of units in each development. If Operating Assistance is utilized, Minnesota Housing maintains a priority for proposals targeting families with children and youth.

Refinancing Existing Debt §91.320(k)(5)(viii)

Minnesota Housing will not use NHTF to refinance existing debt.

Addendum A: Per Unit Subsidy

Per Unit Subsidy as Adjusted for Mix of Unit Sizes

		Subsidy limit for Families/Mixed Developments
New Construction Metro for Singles		$212,931
New Construction Metro for Families/Mixed		$247,000
New Construction Metro for Large Families		$260,000
New Construction Greater MN for Singles		$168,966
New Construction Greater MN for Families/Mixed		$196,000
New Construction Greater MN for Large Families		$206,316
Rehabilitation Metro for Singles		$160,163
Rehabilitation Metro for Families/Mixed		$197,000
Rehabilitation Metro for Large Families		$237,349
Rehabilitation Greater MN for Singles		$126,829
Rehabilitation Greater MN for Families/Mixed		$156,000
Rehabilitation Greater MN for Large Families		$187,952

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

Minnesota Housing will establish the maximum per-unit development subsidy at the same level as per-unit cost thresholds established the cost containment methodology associated with the State’s Low-income Housing Tax Credit Qualified Allocation Plan (QAP). The above thresholds reflect the limits active for the 2017 RFP for which the 2017 NHTF funds are part of.

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Minnesota Housing
Finance Agency

Board Agenda Item: 6.**B**
Date: 7/27/2017

Item: Extension of maturity and amendment of terms on a Minnesota Housing loan to Greater Metropolitan Housing Corporation (GMHC)

Staff Contact(s):
Kevin Carpenter, 651.297.4009, Kevin.carpenter@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff is requesting the authority to extend, until September 30' 2019, the maturity of an outstanding loan to GMHC, and to amend certain terms of such loan.

Fiscal Impact:
If approved, the extension and revised terms will increase the chances of repayment on the loan.

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

<u>Background</u>

At its meeting on May 24, 2017, the Minnesota Housing Board authorized staff to forgive the outstanding principal balance of a loan to the Family Housing Fund (FHF), subject to certain conditions. FHF had, in turn, lent the Minnesota Housing funding to GMHC. This authority to forgive the loan to FHF was part of an overall restructuring of GMHC's outstanding indebtedness, including a $2 million direct loan from Minnesota Housing for multi-family pre-development activities. Upon satisfactory progress towards meeting the conditions for forgiveness of the loan to FHF, it was contemplated that staff would return to the Board to seek extension of the maturity of the Minnesota Housing loan to GMHC, as well as amending that loan to reflect the updated terms concerning the operations of GMHC's pre-development loan pool that were the subject of certain of those conditions.

The existing Minnesota Housing loan to GMHC for pre-development activities has a maturity date of September 30, 2016. One aspect of the overall GMHC debt restructuring includes a $1 million pay down of this loan, and that pay down is expected in the near future. As such, staff is seeking authorization to extend the maturity of the remaining $1 million outstanding principal amount until September 30, 2019. Staff would not execute documents regarding the extension and modification of the terms of the loan until the Agency receives the required $1 million payment. By extending the maturity of the loan, along with amending the terms of the loan to reflect the conditions of the Board's authorization for forgiveness of the loan to FHF, the Agency will likely receive periodic repayments of a portion of the outstanding balance prior to maturity, commencing later this year.

Board Agenda Item: 6.C
Date: 7/27/2017

Item: Amend Board Resolution For Family Homeless Prevention and Assistance Awards to Correct a Clerical Error.

Staff Contact(s):
Diane Elias, 651-284-3176, diane.elias@state.mn.us
Joel Salzer, 651-296-9828, joel.salzer@state.mn.us

Request Type:

☒ Approval
- ☐ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Amend the FHPAP board Resolution No. MHFA 17-010 to correct a clerical error where Blue Earth County was listed as the grant administrator instead of Minnesota Valley Action Council (MVAC).

Fiscal Impact:
In the past, Blue Earth County has been the applicant for this region and acted as fiscal agent with Minnesota Valley Action Council acting as the grant administrator. This biennium, Blue Earth County allowed Minnesota Valley Action Council to be the direct recipient of funds. The amount awarded will not change from what was originally approved at the May 24th board meeting.

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):
Track-change version of resolution
Final resolution

Agenda Item: 6.C
Track Change Resolution

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

Resolution No. MHFA 17-XXX
Modifying Resolution No. MHFA 17-010
RESOLUTION AMENDMENT APPROVING SELECTION/COMMITMENT FAMILY HOMELESSNESS PREVENTION AND ASSISTANCE PROGRAM (FHPAP)

WHEREAS, the Minnesota Housing Finance Agency (Minnesota Housing) approved the execution of new contracts with 20 grantees to provide support services and direct assistance across the entire state to prevent and end homelessness from July 1, 2017, through June 30, 2019 at its board meeting on May 24, 2017, and;

WHEREAS Minnesota Valley Action Council (Region 9) has assumed the duties of Blue Earth County (Region9); and;

WHEREAS, Blue Earth should be replaced by Minnesota Valley Action Council as the designated grant administrator for FHPAP funds for Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca and Watonwan counties,

Applicant	2018-19 Award
Anoka County	$ 550,000
Bi-County Community Action Programs, Inc.	$ 349,560
~~Blue Earth County (Region 9)~~ Minnesota Valley Action Council (Region 9)	$ 688,850
Carver County	$ 416,848
Dakota County	$ 491,360
Hennepin County	$ 4,356,617
Kootasca Community Action, Inc.	$ 414,875
Lakes & Pines Community Action Council, Inc.	$ 592,569
Lakes & Prairies Community Action Council, Inc.	$ 596,894
Lutheran Social Services	$ 336,962
Lutheran Social Services	$ 860,904
Mahube-Otwa Community Action Partnership, Inc.	$ 652,871

Minnesota Tribal Collaborative	$ 309,122
Ramsey County	$ 3,304,759
St. Louis County	$ 731,214
Applicant	2018-19 Award
Three Rivers Community Action Agency	$ 776,118
Tri Valley Opportunity Council	$ 349,562
United Community Action Partnership	$ 852,131
Washington County	$ 299,848
West Central Minnesota Community Action	$ 199,266
TOTAL	$ 17,130,330

NOW THEREFORE, BE IT RESOLVED:

THAT, the board hereby authorizes Minnesota Housing staff to enter into grant agreements with Minnesota Valley Action Council for housing funds from the Family Homeless Prevention and Assistance Program;

All other conditions from Minnesota Housing Resolution remain in effect including the following:

1. Minnesota Housing staff shall review and approve the recommended grantees for up to the total recommended amount for the grant period of July 1, 2017 through June 30, 2019;

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

3. The sponsors and such other parties shall execute all such documents relating to said grant agreement and to the security therefore, as Minnesota Housing, in its sole discretion, deems necessary.

Adopted this 27th day of July 2017

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CHAIRMAN

Agenda Item: 6.C
Resolution

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

Resolution No. MHFA 17-XXX
Modifying Resolution No. MHFA 17-010
RESOLUTION AMENDMENT APPROVING SELECTION/COMMITMENT FAMILY HOMELESSNESS PREVENTION AND ASSISTANCE PROGRAM (FHPAP)

WHEREAS, the Minnesota Housing Finance Agency (Minnesota Housing) approved the execution of new contracts with 20 grantees to provide support services and direct assistance across the entire state to prevent and end homelessness from July 1, 2017, through June 30, 2019 at its board meeting on May 24, 2017, and;

WHEREAS, Blue Earth should be replaced by Minnesota Valley Action Council as the designated grant administrator for FHPAP funds for Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca and Watonwan counties,

Applicant	2018-19 Award
Anoka County	$ 550,000
Bi-County Community Action Programs, Inc.	$ 349,560
Minnesota Valley Action Council (Region 9)	$ 688,850
Carver County	$ 416,848
Dakota County	$ 491,360
Hennepin County	$ 4,356,617
Kootasca Community Action, Inc.	$ 414,875
Lakes & Pines Community Action Council, Inc.	$ 592,569
Lakes & Prairies Community Action Council, Inc.	$ 596,894
Lutheran Social Services	$ 336,962
Lutheran Social Services	$ 860,904
Mahube-Otwa Community Action Partnership, Inc.	$ 652,871
Minnesota Tribal Collaborative	$ 309,122

Ramsey County	$ 3,304,759
St. Louis County	$ 731,214
Applicant	**2018-19 Award**
Three Rivers Community Action Agency	$ 776,118
Tri Valley Opportunity Council	$ 349,562
United Community Action Partnership	$ 852,131
Washington County	$ 299,848
West Central Minnesota Community Action	$ 199,266
TOTAL	$ 17,130,330

NOW THEREFORE, BE IT RESOLVED:

THAT, the board hereby authorizes Minnesota Housing staff to enter into grant agreements with Minnesota Valley Action Council for housing funds from the Family Homeless Prevention and Assistance Program;

All other conditions from Minnesota Housing Resolution remain in effect including the following:

2. Minnesota Housing staff shall review and approve the recommended grantees for up to the total recommended amount for the grant period of July 1, 2017 through June 30, 2019;

4. The issuance of grant agreements in form and substance acceptable to Minnesota Housing staff and the closing of the individual grant agreements shall occur no later than twelve months from the adoption date of this Resolution; and

5. The sponsors and such other parties shall execute all such documents relating to said grant agreement and to the security therefore, as Minnesota Housing, in its sole discretion, deems necessary.

Adopted this 27th day of July 2017

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CHAIRMAN

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Board Agenda Item: 7.A
Date: 7/27/2017

Item: Affordable Housing Plan Amendments: Home Mortgage Programs, Deferred Payment Loan Program, and Family Homelessness Prevention and Assistance Program

Staff Contact(s):
Nicola Viana, 651.297.9510, nicola.viana@state.mn.us
Laura Bolstad, 651.296.6346, laura.bolstad@state.mn.us
John Patterson, 651.296.0763, john.patterson@state.mn.us

Request Type:

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

Summary of Request:
Due to strong home mortgage production and enhancements to the Landlord Risk Mitigation Fund pilot, staff requests approval for additional funding for the Home Mortgage Programs, Deferred Payment Loan Program, and Family Homelessness Prevention and Assistance program under the 2017 Affordable Housing Plan (AHP).

Fiscal Impact:
- Increase the Home Mortgage Programs production forecast by $50 million.
- Increase Pool 3 funding of the Deferred Payment Loan (DPL) program by $2.5 million.
- Add $56,641 of Pool 3 funds to the $100,000 of Family Homelessness Prevention and Assistance Program (FHPAP) funds for housing navigation services that will support the Landlord Risk Mitigation Fund pilot.

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):
- Summary Request

Summary Request:

Increase for Home Mortgage Loan Programs

The Home Mortgage Programs, which includes the Start Up, Step Up and Mortgage Credit Certificate (MCC) with First Mortgage programs, provide first mortgage financing to first-time, repeat and refinance borrowers. Due to higher than anticipated demand for the home mortgage program this spring, we estimate that we will exceed the amount forecast for the 2017 AHP year. Staff requests a $50 million increase in the AHP for the Home Mortgage Loans, as outlined in Table 1. The Agency uses a mix of Mortgage Revenue Bond and secondary market sales to fund the loans purchased under these programs. The additional requested funds would come either from bonding or secondary market sales, based on best execution at the time funds are required. In addition, the higher loan production would increase Agency-generated revenue.

Table 1: Home Mortgage Loan Budget Revisions in the AHP 2017

Program	Original Budget	Delegated Change	Proposed Amendment	Revised Budget
Home Mortgage Loans	$600,000,000	$0	$50,000,000	$650,000,000

Increase for Deferred Payment Loan Program

In January, the board approved changes to the downpayment and closing cost loan programs. Effective March 1, loan amounts increased for the Monthly Payment Loan (MPL) and the Deferred Payment Loan (DPL) and the DPL income limits increased to more effectively serve low-and moderate-income borrowers in a competitive housing market. We reported that we would unlikely meet our $600 million goal if changes were not approved. Due to these program changes, we successfully increased home mortgage production despite the continued rising home prices, low inventory of homes for sale, and the unavailability of seller-paid closing costs. After strong production in May and June with net commitments reaching over $80 million in each month, we estimate our overall mortgage production could reach up to $650 million.

The increased production has intensified the demand for DPL, which provides interest-free deferred loan funds for downpayment and closing costs for income-eligible first-time homebuyers purchasing with the Start Up program. DPL successfully reaches mission-rich borrowers by serving a high percentage of households of color or Hispanic ethnicity. Since October 2016, 29% of borrowers receiving DPL and 65% of borrowers receiving DPL Plus were households of color or Hispanic ethnicity. In order to continuously serve borrowers facing barriers to homeownership, staff recommends additional funding for the Deferred Payment Loan program as outlined in Table 2.

Table 2: Deferred Payment Loan Budget Revisions in the 2017 AHP

Program	Original Budget	Delegated Change	Proposed Amendment	Revised Budget
DPL and DPL Plus	$15,500,000 - State appropriations $885,000 - Repayments $2,400,000 - Pool 3 $12,215,000	$1,010,000 - 2017 Cancellations of 2016 commitments $410,000 -Additional repayments $600,000	$2,500,000 (Pool 3)	$19,010,000
Unused funds from other programs (including the Strategic Priority Contingency Fund)			-$2,500,000 (Pool 3)	

Supplement Family Homelessness Prevention and Assistance Program Funds that Will Support Housing Navigation Services under the Landlord Risk Mitigation Fund Pilot

Staff requests $56,641 of Pool 3 funds to supplement existing FHPAP resources. Agenda item 7.B (Approval of Family Homelessness Prevention and Assistance Program and Landlord Risk Mitigation Fund Selections) outlines the need for and use of these funds. Table 3 shows the funding changes.

Table 3: Family Homeless Prevention and Assistance Program Support of the Landlord Risk Mitigation Pilot in AHP 2017

Program	Original Budget	Delegated Change	Proposed Amendment	Revised Budget
FHPAP (Resources for the Landlord Risk Mitigation Funds Pilot)	$100,000 (State Appropriations)	$0	$56,641 (Pool 3)	$156,641
Unused funds from other programs			-$56,641 (Pool 3)	

Redirecting Unused Pool 3 Funds

We are currently estimating that approximately $3.2 million of the $27.3 budgeted from Pool 3 under the 2017 AHP will go uncommitted. Therefore, we can safely transfer $2,556,641 (including $1.5 million from the Strategic Priority Contingency Fund) from the other Pool 3 programs in aggregate to the Deferred Loan Program and the Family Homeless Prevention Assistance Program. In addition, we continually update our forecast of DPL repayments. DPL repayments above our current forecast will reduce the need to re-direct unused Pool 3 funds from other programs to the DPL program.

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Minnesota Housing Finance Agency

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

Item: Pilot Program Selections, Family Homeless Prevention and Assistance Program (FHPAP) Landlord Risk Mitigation Fund (LRMF)

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 funding selections for the LRMF Pilot Program.

Fiscal Impact:
The 2016 Minnesota Legislature approved $250,000 in appropriations for the LRMF Pilot Program for direct fund coverage expenses. In addition, $100,000 in FHPAP funds and $56,641 of Pool 3 funds were approved for Housing Navigation Services under the pilot program.

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

Attachment(s):
- Background
- 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 Program. The pilot program was initiated to create or expand risk mitigation programs to reduce landlord financial risks when renting to persons with barriers to accessing housing opportunities. With the tight rental market, the pilot program will provide incentives to landlords to rent to households who have not been able to access housing because of criminal history, prior evictions or other barriers.

The Minnesota Housing Board approved the pilot program concept for this grant on April 27, 2017. In preparing for the launch of this pilot program, 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 program. This research information is in the discussion paper titled, *Landlord Risk Mitigation Funds: A Literature and Design Review*. This information is available upon request.

Legislation requires recipients of the funds to be eligible under the FHPAP guidelines. The pilot program will serve individuals, families and youth who have high housing barriers including poor rental, credit or criminal background histories. The funds will be used by grantees to reimburse landlords for costs associated with an enrolled tenant, including but not limited to, non-payment of rent or damages above those costs covered by security deposits. Of the $250,000 state appropriations, 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.

In addition to the $250,000 for direct fund coverage, Minnesota Housing approved $100,000 in one-time funding from FHPAP. These funds will cover 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. The requests for these funds are not allowed to exceed 50 percent (50%) of the applicant's total budget request. In order to fund three pilot projects and ensure the housing navigation services would be available, an additional $56,641 is needed. Under Agenda Item .A, John Patterson, Director of Planning, Research and Evaluation, brought a request to the board for the additional $56,641 from Pool 3 to be directed to provide greater capacity in developing a systematic risk mitigation approach based on national research and best practices. The Pool 3 funds will be reallocated from other programs that will not use all of their current Pool 3 allocation under the 2017 Affordable Housing Plan.

The agency received six applications in response to the request for proposals. Staff from the agency and other state departments, including the Department of Corrections and Department of Human Services, reviewed the applications. Applications were scored on the following criteria.

• Planning and readiness to proceed	10 points
• Program design and adherence to program expectations	50 points
• Outcomes and evaluation	10 points
• Reasonableness of budget	10 points
• Leveraged/matching resources	20 points

After careful review, three applicants were selected for funding, including Lutheran Social Services serving the Brainerd area, Carver County representing the Suburban Metro Area Continuum of Care and St. Louis County. Applicants who were selected demonstrated strong planning, a thorough understanding of housing navigation services, the ability to leverage additional funds, and project readiness. The total amount recommended for all awards if $406,641.

Applicant	Service Area	Admin Request	Admin Award	Direct Fund Coverage Request	Direct Fund Award	Housing Navigation Request	Housing Navigation Award	Total Request	Total Award
Carver County	Suburban Metro Area Continuum (SMAC) of Care region	$ 7,500	$ 6,648	$ 67,500	$ 66,480	$ 75,000	$ 73,875	$150,000	$ 147,003
Lutheran Social Services	Central Minnesota	$ 4,000	$ 0	$ 40,000	$ 0	$ 20,745	$ 0	$ 64,745	$ 0
Lutheran Social Services	Brainerd area	$ 13,620	$ 7,215	$ 136,200	$ 72,150	$ 63,237	$ 33,516	$213,057	$ 112,881
Mahube-Otwa Community Action Partnership Inc.	Northwest and West Central Continuum of Care region	$ 10,000	$ 0	$ 90,000	$ 0	$ 0	$ 0	$100,000	$ 0
St. Louis County	St. Louis County	$ 10,000	$ 8,864	$ 90,000	$ 8,8643	$ 50,000	$ 49,250	$150,000	$ 146,757
United Community Action Partnership	Southwest Continuum of Care region	$ 8,000	$ 0	$ 80,000	$ 0	$ 25,000	$ 0	$113,000	$ 0

Grantees are required to:

- Utilize a Housing First model which is a model that helps people access housing quickly by offering low barrier entrance procedures
- Employ strategies to recruit, engage and retain landlords
- Refer or link households to services that support tenancy, as needed
  - On-going tenancy support services, including case management, may be provided through existing FHPAP providers or through referral to other community resources
- Have established guidelines for coverage limits, length of coverage and eligible expenses
  - Coverage 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 from the time damages occur or the tenant vacates the housing
  - The claims process should ensure the validity of claims while reducing the burden on tenants, landlords and providers

Grantees 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 perspective on the effectiveness of the pilot projects. Because each pilot project is distinct, such as being focused on a specific population, Minnesota Housing will also have the opportunity to compare the pilot projects to see which model is most successful in addressing disparities and expanding housing opportunities. If a pilot project is not able to perform, funding will be reallocated to another pilot project.

Staff requests approval of the Landlord Risk Mitigation Fund selections, which will further the effort to house persons who have not been able to access housing because of criminal history, prior evictions or other barriers.

Agenda Item: 7.B
Resolution

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

RESOLUTION NO. MHFA – 17-

RESOLUTION TO AWARD LANDLORD RISK MITIGATION FUNDS PILOT FUNDS
FAMILY HOMELESS PREVENTION AND ASSISTANCE PROGRAM

WHEREAS, the Minnesota Housing Finance Agency Board (Board) has heretofore adopted Resolution No. MHFA 17-005 approving the pilot concept of the Landlord Risk Mitigation and

WHEREAS, the agency received $250,000 in Landlord Risk Mitigation Funds for a pilot program from the Minnesota Legislature; and

WHEREAS, the agency is able to provide additional FHPAP funds in the amount of $100,000 and Pool 3 funds in the amount of $56,641; and

WHEREAS, the agency has established the Landlord Risk Mitigation Fund Pilot Program and reviewed proposals.

NOW THEREFORE, BE IT RESOLVED:

1. That the Board hereby award funds under the Landlord Risk Mitigation Fund Pilot Program to the applicants shown below;

Applicant	Total Award
LSS Brainerd	$ 112,881
SMAC area	$ 147,003
St. Louis	$ 146,757

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

3. The sponsors and such other parties shall execute all such documents relating to said grant, to the security therefore, as Minnesota Housing, in its sole discretion, deems necessary.

Adopted this 27th day of July 2017

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CHAIR

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Minnesota Housing
Finance Agency

Board Agenda Item: 7.C
Date: 7/27/2017

Item: 2017 RFP Early Award Initiative
- Dorothy Day Residence, St. Paul, D7890

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

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

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Summary of Request:
Minnesota Housing staff has completed preliminary underwriting and technical review of the proposed development and recommends the development for selection and funding under the 2017 RFP Early Award Initiative. The agency also recommends the adoption of a resolution authorizing the issuance of a Housing Infrastructure Bonds Loan (HIB Loan) via the Housing Trust Fund program commitment in the amount of $13,475,837, subject to the review and approval of the Mortgagor, and the terms and conditions of Minnesota Housing's term letter.

Fiscal Impact:
The 2017 Minnesota Legislature authorized Minnesota Housing to issue additional Housing Infrastructure Bonds with debt service on the bonds supported by the same amount of appropriations authorized by the Minnesota Legislature in FY2014 and FY2015. Portions of these appropriations are available to pay debt service on additional bonds because the agency was able to issue previously authorized Housing Infrastructure Bonds at interest rates lower than what had been projected when the appropriations were authorized. At the May 24, 2017 board meeting, the board approved the concept of allowing an early award process for additional HIB Loans in an amount up to $20 million to be funded with the proceeds of Housing Infrastructure Bonds.

Meeting Agency Priorities:

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

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

Background:

Dorothy Day Residence is a new construction, supportive housing development located in St. Paul. The project is the second and final phase of the Dorothy Day Place campus plan that will provide homeless individuals, young adults and veterans with supportive services and a continuum of housing options designed to transition residents from homelessness to permanent housing.

Dorothy Day Residence will occupy the top four floors of the new six-story building and will contain 177 units of permanent supportive housing designated for individuals experiencing homelessness. The first two floors will contain the Opportunity Center, an integrated supportive service delivery center that will house multiple service providers offering resources and programs to low-income, homeless individuals.

Ownership of the building will be structured as condominiums with one entity owning the top four floors of Dorothy Day Residence, and a different entity owning the first two floors of Opportunity Center. Each ownership entity will have separate funding sources to construct its portion of the building.

Dorothy Day Residence is being recommended for selection and funding under the special 2017 RFP Early Award Initiative that the board approved on May 24, 2017. Without the early funding award, both development projects are at risk of losing one or more funding sources. Staff has reviewed the application and scored it based on the Multifamily RFP scoring criteria and have determined that the Dorothy Residence has a very high score relative to other RFP applications. Staff have also determined that the project meets all of the conditions set forth by the Board to qualify for the Early Award Initiative.

Staff is requesting approval of a $13,475,837 Housing Infrastructure Bonds (HIB) loan. Proceeds from the loan will be used to fund a portion of the $40,081,365 in development costs of the Dorothy Day Residence project. Staff are targeting a loan closing on or before September 30, 2017 in order that the other funding sources for both the Dorothy Day Residence and the Opportunity Center remain committed to these projects. Staff anticipates that they will bring to the August Board meeting a resolution authorizing the issuance of the Housing Infrastructure Bonds to provide the funding for the loan.

Agenda Item: 7.C
Resolution

Development Summary

					D7890
Name:	Dorothy Day Residence			App#:	M17755
Address:	411 Main Street				
City:	St. Paul	County:	Ramsey	Region:	MHIG

MORTGAGOR:

Ownership Entity: Dorothy Day Residence Limited Partnership
General Partner/Principals: Dorothy Day Residence GP LLC, 100% owned and managed by Catholic Charities of the Archdiocese of St. Paul and Minneapolis

DEVELOPMENT TEAM:

General Contractor:	Watson-Forsberg, Minneapolis
Architect:	Cermak Rhodes, St. Paul
Attorney:	Faegre Benson Daniels, Minneapolis
Management Company:	Catholic Charities, St. Paul
Service Provider:	Catholic Charities, St. Paul

CURRENT FUNDING REQUEST/PROGRAM and TERMS:

$13,475,837 Housing Trust Fund

Funding Source:	Housing Infrastructure Bonds
Interest Rate:	0%
Term (Years):	30
Amortization (Years):	None

RENT GRID:

UNIT TYPE	NUMBER OF UNITS	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY*
OBR/EFF	10	373	$691	$691	$27,640
OBR/EFF	8	373	$100	$100	$4,000
OBR/EFF	12	373	$100	$100	$4,000
OBR/EFF	15	373	$691	$691	$27,640
OBR/EFF	21	373	$455	$474	$18,200
OBR/EFF	10	373	$455	$791	$18,200
OBR/EFF	1	373	$455	$474	$18,200
SRO	75	260	$721	$721	$28,840
SRO	25	260	$425	$425	$17,000
TOTAL	177				

NOTE: One hundred sixty-six units are income restricted at 30% AMI, and 11 units are income restricted at 50% AMI. Seventy-five units have Section 8 rental assistance and 25 units have Group Residential Housing (GRH) rental assistance.

Purpose:

Dorothy Day Residence is a new, mixed-use, affordable housing development designed to assist homeless individuals and individuals at risk of being homeless by providing housing stability in a healthy and safe community. The new six-story elevator building will provide 177 efficiency and single room occupancy (SRO) units. The first two floors of the building will be owned by a separate entity and will contain the Opportunity Center, an integrated service delivery center with resources and programs designed to address tenant health, income resources, housing stability and well-being.

Combining housing with a wide-ranging service center will help build community, promote stability, and maximize tenant outcomes. This mixed-use housing project is the second phase of the Dorothy Day Place comprehensive community plan that will provide a broad continuum of housing types and supportive services to help individuals transition from homelessness to housing stability.

Population to be Served:

Dorothy Day Residence will serve homeless individuals, including single adults, single youth, people with disabilities, and individuals at risk of long term homelessness. Within this group, special needs populations will include individuals with mental illness, individuals with chemical dependency, individuals with co-occurring mental and chemical health problems, and physically disabled individuals. All units will have veterans' preference. One hundred sixty-six units (94 percent) are set aside for tenants with incomes at or below 30% AMI, and the remaining 11 units are set aside for tenants with incomes at or below 50% AMI.

Project Feasibility/Status:

The development is feasible as proposed. The proposed financial structure includes a Housing Infrastructure Bonds Loan (HIB Loan), tax credit equity, loans from the Metropolitan Council and the city of St. Paul, and significant donations from local corporate partners. All of the long-term, permanent debt for the development will be non-amortizing, deferred loans without debt service payments. All available operating cash flow will be applied toward the supportive housing services and programs. Catholic Charities has committed to fund any shortfalls to the supportive services budget beyond what is supported by operations.

Development Team Capacity:

Catholic Charities has successfully developed, owned and operated multiple supportive housing developments in the Twin Cities. Three of their developments: St. Paul Residence, Higher Ground-Minneapolis, and Higher Ground-St. Paul are of similar size and scope to the Dorothy Day Residence development. Catholic Charities has the capacity and experience to develop and operate the Dorothy Day Residence project. The development team includes Cermak Rhoades Architects and Watson-Forsberg, the general contractor. Both are experienced and qualified, having been on the development team that recently completed the Higher Ground project.

Physical and Technical Review:

Dorothy Day Residence is part of a new construction, six-story building that represents Phase II of Catholic Charities' Dorothy Day Place campus plan. The recently opened Higher Ground project, adjacent to the proposed Dorothy Day building, marked the completion of Phase I of the plan.

The Phase II building will contain the Opportunity Center on the first two floors providing full dining services, offices and program space for collaborative partners providing supportive services for Higher Ground and Dorothy Day tenants.

Dorothy Day Residence will occupy the top four floors of the building and will consist of 100 single room occupancy (SRO) units and 77 efficiency apartment units. Each unit will be fully furnished. Every floor will have a common kitchen, lounge space, bathrooms and offices for on-site staff and service partners. Minnesota Housing is providing financing only for the Dorothy Day Residence portion of the Phase II building.

The scope of work includes the demolition of three existing buildings on the site.

The budgeted Total Development Cost (TDC) is $226,448 per unit, which is 15.8% above the predictive model estimate of $195,558 per unit.

Market Feasibility:
The proposed supportive housing units meet a high priority need for housing-first units for chronically and long-term homeless, single adults in Ramsey County.

The market study prepared for the project indicates virtually no vacancy among the comparable properties that serve homeless households. Comparable units serving homeless populations in the metro area typically have long waiting lists. The occupancy at Dorothy Day Residence will benefit from the Coordinated Entry referral system. Upon construction completion, the 75 SRO tenants at Catholic Charities' Mary Hall Residence next to the project will be transferred to Dorothy Day Residence.

The proposed development is seen as one of the key components in meeting the Continuum of Care's goal of ending chronic homelessness in the shortest possible time.

Supportive Housing:
Catholic Charities will provide a full set of services, including case management, for homeless single adults and youth (age 21-24 years) and will target sub-populations of chemical dependency or mental illness. All units will have a veteran's preference. Using a housing first approach, access to the supportive housing units will have a very low barrier. All tenants will have access to a wide range of services provided by community partners located in the Opportunity Center, including health care and dental services, mental and chemical health services and supports, benefits assistance, and financial and employment services. Catholic Charities will work with the Ramsey County Coordinated Entry Process system for referrals for the permanent supportive housing units. Catholic Charities uses a similar model at their Higher Ground-St. Paul and Higher Ground-Minneapolis properties.

Development Cost Summary:

	Total		Per Unit
Total Development Cost	$40,081,365		$226,448
Acquisition	$2,145,000		$12,119
Gross Construction Cost	$29,191,079		$164,921
Soft Costs (excluding Reserves)	$7,879,869		$44,519
Reserves	$865,416		$4,889
Total First Mortgage	N/A		
First Mortgage Loan-to-Cost Ratio		N/A	
Agency Deferred Loan Sources			
Housing Infrastructure Bonds Loan (HIB Loan)	$13,475,837		$76,135
Total Loan-to-Cost Ratio		34%	
Non-Agency Permanent Sources			
Syndication Proceeds	$13,533,528		$76,461
LCDA Met Council Funds	$662,000		$3,740
City of St. Paul funds	$1,000,000		$5,650
Catholic Charities - Private Capital Campaign	$8,250,000		$46,610
Catholic Charities Contribution	$3,050,000		$17,232
Energy Rebates	$110,000		$621
Total Non-Agency Sources	$26,605,528		$150,314
Non-Agency Construction Sources			
BMO Harris Bank Bridge Loan *(Partially funded with $7 million short-term tax-exempt bonds to be issued by City of St. Paul)*	$10,936,822		$61,790

Agenda Item: 7.C
Resolution

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

RESOLUTION NO. MHFA 17-XX

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
HOUSING INFRASTRUCTURE BONDS – HOUSING TRUST FUND PROGRAM

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

Name of Development:	Dorothy Day Residence
Owner/Mortgagor:	Dorothy Day Residence Limited Partnership
Sponsor:	Catholic Charities of the Archdiocese of St. Paul and Minneapolis
Location of Development:	St. Paul
Number of Units:	177
Estimated Total Development Cost:	$40,081,365
Amount of HIB-HTF Loan:	$13,475,837

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

NOW THEREFORE, BE IT RESOLVED:

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

1. The amount of the loan shall be up to $13,475,837; and

2. The terms of the loan shall be 0.0 percent interest and have a maturity date that is 30 years from the date of the loan; and

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

4. The Mortgagor shall agree with the terms set forth in the Agency Term Letter; and

5. The Mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff and the closing of the loans shall occur no later than October 31, 2017; and

6. The sponsor, the builder, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deem necessary, shall execute all such documents relating to said loan, to the security for the loan, to the construction of the development, and to the operation of the development as Agency staff in its sole discretion deem necessary.

Adopted this 27th day of July 2017

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CHAIRMAN

Minnesota Housing Finance Agency

Board Agenda Item: 7.D
Date: 7/27/2017

Item: Qualified Allocation Plan (QAP) and Procedural Manual, 2019 Housing Tax Credit (HTC) Program

Staff Contact(s):
Devon Pohlman, 651.296.8255, devon.pohlman@state.mn.us
Summer Jefferson, 651.296.9790, summer.jefferson@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests approval of the 2019 Housing Tax Credit Qualified Allocation Plan (QAP), Procedural Manual, and Self-Scoring Worksheet.

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

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

Attachment(s):
- Background
- Suballocator Participation
- Timeline
- Proposed Revisions to the 2019 Tax Credit Program, Qualified Allocation Plan (QAP), and Procedural Manual
- Public Hearing Written Comments
- 2019 Housing Tax Credit Program Self-Scoring Worksheets for both 4% and 9% Tax Credits (changes made since May are tracked)
- Content and Scoring Change Summary
- Methodologies
- Continuum of Care (CoC) Priorities

BACKGROUND

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

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

Minnesota Housing's Housing Tax Credit (HTC) Program administration includes use of the following documents: a Qualified Allocation Plan (described above), a procedural manual that includes detailed definitions and procedures for implementation of the QAP, and a Self-scoring Worksheet that assigns points for how well a project meets the funding priorities of Minnesota Housing's HTC Program for both 4% and 9% tax credits. The HTC Program is generally reviewed and revised each year to ensure it meets IRS requirements as well as Minnesota Housing's strategic priorities.

Copies of the current QAP and Procedural Manual are available on the agency's website at ww.mnhousing.gov (Home -> Multifamily Rental Partners -> Funding -> Tax Credits -> 2017 Procedural Manual and Documents).

A summary of the proposed changes to the 2019 Housing Tax Credit Program in the form of a blackline version of the Self-scoring Worksheet was approved by the board at its May, 24 2017 meeting. In accordance with Section 42, on May, 24 2017, the agency published a notice soliciting public comment on the proposed changes. A summary of the proposed changes was made available to the public in advance of the June 14, 2017 public hearing. No members of the general public attended the hearing and eleven written comments were submitted in addition to verbal comments provided by six entities: the City of Minneapolis, Landon Group, the Minnesota Housing Partnership, Dominium, Lupe Development, and MWF Properties. Resulting changes are discussed in this memo. Other changes to the Self-scoring Worksheets are corrections and/or readability edits.

This report includes a blackline of the 4% and 9% Self-scoring Worksheets reflecting the proposed revisions to the version approved by the board in May. A summary of these revisions, the rationale for them, public comments, and staff responses are also attached. Following board approval, these revisions will be incorporated into the QAP and Procedural Manual documents. The QAP, Procedural Manual and Self-scoring Worksheets may be further revised by staff for changes in formatting, spelling, grammar, and other readability improvements.

SUBALLOCATOR PARTICIPATION

Minneapolis, St. Paul, Dakota County, Washington County, Duluth, St. Cloud and Rochester are suballocators in the state of Minnesota. For the 2018 program year, the cities of Duluth, St. Cloud and Rochester have participated as Joint Powers suballocators through Joint Powers Agreements under which the agency will perform certain allocation and compliance functions on behalf of the suballocating agency. It is unknown at this time whether these suballocators will enter into Joint Powers Agreements for the 2019 program year.

TIMELINE:

2019 HTC PROGRAM SCHEDULE

June 14, 2017	Minnesota Housing 2019 QAP Public Hearing
July 27, 2017	Agency board asked to approve final 2019 QAP and Manual
April 2018 (tentative)	Publish RFP for HTC 2019 Rounds 1 and 2
June 2018 (tentative)	HTC 2019 Round 1 and 2017 MF Consolidated RFP application deadline
October 2018 (tentative)	Agency board asked to approve HTC 2019 Round 1 selection recommendations
January 2019 (tentative)	HTC 2019 Round 2 application deadline
April 2019 (tentative)	Agency board asked to approve HTC 2019 Round 2 selection recommendations

Proposed Revisions to the 2019 Tax Credit Program, Qualified Allocation Plan (QAP), and Procedural Manual

At the May, 2017 board meeting, staff presented a proposed 2019 Qualified Allocation Plan (QAP) for the Housing Tax Credit program. Public comments on the proposed 2019 QAP were submitted to the agency from April through June 21, 2017 both verbally and in writing. Staff has carefully reviewed and considered all of the comments. Changes made as a result of comments are detailed below.

This board report restates the explanation provided in the May 2017 report for proposed changes from the 2018 QAP to the 2019 QAP. Following the original explanation of each change is a summary of the public comments received and then staff's suggested modifications to the QAP in response to the public comments. To aid in readability, the information that the board has not seen previously (the summary of public comments and staff's recommendations) is boxed and shaded.

Statutory

No statutory changes are proposed.

Qualified Allocation Plan, Procedural Manual and/or Self-scoring Worksheets

1. Create Two Self-scoring Worksheets (SSW): 4% Tax Credit Self-scoring Worksheet and 9% Tax Credit Self-scoring Worksheet

Staff developed two SSWs to provide better clarity for developers requesting 4% or 9% tax credits. There are a few important differences between 9% and 4% tax credit scoring criteria, and the development of separate SSWs enhances scoring clarity and better outlines notable differences, which are:

- Differences between the minimum point requirements
- Scoring differences in length of affordability for long-term affordability
- The different processes used to evaluate eligibility for cost-containment points

Comments Summary (staff responses italicized):

- Two separate Self-scoring Worksheets require additional effort for developers pursuing dual applications.

Two separate Self-scoring Worksheets (SSWs) better delineates requirements and scoring differences between for 9% and 4% tax credits. We acknowledge there is some effort in completing both SSWs for dual applications and that this is a procedural change for 2019. We trust that as applicants become familiar with the new 4% SSW, completion efficiencies will be gained.

Final Recommendation: No proposed change

2. Update the Qualified Allocation Plan to increase the per development tax credit cap from $1 million to $1.2 million in cumulative annual tax credits.

A modest increase of $200,000 in the maximum annual tax credit award is recommended to adjust upward for inflation. The maximum was most recently revised in 2009.

Comments Summary (staff responses italicized):

- No comments received.

Final Recommendation: No proposed change

3. Clarify two requirements in the HTC Program Procedural Manual.

Language will be added to the HTC Program Procedural Manual to provide additional clarity and guidance regarding occupancy restrictions. Under the HTC general public use regulations, residential rental units must be for use by the general public, which incorporates HUD housing policy governing non-discrimination. Residential units provided only for a member of a social organization or provided by an employer for its employees are not considered for use by the general public and are examples of restrictions not allowed under the HTC program. Minnesota Housing has an obligation to affirmatively further fair housing, and occupancy restrictions must comply with the Fair Housing Act and the Minnesota Human Rights Act. Projects must also comply with any occupancy limitations imposed by any additional source of funds provided by Minnesota Housing. Age-related occupancy restrictions or preferences will be approved only if set out in the QAP or if the property qualifies as housing for older persons under the Fair Housing Act and the Minnesota Human Rights Act.

Language will also be added regarding necessary agency approval of the sale or transfer of ownership of a project.

Comments Summary (staff responses italicized):

- No comments received.

Final Recommendation: No proposed change

Proposed Revisions to Scoring Criteria

Several changes to the scoring criterion for the 2019 QAP are proposed to enhance streamlining and overall transparency. As a result of these changes, we revised the overall scoring point framework to align the 2019 QAP changes with the same relative weights as in the Amended 2018 QAP.

1. Revise the six categories in the Amended 2018 QAP Selection Criteria into seven categories for the 2019 QAP.

We reorganized the six selection criteria categories into seven. This effectively results in the previous "Greatest Need – Tenant and Affordability Targeting" being broken into two categories for the 2019 QAP. One category focuses on the populations served, including large families, high priority homeless and people with disabilities. The other category focuses on serving the lowest income tenants for long durations.

By better distinguishing the tenant populations in greatest need from the rent and income levels, our aim is to provide more clarity within the selection priorities for scoring.

2018 Selection Category	2019 Selection Category
1. Greatest Need – Tenant and Affordability Targeting	1. Greatest Need Tenant Targeting
	2. Serves Lowest Income for Long Durations
2. Areas of Opportunity	3. Areas of Opportunity
4. Supporting Community and Economic Development	4. Supporting Community and Economic Development
5. Preservation	5. Preservation

6. Efficient Use of Scarce Resources	6. Efficient Use of Scarce Resources and Leverage
7. Building Characteristics	7. Building Characteristics

Comments Summary (staff responses italicized):

- The agency received one comment in support of the proposed revisions.

Final Recommendation: No proposed change

2. Add scoring for Long-Term Affordability for 9% tax credits under the Serves Lowest Income for Long Durations Selection Category.

The tax code requires that the HTC program provide a preference for serving qualified tenants for the longest duration. We currently require a 30-year extended use period and waive the qualified contract process for 9% tax credits. We recommend adding points in the 2019 QAP to allow for longer-term affordability durations: seven points for a 40-year affordability period and three points for a 35-year affordability period.

This change encourages the policy objective of ensuring longer-term affordability, and it better aligns scoring for the 9% tax credits with scoring for the 4% tax credits, which now has tiered long-term affordability scoring.

Comments Summary (staff responses italicized):

- The agency received two comments in support of the proposed revisions and two comments supporting additional long-term affordability for 4% tax credit developments.

Final Recommendation: Proposed Change Resulting from Comment

- Additional points for Long-Term Affordability on the 4% HTC Self-scoring Worksheet are added for 35 or 40 year affordability:
    - Extend the long-term affordability of the project and maintain the duration of low-income use for a minimum of 35 years.
    - Extend the long-term affordability of the project and maintain the duration of low-income use for a minimum of 40 years.

  This change is reflected on page 15 of the 4% Self-scoring Worksheet.

3. Delete the High Speed Internet Access Scoring Criterion under the Building Characteristics Selection Category.

Beginning with the 2017 RFP/2018 HTC Request for Proposals funding round, Minnesota Housing's Rental Housing Design/Construction Standards will incorporate a requirement that buildings provide high-speed internet access, thereby eliminating a need for additional scoring for this criteria.

Public Comments Summary (staff responses italicized):

- No comments received.

Final Recommendation: No proposed change

4. Revise scoring under the Greatest Need Tenant Targeting Selection Category

The three selection criteria that comprise this selection category are:
- Large Family Housing (previously named Household Targeting)
- Permanent Supportive Housing for High Priority Homeless
- People with Disabilities

Several streamlining and other clarifications were made to these three selection criteria.

First, within the Household Targeting criterion, the 2019 QAP continues to emphasize serving large families, and we recommend renaming the scoring category "Large Family Housing." The Single-Room Occupancy (SRO) Housing category has been eliminated, while the incentive to continue to serve households with incomes at or below 30 percent of the Multifamily Tax Subsidy Project (MTSP)[1] income limits continues to be emphasized in the Rental Assistance selection criteria under the Serves Lowest Income for Long Durations category.

Second, the Permanent Supportive Housing criterion has been updated to reflect two scoring objectives that are: to serve High Priority Homeless as identified by the Coordinated Entry System; and to serve homeless populations consistent with the Continuum of Care (CoC) Priorities. The High Priority Homeless populations include families with children or youth, including single youth and youth with families; and single adults. Applicants may be eligible for additional points if the High Priority Homeless populations who will be served also align with the local CoC priorities, which may reflect one or more of these same population categories.

Rental assistance points previously awarded in this criterion have been moved to the Serves Lowest Income for Long Durations category.

While the Permanent Supportive Housing criterion previously offered 100 bonus points to applicants, staff analysis concluded the bonus points had no measurable impact on the selection of permanent supportive housing developments. Careful evaluation of past scoring performance indicates that these developments perform strongly under the selection scoring framework without bonus points.

Third, we made several important clarifications to the People with Disabilities criterion, including asserting a preference for serving people with disabilities who are moving from segregated settings. We clarified that developments targeting units to people with disabilities should provide an integrated setting, which is defined as no more than 25 percent of units rented to people with disabilities. We also clarified how a development serving people with disabilities may also contain units that meet the requirements under the Permanent Supportive Housing for High Priority Homeless criterion, provided that the number of units is limited and the same unit is not counted under both criteria. Developments interested in serving a greater number of people from these target populations may do so, provided they adhere to one of the following:

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[1] MTSP income limits were developed to meet the requirements established by the Housing and Economic Recovery Act of 2008 (Public Law 110-289) that allows project rents to increase over time. The MTSP income limits are used to determine qualification levels as well as set maximum rental rates for projects funded with tax credits authorized under section 42 or the Internal Revenue Code.

- Serve both High Priority Homeless and People with Disabilities by selecting to serve 5 to 9.99 percent of High Priority Homeless (no fewer than four units) and serve either less than 10 percent, or between 10 to 14.99 percent of units for People with Disabilities, but the units served by both populations may not overlap for scoring purposes. This ensures that incentives are available to serve both types of tenants, and that those developments electing to serve People with Disabilities offer this population an integrated setting.
  OR
- Serve a higher percentage of either population – High Priority Homeless (up to 100 percent) or People with Disabilities (up to 25 percent).

Comments Summary (staff responses italicized):

- The agency received seven comments related to this selection category.
- Two comments related to the impact of reducing large family housing points from 10 to 5. One comment noted that this will have a negative impact on tax-exempt bond developments using 4% tax credits. One comment noted that low-income tribal families would be negatively impacted resulting in decreasing the competitiveness of tribal projects.

Final Recommendation: Proposed changes resulting from comments

- *Large Family Housing on the 4% HTC Self-scoring Worksheet will be changed from the proposed maximum allowable 5 points in the 2019 QAP to 10 points as set forth in the 2018 QAP. The scoring recalibration resulting from the proposed 2019 QAP changes did not account for 4% HTC projects, thus the points have been adjusted on the 4% Self-scoring Worksheet. The reduction in Large Family Housing points is offset for 9% HTC projects through the elimination of SRO points (previously 10 points), which accounts for the point difference for this scoring criteria between the 9% Self-scoring Worksheet (5 or 2 points) and the 4% Self-scoring Worksheet (10 or 5 points). This change is reflected on page 7 of the 9% Self-scoring Worksheet and page 7 of the 4% Self-scoring Worksheet.*

Final Recommendation: Other proposed changes

- *We recommend two clarifications to the 2019 QAP in the People with Disabilities criterion prior to adoption at the July board meeting. The first is a deletion of a notation disallowing developments from selecting any points under the People with Disabilities criterion if more than 25 percent of the units are intended to be set aside and rented to permanent supportive housing. The second is a clarification that any units for individuals with disabilities must be provided in an integrated setting. This change is reflected on page 10 of the 9% Self-scoring Worksheet and page 10 of the 4% Self-scoring Worksheet.*

Final Recommendation: No proposed changes

- One comment requested consideration to add a senior tenant priority.
  Minnesota Housing is committed to serving a range of demographic population needs, including low-income seniors, including through efforts such as the Senior Pilot, which is currently being evaluated. Statutorily, there are limitations on age-restricted housing for minimum thresholds applicable to 9% tax credits.

- One comment encouraged reexamination of requiring projects to commit to homeless units as a result of an experience with a service provider adjusting costs upward resulting in lower than anticipated cash flow during the closing process.

The service staffing requirements are a minimum for supportive housing. Minnesota Housing acknowledges that service funding can be difficult to secure and we encourage developers to spend more time planning the service portion of the development in the early stages. Minnesota Housing staff are available for technical assistance and consultation.

- One comment noted that the Continuum of Care (CoC) priorities can seem arbitrary, and some CoCs are forced to pick serving one population to the detriment of another, noting at times this can result in a conflict with other Minnesota Housing priorities. Elimination of the CoC Priority was recommended.
  Minnesota Housing acknowledges there is a need for supportive housing for all homeless populations in most communities within the state. With limited resources available, we provide local communities the opportunity to signal to developers their highest priority for supportive housing units to meet their goals of ending homelessness. The CoC uses local needs data to determine its priority.

5. Revise scoring under the Serves Lowest Income for Long Durations Selection Category.

The three selection criteria that comprise this selection category are:

- Serves Lowest Income
- Rental Assistance
- Long-Term Affordability (newly added in the 2019 QAP)

Several streamlining and other clarifications were made to these selection criteria.

The Serves Lowest Income criterion is revised to focus solely on rents affordable to tenants with incomes at or below 50 percent of the MTSP income limits. We further adjusted the criterion by requiring a 10-year commitment, when a 10-year commitment had previously been an option to get additional points.

- Two point thresholds are available:
  - 100 percent of HTC assisted units affordable at the 50 percent MTSP income limits
  - 50 percent of the HTC assisted units affordable at the 50 percent MTSP income limits

Points have been eliminated in this section for serving households with incomes at 30 percent of the MTSP income limits. This deeper targeting can still be achieved through a new incentive in the Rental Assistance selection criterion discussed below.

Rental assistance is critical for serving very low-income populations, and the 2019 QAP has made several important adjustments. First, all Rental Assistance points are consolidated into these scoring criteria. Previously they were co-mingled in other scoring criteria such as Permanent Supportive Housing for High Priority Homeless or People with Disabilities. Among the notable changes we made in the 2019 QAP are: (1) adding an additional tier to the category to incorporate projects with a smaller percentage of units with rental assistance; and (2) providing additional points for developments that target rental assistance to households with incomes at or below 30 percent of MTSP income limits. These changes are discussed in more detail below.

- We added a new point tier for developments that have rental assistance at 5 to 9.99 percent of total units with a minimum of four units. The revised scoring is as follows:
  A. 100 percent of the total units have rental assistance
  B. 51 percent to 99.99 percent of the total units have rental assistance

C. 20 percent to 50.99 percent of the total units have rental assistance
D. 10 percent to 19.99 percent of the total units have rental assistance
E. 5 percent to 9.99 percent of the total units have rental assistance

- If the rental assistance is committed for a period of 10 years, additional points will be awarded, which is the same as in the Amended 2018 QAP.

- Rental assistance that further restricts units to households with incomes at or below 30 percent of MTSP income limits is eligible for additional points as outlined below. To obtain points, the rental assistance must be committed for a period of 10 years.
  - 5 percent to 25 percent, but no fewer than four units
  - 25.1 percent to 50 percent of units
  - 50.1 percent to 100 percent of units

- Eliminated the points for Other Rental Assistance.

Comments Summary (staff responses italicized):

- The agency received seven comments related to this selection category.
- One comment expressed appreciation for the development of an additional tier (5 to 10 percent) of rental assistance noting this should facilitate encouraging more project-based Section 8 vouchers in more economically integrated communities.
- One comment recommended creating additional point tiers for smaller percentages pf rental assistance provided in a project, including adding points for a minimum number of units with rental assistance. It was also noted that for scoring purposes, rental assistance should be lesser of percent, or actual number of units.
- One comment recommended creating additional tiers for units with deeper income restrictions at 30 percent MTSP.

Final Recommendation: Proposed changes resulting from comments

- *The Rental Assistance criterion will be now include a new point tier for projects that have rental assistance for less than 5 percent of the total units, with a minimum of four units for 2 points. This change is reflected on page 13 of the 9% Self-scoring Worksheet and page 13on the 4% Self-scoring Worksheet.*

- *The Rental Assistance criterion will now include two new point tiers for projects that agree to further restrict units to households whose incomes do not exceed 30 percent of the MTSP income limit for a 10 year period. Two new point tiers are added for a total of five point tiers ranging from three to seven points. This change is reflected on page 14 of the 9% Self-scoring Worksheet and page 14 of the 4% Self-scoring Worksheet.*

Final Recommendation: No proposed changes

- Developers in the Twin Cities metropolitan area are not able to secure Rental Assistance points because the Metro HRA does not issue commitment letters prior to the RFP.
  Minnesota Housing acknowledges that there is not an opportunity for developments to secure a binding commitment for Metro HRA project-based Section 8 vouchers currently. We have initiated discussions as funding partners and are exploring this further.

- Two comments expressed dissatisfaction with the prohibition on claiming points for the same **units under the 'Serves Lowest Income' and 'Rental Assistance' criterion. One comment noted** that the Rental Assistance selection category scoring should prioritize maximum points for developments where 100 percent rental assistance is secured; a second comment noted that tribal projects frequently restrict 100 percent **of their units' rents while providing 100** percent rental assistance and should be able to claim maximum points under both criteria.

- *Minnesota Housing's pointing structure prioritizes incentivizing projects' more common ability to provide a portion of units with rent restrictions targeted at lower income tenants and incentivize a rental assistance commitment for a distinct number of units. There is a very slight point differential between providing 100 percent of the units at 50 percent HUD MTSP income limits (13 points) and providing 50 percent of the units at 50 percent HUD MTSP income limits with maximum rental assistance (15 points). The relatively rare exception projects that successfully attract 100 percent rental assistance continue to have an opportunity to point competitively.*

- Rental assistance units should not be restricted to households whose incomes do not exceed 30 percent of MTSP due to questions about the renewability of rental assistance among investors and as a result of additional reserve requirements put in place on these units during underwriting which creates larger deferred funding gaps.

- *Minnesota Housing acknowledges the difficulty in serving households with incomes that do not exceed 30 percent of MTSP, including additional investor underwriting overlays. As a result of comments, we added in an additional tier for a smaller percentage of rental units, breaking apart the previous tier of 5 to 25 percent into a 5-15 percent tier and a 15.1-25 percent tier. Rental assistance continues to be a key strategy in effectively serving the lowest income tenants, one of the Minnesota Housing selection categories. Effective with the 2019 QAP, we have included performance requirement relief provisions for the rental assistance selection criterion that apply when rental assistance is withdrawn or terminated under certain conditions and alternative assistance is unavailable.*

6. Revise the selection criteria for Location Efficiency in the Areas of Opportunity Selection Category. No changes are recommended for the other selection criteria under this priority: Economic Integration, Access to Higher Performing Schools and Workforce Housing Communities.

We made several modifications to the Location Efficiency selection criterion in an effort to streamline and enhance scoring clarity.

First, we better defined Greater Minnesota geographies for scoring purposes and aligned these definitions with Minnesota Department of Transportation (MnDOT) Transit Investment Plans. There are now two tiers of transit categories in Greater Minnesota:

- Urbanized areas with fixed route transit services. Defined by the U.S. Census as places with populations of 50,000 or more, MnDOT identifies areas in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato and St. Cloud as meeting the definition of fixed route transit. Within this category there are three tiers of points depending on how proximate the development is, ranging from ¼ mile to ½ mile of a fixed stop, or a ½ mile from an express bus stop or park and ride.

- Rural and small urban areas with access to route deviation service or dial-a-ride. Defined as places with populations of under 50,000, there are three tiers of points depending on the proximity of the development to a route designated or a deviated route stop or availability of dial-a-ride.

In the Twin Cities Metropolitan area we eliminated the Transit-Oriented Development criterion but moved the two points previously available under that category to the Access to Transit criterion.

We continue to score on walkability for both Twin Cities Metropolitan and Greater Minnesota communities in this section as well.

Comments Summary (staff responses italicized):

- The agency received four comments related to this selection category.
- One comment expressed appreciation for the updates made to the Location Efficiency criterion, particularly as it relates to clarifications made related to demand response and dial-a-ride services in rural and small urban areas.

Final Recommendation: No proposed change

- Two comments expressed concern with the use of the Walk Score. One comment expressed concern with the reliability of the website and concern that the Walk Score methodology is density-driven, which favors metropolitan locations.

With respect to the concern related to Walk Score favoring higher-density metropolitan areas, the Walk Score threshold was lowered from 70 to 50 in the two point tier, and a similar proportional reduction occurred in the one point range for Greater Minnesota communities.

With respect to the concern about reliability of Walk Score, Minnesota Housing has entered into a contract with Walk Score so that applicants who would like to request revisions of a location's Walk Score may contact Walk Score directly with details of the request to mhfa-request@walkscore.com, and Walk Score will, within 45 business days, make any necessary adjustments to scoring. To date, Walk Score has received two requests for review under this contract via Minnesota Housing's Walk Score email address. Both requests have resulted in an increase to the site's Walk Score, with a same day response provided by Walk Score. While Walk Score does have a general process to request review of a site, requests received through this general process are not expedited, so it is important to use the Minnesota Housing email address to expedite the request.

- One comment recommended that Transit-Oriented Development points continue to be awarded for developments that are awarded points from the Metropolitan Council, specifically noting advantages of projects that provide bus shelters on the property if located in high traffic routes.

With respect to the recommendation to provide points for Transit-Oriented Development, including adhering to the criteria the Metropolitan Council uses to award points, projects can continue to pursue those points independent of adding this as a pointing criterion as part of Minnesota Housing's QAP.

7. Revise three scoring criteria in the Supporting Community and Economic Development Selection Category: Planned Community Development, Minority-Owned/Women-Owned Business Enterprise, and Federal/Local/Philanthropic Contributions. There are no proposed changes for Rural/Tribal or Qualified Census Tract (QCT).

Staff proposes clarifying the Planned Community Development Strategic Priority Policy Threshold. The definition of Planned Community Development as it appears in the QAP, HTC Procedural Manual and Self-scoring Worksheet will be revised to better outline the documentation required and other key elements of the plan or initiative, including:

- Documentation about the Planned Community Development activity must include:
  - A list of various stakeholders and their roles
  - The milestones or steps completed, planned or underway, including key dates and stakeholders
  - Key investments, in-kind or other financial commitments that have been made, or pending, including dates
  - Affordable housing as a key strategy of the plan or initiative
  - The targeted geographic area

- The plan or initiative must be dated within seven years of the application date.

- The category no longer requires a letter of support from a local official.

Comments (staff responses italicized):

- The agency received six comments related to this selection category.

Final Recommendation: Proposed Changes

- One comment requested that the requirement for the plan to be developed or updated or amended within the past seven years be removed.
- Several comments noted that the Planned Community Development requirements are too stringent and too subjective.

With the proposed 2019 QAP changes, Minnesota Housing updated the documentation requirements for Planned Community Development to the five components outlined above in an effort to clarify what is required to meet this scoring criterion. As a result of the comments, we made two additional changes: first, we eliminated the requirement for the plan to be dated or amended within seven years of the application date based on the comments, and second, we added clarification that active implementation of Planned Community Development efforts is key to meeting this scoring criterion. These changes are reflected on page 19 of the 9% Self-scoring Worksheet and page 19 of the 4% Self-scoring Worksheet.

- One comment requested consideration of accepting Metropolitan Council plans.
- One comment requested consideration of Indian Housing Plans adopted by tribes or tribally designated housing entities pursuant to NAHASDA.

Applicants should submit backup documentation or plans such as those identified above as part of their supporting documentation. While a plan by itself is not sufficient evidence, as applicants must demonstrate active implementation of the plan, plans should be included and should reference page numbers demonstrating how the Planned Community Development documentation requirements are met.

Public Comments Summary: No proposed changes

- Two comments recommended allowing a letter of endorsement or support from the host community to satisfy this scoring criterion.

Section 42 of the IRS tax code sets forth preference requirements related to Planned Community Development, and specifically, concerted community revitalization plans. Requiring a letter of support from a community in order to meet the IRS preference requirement could unduly restrict the location of HTC projects and/or result in an adverse siting impact of such projects in areas that are not economically integrated.

We recommend changing the definition of a Minority-Owned/Women-Owned Business Enterprise to include non-profit entities that have an executive director who meets the criteria.

Comments (staff responses italicized):

- The agency received two comments related to this selection category.

Comments Summary (staff responses italicized): No Proposed Changes

- **We support Minnesota Housing's definition of MBE/WBE**, which includes tribes and tribally-designated housing entities.
- The eligibility for Minority-owned/Women-owned Business Enterprise (MBE/WBE) should be extended to include processing agents, architects, contractors and management companies.

Minnesota Housing defines an owner of a primary member of the development team as eligible for MBE/WBE points as part of the QAP. This includes the project sponsor, executive director of a non-profit, general contractor, architect or management agent.

Some clarifications to the Federal/Local/Philanthropic Contributions criterion have been made, and this criterion is moved to a newly-named Efficient Use of Scarce Resources and Leverage category. These changes are discussed further in the Efficient Use of Scarce Resources criterion section of this memo.

Comments Summary: There were no comments directly related to moving Federal/Local/Philanthropic Contributions to the Efficient Use of Scarce Resources and Leverage category.

8. Revise the Preservation Selection Criterion.

To be eligible for Preservation points, a development must demonstrate that it meets one of three risk of loss thresholds: market conversion, critical physical needs or ownership capacity. The requirement that the development be located in a Geographic Preservation Priority Area is being eliminated, and the following requirements and clarifications are added for two of these thresholds:

- Risk of loss due to market conversion. This risk of loss has been updated to require evidence from one or more of the following:
    - An appraisal commissioned by Minnesota Housing within one year of the application date
    - For properties with Section 8 contracts, a Rent Comparability Study acceptable to Minnesota Housing that meets HUD standards and which is completed within one year of the application date

  - A market study commissioned by Minnesota Housing and paid for by the developer and which is completed within one year of the application date

- Risk of loss due to ownership capacity/program commitment. Expanded acceptable circumstances include:
  - Properties acquired from an unrelated party within three years of the application date after being offered for sale on the open market after an opt-out notice for the Housing Assistance Payment (HAP) contract was provided
  - Properties acquired from an unrelated party within three years of application date as a result of a PARIF Right of First Refusal being exercised
  - When the current or previous owner intends or intended to allow a USDA Rural Development mortgage to mature and has turned down offers to re-amortize the mortgage, an application must occur within five years of the maturity date and within three years of acquisition by a new party

Projects that are federally assisted will now be awarded points only for the percentage of units that are assisted, rather than the absolute number of units that are assisted. This will prioritize projects with a greater percentage of assisted units and will result in a more efficient use of resources.

Comments (staff responses italicized):

- The agency received five comments related to this selection category.

Final Recommendation: No Proposed Changes

- The new QAP appears to require that developers get a Rent Comparability Study and market study prior to application. The Rent Comparison Study adds an expense and should be required after the application. The Preservation pre-application already requires a market study, and requiring a Minnesota Housing commissioned market study is problematic from an application timing standpoint and the practicality of Minnesota Housing ordering this is questionable.

  Projects may demonstrate that they meet the Risk of Loss Due to Market Conversion through one of three options, including either listed above or an appraisal option, which is required of all Minnesota Housing RFP applicants.

- Minnesota Housing advised that tribal projects with NAHASDA funding are not eligible to receive points under this category due to not having an expired contract for federal assistance in which 15 years or more have passed. With the proposed 2019 QAP changes, we would like to confirm that tribal projects with NAHASDA funded rental assistance/operating subsidies are now eligible for these points.

  NAHASDA has been eligible and continue to be eligible. NAHASDA funding is specifically referenced in the Self-scoring Worksheet under this selection category.

- The Preservation points are confusing. Based on how the language is written, an older Section 42 project at 60 percent AMI rents would not receive Preservation points. It does not seem like good public policy to discourage investment in these types of projects that keep existing housing options affordable and high quality.

We will continue to refine the selection category and welcome specific suggestions on streamlining and simplification. A project with expiring tax credits or which is in its extended use period qualifies for preservation points under Critical Affordable Units at Risk of Loss.

- Expiring tax credit developments should receive a higher priority. Many developments will have restrictions that expire in the next several years. Some of these developments have deeper affordability restrictions below the 60 percent level, and this deep affordability will be at risk. In addition, others are in strong, high income markets that could covert to market rate.

  Given limited resources, Minnesota Housing must prioritize projects to be preserved. We prioritize projects with rental assistance through HUD, RD and NAHASDA because those projects provide truly affordable housing for very low income households, and they leverage significant federal resources that would otherwise be lost.

- The eligibility added for properties being acquired from an unrelated party after opt-out notices have been delivered could create incentive for sellers to deliver opt-out notices prior to selling. This would be disruptive to tenants.

  Minnesota Housing recognizes that Preservation acquisitions do not always occur on a timeline in sync with the agency's funding cycle, so allowing properties to be eligible if acquired by a third party is an acknowledgement of that fact. Given that sellers are currently receiving multiple bids on Section 8 properties, we do not anticipate that this new eligibility will provide the seller with additional incentive to opt-out, which creates new obligations and additional requirements for them.

9. Rename the Efficient Use of Scarce Resources *and Leverage* Selection Category *(italics new)*. Provide greater clarity on the types of federal, local or philanthropic resources and how they are counted in t**his section's overall sco**ring. There are no proposed changes to Intermediary Costs or Cost Containment.

We value the contributions made by other funding partners, be they governmental or philanthropic. Combining all types of commitments into a newly-named scoring category, Financial Readiness to Proceed/Leverage, enhances scoring clarity and underscores the critical financial impact other funding partners have on the development. The criterion now includes Tax Increment Financing (TIF), Historic Tax Credits, deferred loans, below-market interest rate loans, grants and donations, and grants from non-profit organizations converted to deferred loans that meet other conditions.

We added a second scoring criterion, Other Contributions, to account for contributions that were previously counted in the Federal/Local/Philanthropic criterion that reduce development costs but are not reflected on the sources and uses budget, such as land donation, reservation land not subject to property taxes, or SAC/WAC fee waivers. The remaining sources were not moved, and previously scored elements from Federal/Local/Philanthropic Contributions have been consolidated, retained and integrated into this newly-named scoring category.

Comments (staff responses italicized):

- The agency received four comments related to this selection category.

Final Recommendation: No Proposed Changes

- Points should be awarded for deferred developer fee.

Deferred developer fee is listed as an eligible funding commitment that counts toward the Financial Readiness to Proceed/Leveraged Funds criteria, provided the applicant provides the required commitment documentation and evidence of repayment within 10 years by the projected cash flow.

- Does TIF (tax increment financing) count for Other Contribution points?

TIF is listed as an eligible funding commitment that counts toward the Financial Readiness to Proceed/Leveraged Funds criteria, provided the applicant provides satisfactory documentation that the contribution is committed to the development at the time of application and meets other requirements as outlined in the Self-scoring Worksheets.

- It is overly prescriptive to define the term of an eligible deferred loan and interest rate (AFR) eligible for consideration under the Financial Readiness to Proceed/Leverage scoring criterion.

Minnesota Housing defines the term and rate to set a standard that can be consistently applied for scoring purposes.

- Unfortunately the new combined Efficient Use of Scarce Resources and Leverage scoring category will put tribal projects at a disadvantage. The typical tribal LIHTC project will have two primary funding sources: a NAHASDA-funded deferred loan with a low interest rate and LIHTC equity. One hundred percent of funding sources will be secured, awarded or committed prior to application submission - much higher than the 70 percent required for full points in the Financial Readiness to Proceed category. Some tribal LIHTC projects will also have other contributions, including reservation land not subject to property taxes, reservation land with long-term low cost leases, and in a few cases impact fee waivers. Since Minnesota Housing separated the deferred loan from the other contributions, tribal projects will now be unable to maximize their points in both categories - despite meeting the true intent of both categories. We recommend that Minnesota Housing add monetary contributions from tribes or tribally designated housing entities to the list of 'Other Contributions' for which the Other Contribution points are available. This would be the simplest solution and would ensure tribal projects have a fair shot at the Other Contributions points.

Tribal projects are specifically eligible for many of the funding sources under the Other Contributions criterion that is part of the overall Efficient Use of Scarce Resources and Leverage selection category, and there is specific guidance on the treatment of reservation land not subject to loan property taxes and /or with long-term low cost leases. Any project receiving deferred loans from their local jurisdiction or tribe will have a lower Other Contributions score, which does not create a disparate impact on tribal developments.

- Points should be allocated in the Financial Readiness to Proceed/Leveraged Funds criterion for developments that minimize both the amount of deferred funding needed and number of tax credits needed.

Minnesota Housing is interested in exploring this idea further, including undertaking additional due diligence on whether this would have any unintended impacts on selecting HTC projects that meet our overall policy goals. We will undertake additional review and consideration of points for this as we develop the 2020 QAP and appreciate the request to consider this.

10. Public Comments Received Not Directly Related to the Changes Proposed In May

Final Recommendation: Proposed Changes

- The jobs threshold on economic integration restricts developers from pursuing sites in high income outer ring suburban areas, regardless of whether these areas have good schools, or good transit access. The agency should consider removing this threshold from economic integration. In the current competitive market where acquisition prices are high, this threshold makes it more difficult to meet the agency's policy goals around promoting affordable housing in high income areas.

  This point underscores the streamlining goal for 2019 whereby we made several changes to selection category criterion to clarify and de-couple multiple criteria that were previous embedded in one criterion to enhance scoring clarity. Examples include creating standalone rental assistance criterion, and consolidating leverage into the financial readiness to proceed criterion. Minnesota Housing has updated the Economic Integration Methodology by removing the jobs threshold, which is included in the board memo.

Final Recommendation: No proposed changes

Application Materials and Minnesota Housing Requirements

- The Self-scoring Worksheet is not a user-friendly approach to allocating affordable housing resources. This complicated approach to allocating resources to housing discourages new users from entering the field to help add to Minnesota's affordable housing pool. This approach favors incumbents, who have taken the time to understand the system over many years. On the whole, it discourages competition among developers and lessens the possibilities for new housing projects throughout the state. The Self-scoring Worksheet should not be used to allocate 4% tax credits.

  While the agency's approach is very similar to that of many other state allocating agencies, Minnesota Housing acknowledges that the QAP and SSW is a complex policy document that promotes and balances multiple competing priorities given the scarcity of resources. The agency does provide several tools to assist both new and incumbent developers, including training, individual technical assistance, and the Community Profiles tool that applicants may use to look up which of the locational priorities contained in the QAP the site meets. Minnesota Housing also recently began converting the Self-scoring Worksheet to a Microsoft Excel format to enable applicants to more easily perform calculations. To address concerns around complexity, staff worked to enhance readability for the 2019 QAP and implemented significant streamlining efforts focused on ensuring scoring criteria of a similar nature are grouped together along with improving definitions. Minnesota Housing recently amended the QAP to ensure that 4% tax credit allocations, which are allocated with increasingly scarce tax- exempt Private Activity Bonds, are awarded to projects that meet the highest priority affordable rental housing needs in the state of Minnesota. The Self-scoring Worksheet provides necessary scoring guidance to award both 9% and 4% tax credit projects, though the 9% tax credit allocations continue to be awarded to the highest ranking feasible projects, while 4% tax credit projects are required to meet a minimum point threshold of 40 points.

- Look for opportunities to streamline documentation requirements through certification processes rather than requiring engineer drawings or other significant documentation. Continue to use the 8609 application submission items based on the Placed in Service date, instead of requiring the full level of Green Communities standards with application submittals, which drives costs up unnecessarily.

Minnesota Housing seeks to balance the administration of scarce resources, such as tax credits, with appropriate policy directives including sustainable building and design standards. It is more effective to conduct this review prior to project construction to enable modifications or corrections, if necessary, prior to construction.

- The predevelopment costs associated with submitting a Minnesota Housing application are getting very expensive, particularly for smaller projects that do not have a large Total Development Cost. Minnesota **Housing's intermediary fees contribute to the overall costs and expense increases –** while the fees independently are modest, the combined costs associated with the application fee, appraisal fee, inspection fees and first year compliance fees can be significant.

Minnesota Housing is conscious of additional costs associated with tax credit developments. We have negotiated a flat summary appraisal fee in an effort to contain costs. The HTC application fee, inspection fee and compliance fees are prudent and comparable per industry standards.

- The cash limit on the developer fee at closing is unreasonable. It should be left to the discretion of the HTC investor

For developments without a soft cost contingency, the developer fee is the only source of funding if additional sources are needed; as such, this is a prudent Minnesota Housing requirement.

The state has a number of resources that guide the development of a tax credit application including the RFP Guide, Help Text Guide, DLPC/HTC Help Guide, the language on the SSW regarding required submissions, and Help Text for the Portal. To ensure that developers are following all underwriting and application submittal procedures, and to make the application process more manageable, we would suggest that the state consolidate the information on submission requirements into fewer documents.

Minnesota Housing acknowledges that we use different tools to manage a variety of program and submission requirements for the different sources of funding available through the Consolidated RFP. The addition of the electronic submission process through the Portal this year added another layer of resources needed to support a successful application submission. We will evaluate opportunities to consolidate guidance material for the 2020 QAP/2018 RFP.

There were two comments about concerns regarding required upfront costs prior to funding determinations. As one step toward reducing early-stage proposal costs, we recommend that appraisals be accepted for multiple years in stable or strengthening markets where no major changes are planned in proximity to the project's location.

Minnesota Housing will evaluate our appraisal requirements further in advance of the 2018 RFP.

Release proposed changes either before or after the RFP application deadline.

Minnesota Housing strives to remain responsive to the development community and provide sufficient time to comment on proposed QAP changes. We anticipate an earlier public engagement process for 2020.

Tax-Exempt Bonds and 4% Housing Tax Credits

- Bonds and 4% tax credit should be allocated to the following priorities: 1. Projects that preserve existing federally subsidized housing or projects with permanent supportive housing; 2. Projects where at least 80 percent of the units are affordable, including senior housing, with rents at or below 60 percent AMI that certify to utilize low-income housing tax credits and where the issuer agrees to issue an amount of bonds at or below 55 percent of the reasonable expected eligible basis, as determined by the user; 3. All other eligible multifamily applicants utilizing low-income housing tax credits; 4. Single-family, including those for Issuers (cities, counties or consortiums) seeking bonds for single-family for issuance by Minnesota Housing; 5. All other eligible multifamily applicants not utilizing low-income housing tax credits.

- As was raised in earlier comments, by placing a relatively high bar for award of 4% tax credits connected to private activity bond financing, some projects will not move forward and Minnesota will forego leveraging these federal tax credit resources. The agency should consider a schedule where high ranking and scoring 4% projects have first access, then, after a period of months, lower scoring projects can access the 4% credits.

- Minnesota Housing's approach to bonds is overly restrictive and puts communities outside of Minneapolis, St. Paul and Dakota County at a disadvantage if they want to pursue affordable housing strategies not mandated by Minnesota Housing. For communities outside of this geography, Minnesota Housing had made it too hard to access affordable housing resources - the result is these communities build housing without Minnesota Housing or less housing gets built in these areas.

  With the increased demand for Private Activity Bonds for affordable housing since May 2016, Minnesota Housing solicited public comment with the 2018 QAP amendment process. We continue to stress the importance of ensuring that 4% housing tax credits are awarded to projects that meet the highest priority affordable rental housing needs in the state of Minnesota. We are committed to managing tax-exempt bonds prudently and transparently, as approved by Minnesota Housing's board in February 2019. The requirement that the local jurisdiction allocate bonding authority for developments in self-issuer jurisdictions helps preserve and prioritize available tax-exempt bonding authority in a time of scarcity.

Permanent Supportive Housing for Households Experiencing Homelessness

- The push for more units that address homelessness and more units set aside for families with lower incomes at lower rents are clearly two important priorities. The result of both of these priorities will be that more tax credits will be used per unit of housing produced - this is one of the criticisms the Frontline expose leveled at the tax credit industry. It is important to keep in mind that the tax credit was never designed to provide deeply affordable units - it was designed to produce moderate rate housing. It is also helpful to remember that over half of the families who occupy tax credit housing pay over 30 percent of their income for rent. If deeply affordable units and ending homelessness are going to be top priorities, then Minnesota Housing should figure out how to provide more rental assistance - this will truly help address these problems.

  Section 42 of the IRS code requires that the QAP give preference to projects serving residents with the lowest income; serving income-eligible residents for the longest period of time; and located in qualified census tracts (QCTs) or difficult development areas (DDAs) as long as the project contributes to a concerted community revitalization plan. Minnesota Housing's QAP strikes an appropriate balance that strives to serve the lowest income renters, provide permanent supportive housing for High Priority Homeless households prioritized through the Coordinated Entry System as well as serving people with disabilities and large families. A key streamlining improvement effort for 2019 involved consolidating the rental assistance scoring in one category, and providing more opportunities to point in that category for serving a wide range of units – from as few as four units – to significantly more units with rental assistance.

We continue to work actively with funding partners such as the Metro HRA and others to coordinate on rental assistance opportunities, and agree that this is a critical resource in providing affordability for low-income renters in Minnesota.

- Service funding for long-term homeless is difficult to secure. Can Minnesota Housing and the Department of Health and Human Services coordinate better and focus on supporting the units that are funded. Do long-term homeless (effective for 2019, High Priority Homeless) points prohibit affordable housing development in areas that lack service funding?

Minnesota Housing acknowledges that service funding for supportive housing can be difficult to secure. On the application we look for a viable plan with at least a portion of the funding secured, but focus on this more after selection. We do coordinate with DHS to align funding for services from multiple programs, including Housing with Supports for Adults with Serious Mental Illness (HSASMI), Group Residential Housing (GRH) supplemental service rate, Homeless Youth Act, and the Long-term Homeless (LTH) Supportive Services Grant Fund. We have also been working with DHS to secure two new Medicaid benefits for Housing Transition Services and Housing Tenancy Supports. We are not aware of High Priority Homeless points prohibiting affordable housing development due to lack of service funding.

- There is a need for improved communication back to the Continuum of Care (CoC) about outcomes and reasons for non-selected projects.

Minnesota Housing routinely communicates selection information to the CoC coordinators and can provide more specific information about why a project was not selected to a CoC on request.

<u>Economic Integration and Access to High Performing School</u>

- The state should maintain its economic integration census tracts for at least two years to allow developers to complete the necessary approvals.

  The data are based on a five year sample for which four of the five years of the sample are consistent from the prior year. The tracts may shift annually, but typically any change is very modest as a result of the use of a five year sample data.

- Basing seven to nine points on census tract data for the economic integration criterion is too granular. It leads to situations where one site could score, **but a site across the street wouldn't. These points should be** based on city limits.

  The economic integration priority addresses the issue of poverty and access to opportunity. Cities are too large of a geographic area; analysis of poverty is better conducted at a neighborhood level and census tracts are the best data-based geographic tool used to approximate a neighborhood geography. The Department of Housing and Urban Development (HUD) identified Racially and Ethnically Concentrated Areas of Poverty (R/ECAPS), and uses census tracts to define these. Census tract level data is the research-based standard.

- Awarding points to first and second tier census tracts under Economic Integration seems to penalize lower income areas. There has to be a better way to award points in this category. Awarding points to locations with access to higher performing schools is unfair, and borders on redlining. Often the areas with lower performing schools are lower-income areas. Are those not the populations with potentially the greatest need for affordable housing options?

The Fair Housing Act directs us to affirmatively further the goals of promoting fair housing and equal opportunity. HUD published its final rule on affirmatively furthering fair housing in July of 2015, including a fair housing planning framework that addresses disparities in access to opportunity related to education, employment, transportation, and access to low poverty neighborhoods. The QAP promotes fair housing choice and equal opportunity by balancing goals to provide access to opportunities and investing in areas to improve economic and educational outcomes in disinvested communities.

Rural/Tribal

Points for the Rural/Tribal scoring criterion should be increased from 10 to 13 given that projects in more urban areas are eligible to receive 13 points under Economic Integration and Access to Higher Performing Schools.

Much of the area in Duluth, St. Cloud, Rochester, and the seven-county Twin Cities Metro area is not eligible for any or all of the points under Economic Integration or Access to Higher Performing Schools, while every project located in the Rural/Tribal areas is eligible for the 10 Rural/Tribal Points. Because these points are guaranteed for every project in Rural/Tribal areas, increasing the points available may make it difficult for Greater Minnesota projects in Duluth, St. Cloud and Rochester, to compete with projects in the Rural/Tribal areas.

Cost Containment

We strongly encourage the cost containment methodology to be restructured to assess projects based on eligible bases per square foot. The current proposed 2019 QAP cost containment methodology is based on TDC per unit. While we appreciate the adjustments in place for large family homes and tribal projects, these adjustments do not always account for the unique cost factors on tribal lands (remote locations, government procurement policies, cost to construct off the reservation). The most equitable measure for Minnesota Housing to implement would be to assess projects on eligible basis per square foot and then include the 15 percent upward adjustment for tribal projects to account for the inherently higher cost to construct.

Our current methodology for assessing costs is based on cost per unit, but also includes an adjustment for unit size. While some costs increase with square footage, other costs are fixed per unit. As a result, our approach of assessing costs on a per unit basis with a unit-size adjustment has worked well.

Some of Minnesota Housing's policy priorities work against cost containment efforts. Specific examples include: four-bedroom units for larger families, preserving federally-assisted developments, and emphasizing development in transit-oriented development areas, all of which can increase project costs. Minnesota Housing should continue to be aware of these factors when establishing policy priorities.

Minnesota Housing purposely points the other priorities at or above point levels for cost containment to ensure that these other policy priorities are not sacrificed in the name of cost containment. We want them to pursue these and other policy priorities outlined in the QAP at the lowest cost possible.

Sustainable Building Efforts

Award points to properties that commit to higher levels of achievement through sustainable building certification.

Minnesota Housing continues to review our sustainability standards and strives to balance efforts to achieve higher standards with overall cost feasibility.

Add points to encourage performance-based energy savings in rehabilitation projects that seek an allocation of tax credits.

Applicants can choose between a performance-based energy efficiency process or a prescriptive process. Through our prescriptive method in our MN Overlay for moderate rehabilitation, we have a smart, practical, step-by-step energy efficiency upgrade process, which complements a moderate rehabilitation scope of work. We do have testing during construction in this method, so it is already performance-based.

Adopt 2015 Enterprise Green Communities Criteria 8.5 Project Data Collection and Monitoring System: 100 percent Owner-Paid Utility Accounts; 15 percent Tenant-Paid Utility Accounts as mandatory.

Minnesota Housing has adopted the 2015 Enterprise Green Communities Criteria, as amended through the 2016 Minnesota Overlay, for applications under the 2019 QAP. These will also apply for the 2019 QAP unless a more current version is adopted or the Overlay is amended. We have carefully reviewed the associated data collection and monitoring benefits and obligations with this criterion and have determined at this time to omit this through the Minnesota Overlay currently in effect.

Explore opportunities to promote project-specific utility allowances to incentivize energy and water efficiency investments.

These types of efforts have post-construction implementation requirements involving tracking and verification, which would require significant implementation steps. We are not currently able to support this and any such effort would benefit from a pilot phase to better determine how points could objectively and consistently be awarded.

Other

Smaller 8-12 unit developments are not being funded.

Minnesota Housing acknowledges that smaller developments are not particularly suitable for tax credits and often generate low syndicator interest. We administer the Rental Rehabilitation Deferred Loan (RRDL) Program which provides financing for smaller, naturally affordable and subsidized multifamily rental units in Greater Minnesota.

The Rental Rehabilitation Deferred Loan (RRDL) Program is too cumbersome to use.

A RRDL program evaluation will occur in 2017 to determine if program or process enhancements are feasible.

11. Other Revisions to the QAP and Self-scoring Worksheets as shown to enhance readability. These revisions address various administrative checks for formatting, spelling, text and instruction corrections and clarifications within the QAP, Program Procedural Manual, Self-scoring Worksheet and other 2019 HTC related documents.

2019 Housing Tax Credit Self-Scoring Worksheet

9% Housing Tax Credits

Updated May 2017

Development Name: _____

Development Number (D Number): _____

Application Number (M Number): _____

Development Location: _____

Development City: _____

Instructions

Strategic Priority Policy Threshold:

A. All projects, must meet at least one of the Strategic Priority Policy Thresholds defined in Article 9 of the State of Minnesota Housing Tax Credit Qualified Allocation Plan (QAP) in order to apply for Housing Tax Credits (HTC).

Minimum Point Requirements:

A. Request for Minnesota Housing Finance Agency (Minnesota Housing) administered tax credits from the state's tax credit volume cap must demonstrate the project is eligible for not fewer than 70 points, excluding projects funded through the Rural Development/Small Projects Set-Aside.

B. Minnesota Housing reserves the right to reject applications not meeting its Project Selection requirements as contained in the HTC Program Procedural Manual, to revise proposal features, and associated scoring, and to ensure the project meets the requirements.

Documentation of Points:

A. Indicate the scoring criteria expected for your project. Where multiple points per section are available, please check the appropriate box (☐) for points claimed. In addition to the self-scoring worksheet the applicant must submit a separate detail sheet and documentation that clearly supports the points claimed. Minnesota Housing will determine the eligible points; points will not be awarded unless documentation is provided along with the application to justify the points claimed.

Extended Duration:

A. Request for Minnesota Housing Finance Agency (Minnesota Housing) administered tax credits from the state's tax credit volume cap must maintain the duration of low-income use for a minimum of 30 years. The owner agrees that the provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a qualified contract for the acquisition of the project) do not apply to the project, and the owner also agrees the Section 42 income and rental restrictions must apply for a period of 30 years beginning with the first day of the compliance period in which the building is a part of a qualified low-income housing project.

Design Standards:

A. The project must meet the requirements in the Minnesota Housing Rental Housing Design/Construction Standards and be evidenced by a Design Standards Certification form executed by the owner and architect. Additional design requirements will be imposed if Large Family Housing points are claimed/awarded or points are claimed/awarded that require specific design elements (e.g. Universal Design).

A Declaration of Land Use Restrictive Covenants:

A. Covering the rent restrictions and occupancy requirements presented at selection must be recorded against the property.

Affirmative Fair Housing:

A. Affirmative Fair Housing Marketing Regulations, held as centrally important by Minnesota Housing, require that each applicant carry out an affirmative marketing program to attract prospective buyers or tenants of all majority and minority groups in the housing market area regardless of race, creed, color, religion, sex, national origin, marital status, status with regard to public assistance, disability, sexual orientation, or familial status. At the time of 8609, all applicants must submit an Affirmative Fair Housing Marketing Plan documenting an acceptable plan to carry out an affirmative marketing program.

Round 1 – Minimum Threshold Requirements

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

A. In the Metropolitan Area:

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

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

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

B. Outside the Metropolitan Area:

1. ☐ Projects which meet a locally identified housing need and which are in short supply in the local housing market as evidenced by credible data such as a local council resolution submitted with the application. (For Threshold Letter – Sample Format, see the HTC Application Reference Materials section located on the Tax Credit page of Minnesota Housing's website.)

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

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

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

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

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

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

D. Preserve Existing Subsidized Housing

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

E. Rural Development:

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

Strategic Priority Thresholds

To be eligible for tax credits from the state's volume cap under Minnesota Housing's QAP, and to be eligible for deferred funding a developer must demonstrate that the project meets at least one of the following priorities.
Select all that apply.

A. Access to Fixed Transit:

1. ☐ Projects within one-half mile of a planned or existing LRT, BRT or commuter rail station.

B. Greater Minnesota Workforce Housing:

1. ☐ Projects in Greater Minnesota documenting all three of the following:
   a. Need: Projects in communities with low vacancy (typically considered 4 percent and below, documented by a market study or other third party data) and:
      i. That have experienced net job growth of 100 or more jobs,
      ii. With 15 percent or more of the workforce commuting 30 or more miles to work, or
      iii.. With planned job expansion documented by a local employer
   b. Employer Support
   c. Cooperatively Developed Plan: Projects that are consistent with a community-supported plan that addresses workforce housing needs.

C. Economic Integration:

1. ☐ Projects located in higher income communities (outside of rural/tribal designated areas) with access to low and moderate wage jobs, meeting either First or Second Tier Community Economic Integration as defined in the Areas of Opportunity category. This strategic priority must be selected to activate the Economic Integration criterion (Excel).

D. Tribal:

1. ☐ Projects sponsored by tribal governments, tribally designated housing entities or tribal corporate entities.

E. Planned Community Development:

1. ☐ Projects that contribute to active implementation of Planned Community Development efforts, as defined in the Planned Community Development selection criterion to address locally identified needs and priorities in which local stakeholders are actively engaged. This strategic priority must be selected to activate the Planned Community Development selection criterion (Excel).

F. Preservation:

1. ☐ Projects that preserve existing federally assisted housing or other critical affordable housing projects must be eligible under the Preservation selection criterion. This strategic priority must be selected to activate the Preservation selection criterion (Excel).

G. Supportive Housing:

1. ☐ Projects that will serve people with disabilities or High Priority Homeless (HPH) households must be eligible under the Permanent Supportive Housing for High Priority Homeless selection criterion or the People with Disabilities selection criterion. This strategic priority must be selected to activate the High Priority Homeless or People with Disabilities selection criteria Excel).

2019 HOUSING TAX CREDIT SELECTION CRITERIA
1. Greatest Need Tenant Targeting (2 to 39 points)

A. Large Family Housing (5 to 7 points):

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

a. ☐ At least 75% of the total assisted[1] units contain two or more bedrooms. (5 points)
Enter Number of Units
2 Bedrooms
3 Bedrooms
4 Bedrooms

b. ☐ For Greater Minnesota proposals if eligible ~~for points~~ under 1. a. above, at least one-third of the 75% contain three or more bedrooms. (2 points)
Enter Number of Units
3 Bedrooms
4 Bedrooms

B. Permanent Supportive Housing for High Priority Homeless[2] (7 to 22 points):

1. A minimum of 5% (rounded up to the next full unit) of the total units, but no fewer than four units are set aside and rented to High Priority Homeless who are households prioritized for permanent supportive housing by the Coordinated Entry System[3] (HPH units). Select one and complete the unit count below:

a. ☐ 50% to 100%, but no fewer than 20 units (20 points)
Representing ______ number of units

b. ☐ 10% to 49.99%, but no fewer than 7 units (10 points)
Representing ______ number of units

c. ☐ 5% to 9.99%, but no fewer than 4 units (7 points)
Representing ______ number of units

High Priority Homeless: Representing ______ number of units ~~Total Units~~
Families with Children: Representing ______ number of units ~~Total Units~~

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[1] Assisted is defined as tax credit units for HTC applications and affordable units for deferred funding.
[2] Specific performance requirement relief provisions are available for projects eligible for the Permanent Supportive Housing **High Priority Homeless category selection criterion for "Homeless Units".** Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents recorded with the property.
[3] Coordinated Entry System is defined by the Statewide Coordinated Entry standards and protocol as adopted by the local Continuum of Care, or such successor system as determined by Minnesota Housing.

Youth Total: Representing ______ number of units ~~______ Total Units~~
Youth with Children: Representing ______ number of units ~~______ Total Units~~
Youth Singles: Representing ______ number of units ~~______ Total Units~~
Single Adults: Representing ______ number of units ~~______ Total Units~~

2. Proposals that serve High Priority Homeless in B. 1 above are eligible for this selection criterion if units will be available for populations consistent with local needs identified by the local Continuum of Care. (Published Priorities are available on Minnesota Housing's website at: [insert link])

a. ☐ 5% of units (rounded up to the next full unit) or more, but no fewer than four units, targeted to Continuum of Care Household Type Priority One (2 points)
Representing ______ number of units ~~Total Units:~~ ______
Priority Type: ______
(Families with children, youth singles, youth with children or single adults)

EXCEL HELP TEXT:
Select Supportive Housing under Strategic Priority Threshold to enable checkboxes for Permanent Supportive Housing for High Priority Homeless.

NOTE:
Permanent Supportive Housing for High Priority Homeless (B.) and People with Disabilities (C.) selection criteria cannot be claimed for the same units.

To be eligible for Permanent Supportive Housing for High Priority Homeless (HPH), the proposal must meet *all* of the following conditions:

1. The applicant must complete and submit the Supportive Housing application materials, including the narratives, forms and submittals identified in the Multifamily Rental Housing Request for Proposal Guide and the Multifamily Rental Housing Common Application Checklist
2. The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available
3. Supportive Housing Threshold Criteria:
   a. Supportive Services: On-site service coordination and tenant engagement must be made available to all supportive housing residents. The level and type of services offered should be appropriate for the needs of the target population, with a minimum of tenant service coordination averaging two hours per household per week.
   b. Experienced service provider with demonstrated outcomes:
      i. At a minimum, the service provider has experience providing services to a similar population to maintain housing over a period of time, and has sufficient capacity to deliver the services proposed.
   c. Service funding commitments: At a minimum, a portion of service funding is secured ~~for two years~~ with a viable plan for securing the remaining resources, as approved by Minnesota Housing. Evidence must be provided in the application narrative and commitment letters or other documentation.
      i. Developments with 5% to 9.99% HPH units must have secured at least 75% of service funding

ii. Developments with 10% to 49.99% HPH units must have secured at least 20% of service funding
iii. Developments with 50% to 100% HPH units must have secured at least 5% of service funding

d. Coordinated Entry and serving highest need households: The property owner must agree to accept high priority households for the HPH supportive housing units through Coordinated Entry.

A proposal that claims points from this category and is selected to receive tax credits will be required to comply with the reporting requirements for Permanent Supportive Housing for High Priority Homeless, as defined by Minnesota Housing. The Tax Credit Declaration of Land Use Restrictive Covenants, including a specific Rider to the Declaration and Minnesota Housing Loan documents) will contain performance requirements related to these permanent supportive housing units for High Priority Homeless and will be recorded with the property.

C. People with Disabilities (7 to 10 points):

1. Select the number of units set aside for people with disabilities:

- ☐ 15% to 25% of units (10 points)
  Representing ________ number of units

- ☐ 10% to 14.99% of units (9 points)
  Representing ________ number of units

- ☐ 5% to 9.99%, but no fewer than four units (7 points)
  Representing ________ number of units

Permanent housing proposals that are not restricted to persons of a particular age group ~~and in which, for the term of the extended use period (Declaration of Land Use Restrictive Covenants~~), a percentage of the units are set aside and rented to persons with any of the following disabilities[4]:

i. A serious and persistent mental illness as defined in Minn. Stat. § 245.462, subdivision 20, paragraph (c)
ii. A developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended
iii. Assessed as drug dependent as defined in Minn. Stat. § 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minn. Stat. § 254A.02, Subdivision 2

[4] Specific performance requirement relief provisions are available for projects ~~receiving points/claiming under~~ that meet the **People with Disabilities selection category of the People with Disabilities Selection Criterion for "PDSC Units."** Reference Section 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and recorded with the property.

iv. A brain injury as defined in Minn. Stat. § 256B.093, Subdivision 4, paragraph (a)

v. Permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules Chapter 1341

EXCEL HELP TEXT: Select Supportive Housing under Strategic Priority Threshold to enable checkboxes for People with Disabilities.

NOTE: Permanent Supportive Housing for High Priority Homeless (B.) and People with Disabilities (C.) selection criteria may not be claimed for the same units. ~~People with Disabilities criterion may not be claimed for a development where more than 25% of the units are targeted for permanent supportive housing.~~

To be eligible under People with Disabilities, the proposal must meet all of the following conditions:

1. The applicant must submit the ~~Supportive Housing~~ People with Disabilities narratives and any other forms and submittals identified in the Multifamily Rental Housing Common Application Request for Proposal Guide and the Multifamily Rental Housing Common Application Checklist.
2. The applicant must complete the required People with Disabilities Narrative and provide a signed Service Agreement.
    a. People with Disabilities Narrative: Complete the required narrative that demonstrates the applicant meets the following threshold criteria including: the target population of people with disabilities; the income limit restrictions for the units to households with incomes at or below 30% Multifamily Tax Subsidy Project (MTSP)income limits; rent levels; outreach efforts; referral processes; verification of applicant disability; types of services provided to tenants; how the service entity communicates with property management; and plans for crisis intervention, eviction prevention and lease mitigation.
    b. Signed service agreement: Applicants can either complete the signature page (must be completed by both parties) attached to the People with Disabilities Narrative, or submit a separate signed service agreement.
3. The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available.
4. The application must meet the following threshold criteria:
    a. Target population: The target population(s) of people with disabilities must be clearly defined in the narrative (e.g., mental illness, developmental disability, physical disability).
    b. Units are restricted to households with incomes at or below 30% MTSP income limits.
    c. Rent levels must be underwritten to the Supportive Housing Units underwriting standards outlined in the Multifamily Underwriting Standards if no rent assistance is available.
    d. Service Agreement: The property owner must have an agreement with the county or tribal human services office OR a designated service provider specifying:
        i. How they will provide outreach to the target population
        ii. How eligible applicants will be referred to the property management agent
        iii. That verification of applicant disability will be provided to the owner
        iv. The types of services appropriate to the population that will be made available with the goal of housing stability
        v. How services will be provided to tenants
        vi. How the service entity will communicate and coordinate with property management
        vii. Plans for crisis intervention, eviction prevention and lease mitigation
    e. Units for individuals with disabilities must be provided in an integrated setting.

2. Serves Lowest Income for Long Durations (~~3 to 46~~ 2 to 49 points)

A. Serves Lowest Income Tenants/Rent Reduction (8 to 13 points):

1. Eligibility is based on gross rent level, including utilities before rental assistance. Eligible units must have rents affordable to households whose incomes do not exceed 50% of MTSP income limits as published by HUD without rental assistance for a period of 10 years.

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

This selection will restrict rents only (tenant incomes will not be restricted to the 50% or 30% income level by claiming points in this section).

a. ☐ 100% of the ~~HTC~~ restricted unit rents representing _______ units affordable to households with incomes at the county 50% HUD MTSP income limit (13 points)

b. ☐ At least 50% of the ~~HTC~~ restricted unit rents representing _______ units affordable to households with incomes at the county 50% HUD MTSP income limit (8 points)

NOTE: Serves Lowest Income and Rental Assistance selection criteria cannot be claimed for the same units.

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

IMPORTANT

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

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

B. Rental Assistance (~~3 to 26~~ 2 to 26 points):

1. Priority is given to an owner who submits with the application a fully executed binding commitment (i.e., binding Resolution/binding Letter of Approval from the governing body) for project-based rental assistance awarded in accordance with 24 CFR Ch. IX, Section 983.51 or-which is effectively project-based by written contract. For the purposes of this ~~scoring~~ category, project-based rental assistance is defined as a project-specific funding stream that supports the operations of the property, reduces the tenant rent burden, and provides for the tenant paid portion of rent to be no greater than 30% of household income.

- New or transferred federal rental assistance contracts that were executed within the past 15 years are eligible. This includes transfers of existing Section 8 contracts under the 8bb notice to new construction projects or existing developments that currently have no Existing Federal Assistance.
- Site-based Group Residential Housing and awards of project-based McKinney Vento Continuum of Care funding, will be considered project-based rental assistance.
- Privately funded rental assistance must demonstrate a commitment of a minimum of four years. Documentation must also contain language regarding the possibility of future renewals.
- A current request for Minnesota Housing Rental Assistance is not eligible to claim this category. ~~will not receive Rental Assistance points.~~ A past award of existing Rental Assistance will be counted toward meeting the required percentages.

For developments that agree to set aside units and have the required binding commitment for the associated percentage of units with project based rental assistance units as follows. Select one option from a.-e. and, if applicable, select f.

a. ☐ 100% of the total units for project-based rental assistance (15 points)
Representing ________ units

b. ☐ Between 51.1% to 99.9% of the total units (12 points)
Representing ________ units

c. ☐ 20.1% but under to 51% of the total units (9 points)
Representing ________ units

d. ☐ 10.1% to 20% of the total units, with a minimum of four units (6 points)
Representing ________ units

e. ☐ 5% to 10% of the total units, with a minimum of four units (3 points)
Representing ________ units

f. ☐ Less than 5% of units, but no fewer than 4 units, with a minimum of four units (2 points)
Representing ________ units

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g. ☐ For selection components ~~a-e~~ a-f above, if, in addition, the development agrees to provide the project-based rental assistance for a minimum 10 years. The owner must continue renewals of existing project-based housing subsidy payment contract(s).

Applicant agrees that rents will remain at affordable at 50% MTSP income limits for a 10 year period if the rental assistance is not available for the full period. (4 points)

2. Projects that have rental assistance (as described above), that agree to further restrict units to households whose incomes do not exceed 30% of MTSP income limit for a 10 year period. Rental Assistance Commitment documentation should indicate that deeper income restrictions on project based units is allowable[5]Select one:

   a. ☐ ~~5% to 25%~~ 5% to 15%, but no fewer than four units (3 points)
   Representing _______ number of units

   b. ☐ 15.1% to 25% of units (4 points)
   Representing _______ units

   c. ☐ 25.1% to 50% of units (5 points)
   Representing _______ units

   d. ☐ ~~50.1 % to 100%~~ 50.1% to 75% of units (~~7 points~~ 6 points)
   Representing _______ units

   e. ☐ 75.1% to 10% of units (7 points)
   Representing _______ units

NOTE: Rental Assistance and Serves Lowest-Income Tenants/Rent Reduction selection criteria cannot be claimed for the same units.

NOTE: Rental Assistance selection criterion cannot be claimed if the development qualifies for or is claiming Existing Federal Assistance under the Preservation criterion. Rental assistance under the Rental Assistance Demonstration Program (components I or II) or the Public Housing Program are also not eligible.

To claim the criterion, the applicant must comply with all program requirements for the assistance at application, including maintaining rents within the appropriate payment standard for the project area in which the project is located for the full compliance and extended use period of the housing tax credits.

[5] Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion **for Further restricted Rental Assisted units "FRRA Units."** Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents and recorded with the property.

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

C. Long Term Affordability (~~3 to 7~~ 9 to 10 points):

Application for 9% Tax Credits

1. The owner agrees that the provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a qualified contract for the acquisition of the project) do not apply to the project, and the owner also agrees the Section 42 income and rental restrictions must apply for the period indicated below beginning with the first day of the compliance period in which the building is a part of a qualified low-income housing project. Select one:

   a. ☐ Extend the long-term affordability of the project and maintain the duration of low-income use for a minimum of 40 years. (~~7 points~~ 10 points)

   b. ☐ Extend the long-term affordability of the project and maintain the duration of low-income use for a minimum of 35 years. (~~3 points~~ 9 points)

3. Areas of Opportunity (1 to 28 points)

A. Economic Integration (2 to 9 points):

1. Projects that meet the requirements under economic integration include (select one):

   a. ☐ Provides the project economic integration by providing at least 25% but not greater than 80% of the total units representing ________ of units in the project as qualified HTC assisted low-income units (does not include full-time manager or other common space units) (2 points)

   b. Promotes economic integration for projects that are located in higher income communities that are ~~close to jobs~~ outside of Rural/Tribal Designated Areas. First and second tier economic integration areas are outside of racially and ethnically concentrated areas of poverty.

      i. ☐ First Tier - The proposed housing is located in a first tier census tract (9 points)

      ii. ☐ Second Tier - The proposed housing is located in a second tier census tract (7 points)

EXCEL HELP TEXT:
Select Economic Integration under Strategic Priority Threshold to enable the checkboxes for First and Second Tier.

The following resources on Minnesota Housing's website may be used to determine if the proposed housing is located in areas that meet the requirements under Economic Integration:
Economic integration area maps and census tract listing: [insert link]
Rural/Tribal Designated areas maps and census tract listing: [insert link]

Economic integration and Rural/Tribal Designation Area map overlays in the community profiles interactive mapping tool: [insert link]

B. Access to Higher Performing Schools (4 points):

1. Projects serving families in locations that will provide access to higher performing schools must have at least 25% of total assisted units, with a minimum of 15 units, contain two or more bedrooms, and the owner agrees to market the units to families with minor children.

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

      Enter number of units to be marketed to families with minor children:
      2 Bedrooms: ______
      3 Bedrooms: ______
      4 Bedrooms: ______

Access to Higher Performing Schools area maps: [insert link]

Access to Higher Performing Schools Area map overlays in the community profiles interactive mapping tool: [insert link]

C. Workforce Housing Communities (3 to 6 points):

1. Projects located in or near a city or township needing workforce housing (communities having a large number of jobs or job growth, individual employer growth, or having a large share of their workforce commuting long distances). Select one:

   a. ☐ The proposed housing is in a Top Job Center or Net Five Year Job Growth Community (6 points)

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

   c. ☐ The proposed housing is in a Long Commute Community (3 points)

In the metropolitan area, project locations must be within five miles of a workforce housing city or township. In Greater Minnesota, project locations must be within ten miles of a workforce housing city or township.

Top Job Centers, Net Five Year Job Growth communities, and Long Commute communities lists and maps: [insert link]

Proximity to workforce housing in the community profiles interactive mapping tool: [insert link]

D. Location Efficiency (1 to 9 points):

1. For Projects in the Twin Cities metropolitan area, indicate whether the project will promote location efficiency based on access to transit, walkability and transit oriented development.

a. Access to Transit: To claim access to transit in the Twin Cities metropolitan area, a project must be (select one):

i. ☐ Located within one half mile of a planned[6] or existing LRT, BRT, or commuter rail station (7 points);

ii. ☐ Located within one quarter mile of a fixed route stop on Metro Transit's Hi-Frequency Network (4 points)

iii. ☐ Located within one quarter mile of a high service[7] public transportation fixed route stop (2 points);

iv. ☐ Located within one half mile of an express bus route stop (2 points)

v. ☐ Located within one half mile of a park and ride facility (2 points)

b. Walkability: To claim walkability in the Twin Cities metropolitan area, a project must meet the Access to Transit criterion described above, and be (select one):

i. ☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com (2 points)

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

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[6] Includes planned stations on future transitways that are in advance design or under construction that meet the following criteria: issuance of a draft EIS, station area planning underway, and adoption by the Metropolitan Council Transportation Policy Plan. Transitways entering into advance design after publication will be eligible, but data may not be available using Minnesota Housing scoring tools.

[7] High service fixed route stop is defined as those serviced from 6 am to 7 pm and with service approximately every half hour during that time.

2. For projects in Greater Minnesota, choose from urbanized areas and rural and small urban areas. Urbanized areas, according to the U.S. Census are places with populations greater than 50,000, and are defined by the Minnesota Department of Transportation (MnDOT)[8] as areas in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato and St. Cloud. Rural and small urban areas are places with populations fewer than 50,000.

   - Urbanized Areas (population greater than 50,000)[9]:

     i. Access to Transit: To claim access to transit, a project in Greater Minnesota must be (select one):

        1. ☐ Located within one quarter mile of a planned [10]or existing public transportation fixed route stop (7 points);

        2. ☐ Located between one quarter mile and one half mile of a planned or existing public transportation fixed route stop (4 points);

        3. ☐ Located less than one half mile of an express bus route stop or park and ride lot (4 points)

     ii. Walkability: To claim walkability, a project in Greater Minnesota must meet the Access to Transit criterion described above, and be (select one):

        1. ☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com (2 points);

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

   - Rural and Small Urban Areas (population fewer than 50,000). For rural and small urban areas, applicants may claim Location Efficiency by having access to route deviation service or demand response/dial-a-ride, and walkability. Route deviation service[11] is different from fixed route transit in that the vehicle may leave its predetermined route upon request by passengers to be picked up or returned to destinations near the route, after which the vehicle returns to the predetermined route. Passengers may call in advance for route deviations

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[8] Greater Minnesota Transit Investment Plan: http://www.dot.state.mn.us/transitinvestment
[9] Eligible areas are those in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead and St. Cloud. These are the seven MnDOT identified fixed route transit systems for Greater Minnesota.
[10] For a Greater Minnesota planned stop to be claimed, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop of route must be available M-F and provide service every 60 minutes for a minimum of 10 hours per day.

[11] Applicants can find providers by county or city on MnDOT's website, https://www.dot.state.mn.us/transit/riders/index.html, and the service type in MnDOT's annual transit report, http://www.dot.state.mn.us/govrel/reports/2017/transit.pdf

similar to that of demand response/dial-a-ride or access the service at designated route stops without advanced notice. Demand response usually involves curb-to-curb or door-to-door service with trips scheduled in advance (also known as “Dial-A-Ride”).

i. Access to Transit: To claim access to transit, a project in Greater Minnesota must be (select one):

1. ☐ Located within one quarter mile of an existing or planned[12] designated stop that has service every 60 minutes OR served by demand response/dial-a-ride with no more than two hour advance notice. (7 points)

2. ☐ Located between one quarter mile and one half mile of an existing or planned designated stop that has service every 60 minutes OR served by demand response/dial-a-ride with prior day notice. (4 points)

3. ☐ The proposed housing has access to demand response/dial-a-ride service not meeting the scheduling terms above (2 points)

ii. Walkability: To claim walkability, a project in Greater Minnesota must meet the Access to Transit criteria described above, and be (select one):

1. ☐ Located in an area with a Walk Score of 50 or more according to www.walkscore.com (2 points)

2. ☐ Located in an area with a Walk Score between 35 – 49 according to www.walkscore.com (1 point)

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

Access to transportation maps and census tract listings are found on Minnesota Housing’s website: [insert link]

Community profiles interactive mapping tool: [insert link]

4. Supporting Community and Economic Development (1 to 18 points)

A. Planned Community Development (3 points):

1. ☐ Project contributes to active implementation of Planned Community Development efforts, as defined in section 6.A of the HTC Program Procedural Manual, to address locally identified

[12] For a Greater Minnesota planned stop to claimed, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop of route must be available M-F and provide service every 60 minutes for a minimum of 10 hours per day.

needs and priorities, in which local stakeholders are actively engaged. Comprehensive plans, land use plans and general neighborhood planning documents are not by themselves considered evidence of Planned Community Development. ~~The plan or initiative or most recent amendment must be dated within seven years of the application.~~ (3 points)

A qualifying plan or initiative can be created and approved by a wide variety of public and private local community development partners such as cities, counties, private foundations and public housing authorities. Plans local entities are required to produce, such as comprehensive and consolidated plans, are not by themselves considered evidence of Planned Community Development.

To be considered for Planned Community Development, an applicant must provide a narrative and backup documentation. The narrative must address the items below and include page numbers to direct where information is located in the backup documentation:

1. A list of various local stakeholders involved and their role.
2. The milestones or steps that have been completed, underway and planned. Include dates and stakeholders involved.
3. Key investments, in-kind or other financial commitments that have been made, or are pending, and are critical for implementation. Include dates for these commitments.
4. Affordable housing as a key strategy.
5. The Targeted Geographic area.

EXCEL HELP TEXT:
Select Planned Community Development under Strategic Priorities to enable checkboxes for Planned Community Development.

B. Eventual Tenant Ownership (1 point):

1. ☐ Projects with detached single-family units are eligible for homeowner conversion. The project owner must submit a preliminary conversion plan with their application that is consistent with the requirements of the Eventual Tenant Ownership (ETO) Guide. The plan must address the transfer of 100% of the HTC unit ownership after the end of the 15-year compliance period from the initial ownership entity (or Minnesota Housing approved "Transfer of Ownership" entity) of the project to tenant ownership. (1 point)

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

The Declaration of Land Use Restrictive Covenants will contain provisions ensuring compliance with these Eventual Tenant Ownership commitments by the owner, including a right of first refusal allowing tenants to purchase their units. (Refer to the Eventual Tenant Ownership (ETO) Guide and also to Chapter 3W of the HTC Program Procedural Manual for additional information.)

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

C. Rural/Tribal (10 points):

~~Points are awarded~~ Projects located in Rural/Tribal Designated Areas outside of the Twin Cities seven-county metropolitan area.

1. ☐ The proposed housing is located in a census tract eligible as a Rural/Tribal Designate Area outside of the Twin Cities seven-county metropolitan area. (10 points)

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

Rural/Tribal Designation Area map overlays in the community profiles interactive mapping tool: [insert link]

The Federal/Local/Philanthropic Contributions selection criterion has been incorporated into new selection criterion 6B.Other Contributions in the Efficient Use of Scarce Resources and Leverage Category.

D. QCT/Community Revitalization and Tribal Equivalent Areas (1 point):

1. ☐ The proposed housing is located in a QCT Community Revitalization Area or a Tribal Equivalent Area (1 point)

To be eligible for the QCT/Community Revitalization criterion, the project must be located in a Qualified Census Tract (See Qualified Census Tract – Reference Materials Index) and be part of a concerted plan that provides for community revitalization consistent with the definition described in the Planned Community Development selection criterion.

To be eligible for the Tribal Equivalent Areas criterion, the project must be located in one of the Tribal Equivalent Areas: [insert link]

Find these areas in the community profiles interactive mapping tool: [insert link]

E. Minority-owned/Women-owned Business Enterprise (MBE/WBE) (3 points):

1. ☐ The project sponsor, executive director of a non-profit, general contractor, architect, or management agent is a MBE/WBE[13], as certified by the owner. (3 points)

[13] A MBE/WBE is a tribe or tribally-designated housing entity, or another entity which is at least 51% owned by one or more minority persons or women, and whose management and daily business operations are controlled by one or more minority persons or women who own it.

5. Preservation (~~6 to 30~~ 5 to 30 point~~s~~)

IMPORTANT NOTE: DUAL APPLICATION and PRE-APPLICATION REQUIRED.
Applicants must submit a dual application, as defined in the Multifamily RFP Guide, if the development contains 40 units or more.

Applicant must provide the required Pre-Application 30 days prior to the application deadline for HTC Round 1 or Round 2, as detailed in the HTC Program Procedural Manual Section 6.A. Failure to submit all required pre-application materials will result in rejection of the pre-application. Provide Minnesota Housing's "Preliminary Determination of Preservation Eligibility" letter with the application which should be consistent with threshold and items claimed below.

A. Thresholds: Applicants seeking Preservation points should read the descriptions and then select one of the following three Thresholds:

1. ☐ Risk of Loss Due to Market Conversion

   a. Expiration of contract/use-restrictions
      i. Existing property at risk of conversion to market rate housing within five years of application date, and conversion is not prohibited by existing financing or use restrictions; OR
      ii. Existing tax credit developments eligible to exercise their option to file for a Qualified Contract, and have not previously exercised their option; AND
   b. Market for conversion evidenced by low physical vacancy rate (4% or lower) for market rate comparable units (comparable units to be validated by Minnesota Housing at Minnesota Housing's discretion); AND
   c. Market for conversion evidenced by one or more of the following:
      i. An appraisal commissioned by Minnesota Housing within a year of the application date where the as-is unrestricted value is equal to or greater than the as-is restricted value; OR
      ii. For properties with Section 8 contracts, a Rent Comparability Study acceptable to Minnesota Housing staff and reviewers which was completed within a year of the application date that shows current rents are below comparable market rents; OR
      iii. A market study commissioned by Minnesota Housing completed within a year of the application date that shows current rents are below comparable market rents and that the property has comparable location, amenities and condition to convert to market rate; AND
   d. Fifteen (15) or more years have passed since the award of the existing federal assistance and the tax credit placed in service date (if applicable) for projects claiming points under Existing Federal Assistance, or 15 years must have passed since the closing of the loan that created rent and income restrictions or the most recent tax credit placed in service date for projects claiming points under Critical Affordable Units.

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

2. ☐ Risk of Loss Due to Critical Physical Needs

a. Fifteen (15) or more years have passed since the award of the Existing Federal Assistance and the tax credit placed in service date (if applicable) for projects claiming points under Existing Federal Assistance, or 15 years must have passed since the closing of the loan that created rent and income restrictions or the most recent tax credit placed in service date for projects claiming points under Critical Affordable Units; AND
b. Critical physical needs identified by third party assessment to support the following conclusions:
    i. Repair/replacement of major physical plant components have been identified that will result in 15+ years sustained operations; AND
    ii. Identified scope of critical physical needs exceeds the available reserves by at least $5,000 per unit, as evidenced by the Three Year Critical Needs Model;

3. ☐ Risk of Loss Due to Ownership Capacity/Program Commitment

a. Fifteen (15) or more years have passed since the award of the Existing Federal Assistance and the tax credit placed in service date (if applicable) for projects claiming points under Existing Federal Assistance, or 15 years must have passed since the closing of the loan that created rent and income restrictions or the most recent tax credit placed in service date for projects claiming points under Critical Affordable Units; AND
b. One of four conditions exist:
    i. Existing conditions created by the current owner such as bankruptcy, insolvency, default, foreclosure action, unpaid taxes and assessments, on-going lack of compliance with lenders or terms of federal assistance, or self-determination by non-profit board are severe enough to put the property at significant risk of not remaining decent, safe and affordable. Ownership must be transferred to an unrelated party; OR
    ii. The property has been or will be acquired from an unrelated party within three years of the application date after being offered for sale on the open market after an opt-out notice for the HAP contract had been submitted to Minnesota Housing; OR
    iii. The property has been or will be acquired from an unrelated party within 3 years of the application date as a result of a PARIF Right of First Refusal being exercised; OR
    iv. The acquisition of a property with USDA Rural Development rental assistance has occurred or will occur when the current or previous owner intends or intended to allow the existing USDA Rural Development mortgage to mature, and has turned down offers from USDA Rural Development to reamortize the mortgage. Must apply within five years of maturity date and within three years of acquisition.

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

EXCEL HELP TEXT
Select Preservation under Strategic Priorities to enable checkboxes for Preservation.
For projects meeting one of the three thresholds above, choose points under either Existing Federal Assistance or Critical Affordable Units at Risk of Loss below.

B. Scoring:

Existing Federal Assistance (5 to 30 points):

Definition: Any housing receiving project-based rental assistance or operating subsidies under a U.S. Department of Housing and Urban Development (HUD), U.S. Department of Agriculture Rural Development (RD), NAHASDA or other program that is not scheduled to sunset or expire. Properties that have converted their type of federal rental assistance through the Rental Assistance Demonstration program, Component 2 (RAD 2) are eligible. Such assistance must have been committed to the property 15 years prior to the year of application.

Owner will continue renewals of existing project based housing subsidy payment contract(s) for as long as the assistance is available. Except for "good cause," the owner will not evict existing subsidized residents and must continue to renew leases for those residents. Developments with qualified Existing Federal Assistance and which have secured additional federal rental assistance (including through an 8bb transfer) should count the total number of assisted units below. Such units are not eligible to be counted under Rental Assistance.

Select an option from either a. or b. below.

a. Existing Federally Assisted Units:

i. ☐ 100% of units are federally assisted (30 points)
Representing ________ number of units

ii. ☐ 75.01% - 99.99% of units are federally assisted (22 points)
Representing ________ number of units

iii. ☐ 50.01 - 75% of units are federally assisted (15 points)
Representing ________ number of units

iv. ☐ 25.01% - 50% of units are federally assisted (10 points)
Representing ________ number of units

v. ☐ Less than 25% of units are federally assisted (5 points)
Representing ________ number of units

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

i. ☐ 75.01 - 99.99% of units are federally assisted (30 points)
Representing ________ number of units

ii. ☐ 25.01 - 75% of units are federally assisted (20 points)
Representing ________ number of units

iii. ☐ Less than 25% of units are federally assisted (10 points)
Representing ________ number of units

OR

2. Critical Affordable Units at Risk of Loss (6 points)

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

   AND

   You must also claim and be eligible under Serves Lowest Income Tenants/Rent Reduction criterion. (6 points)

EXCEL HELP TEXT:
Projects must select one of the three Risk of Loss thresholds above to activate options in Preservation Selection Priority.

6. Efficient Use of Scarce Resources and Leverage (1 to 38 points)

A. Financial Readiness to Proceed/Leveraged Funds (4 to 16 points):

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

   Calculate your total using the formula below, and then select the appropriate option. The calculation must exclude first mortgage financing and any anticipated proceeds from the current tax credit request.

   Total eligible funding secured, awarded or committed (excluding first mortgage financing net of the Tax Increment Financing (TIF) portion, if applicable, any anticipated proceeds from the current tax credit request, and sales tax rebate[14]) $______divided by Total Development Cost (excluding first mortgage financing net of the Tax Increment Financing (TIF) portion, if applicable, any anticipated proceeds from the current tax credit request, and sales tax rebate) $______ equals Percentage of Funds Committed ______% (round to nearest tenth):

   a. ☐ 70% or more of funding secured, awarded or committed[15] (16 points)

[14] Sales tax rebate, for the purpose of this scoring category, should be calculated as 40% of the construction contract amount multiplied by the local tax rate for the area where the project is located.
[15] Projects that have both a numerator and denominator equal to zero are eligible to claim 70 % or more of funding secured, awarded or committed.

b. ☐ 60% to 69.9% of funding secured, awarded or committed (14 points)

c. ☐ 50% to 59.9% of funding secured, awarded or committed (12 points)

d. ☐ 40% to 49.9% of funding secured, awarded or committed (10 points)

e. ☐ 30% to 39.9% of funding secured, awarded or committed (8 points)

f. ☐ 20% to 29.9% of funding secured, awarded or committed (6 points)

g. ☐ 10% to 19.9% of funding secured, awarded or committed (4 points)

h. ☐ 9.9% and below of funding secured, awarded or committed (0 points)

The documentation must be in the form of a project specific Letter of Intent, city or council resolution, letter of approval, or statement of agreement or eligibility. Commitment documentation must state the amount, terms and conditions and be executed or approved by the lender or contributor and the applicant. Documentation containing words synonymous with "consider" or "may," (as in "may award") regarding the commitment will not be acceptable.

Financial Readiness/Leverage Funding Commitments include:

- Syndication proceeds due to previously awarded tax credits: Syndication proceeds from tax credits awarded in a previous cycle/round may be included if verification is included in the application. Acceptable verification is an executed syndicator agreement or executed Letter of Intent from the syndicator that is acceptable to Minnesota Housing. The executed Letter of Intent must:
  - Be current within 15 days of submission of the application
  - Contain a projected closing date for the development
  - Contain a projected equity price for the purchase of the credit
  - Contain a detailed explanation of the assumptions being used by the syndicator to arrive at the projected equity price
- Monetary grants/donations
- Amortizing first mortgage incorporates tax abatement for properties with a first mortgage
- Tax Increment Financing (TIF): Provide satisfactory documentation that the contribution is committed to the development at the time of application, including a letter from the city and a city council resolution, indicating its intention to provide TIF assistance and the anticipated amount and term. The documentation should include the TIF analysis from the city or its consultant.
- Deferred loans with a minimum 30-year term with an interest rate at or below the Applicable Federal Rate (AFR)
- Grants from nonprofit charitable organizations converted to deferred loans with a minimum 30-year term that is with an interest rate at or below the AFR. Award letter from the nonprofit charitable organization contributor must be provided at the time of application verifying the contribution. Documentation must evidence that the contribution is restricted for housing development uses and the contribution must be included as a development source.

- Historic Tax Credits: In addition to the commitment documentation, at the time of application provide written documentation of eligibility through evidence of Historic Register listing or approval of Part 1—Evaluation of Significance.
- Funder commitments to modify existing debt including: debt forgiveness; approval of assumption of debt and extension of loan term; commitments must contain no contingencies other than receipt of a tax credit award. At the time of application, written documentation from the funder justifying the amount and the terms of the contribution must be provided.
- Deferred developer fee: The applicant must provide the required commitment documentation and provide evidence of repayment within 10 years by the projected cash flow.

B. Other Contributions (2 to 10 points):

1. For projects that receive contributions referenced below from the federal government; a local unit of government; an area employer; and/or a private philanthropic, religious or charitable organization. Calculate your total using the formula below, and then select the appropriate option.

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

   Total **“Other” non**-funding contributions from federal/local/philanthropic sources $_____ divided by Total Development Cost $_____ equals (rounded to the nearest tenth):

   a. ☐ 20.1% and above (10 points)

   b. ☐ 15.1 to 20% (8 points)

   c. ☐ 10.1 to 15% (6 points)

   d. ☐ 5.1 to 10% (4 points)

   e. ☐ 2.1 to 5% (2 points)

   f. ☐ 0 to 2 % (0 points)

At the time of application, written documentation from the contributor justifying the amount and the terms of the contribution must be provided and be consistent with current market comparable costs. The documentation must be in the form of a project specific Letter of Intent, city or council resolution, letter of approval, statement of agreement or eligibility, or memorandum of understanding.

The documentation must state the amount, terms and conditions and must be executed or approved, at a minimum, by the contributor. Documentation containing words synonymous with “consider” or “may” (as in “may award”) regarding the contribution will not be acceptable. Lack of acceptable documentation will result in the reevaluation and adjustment of the tax credits or RFP award, up to and including the total recapture of tax credits or RFP funds.

Other Contributions include:

- Land donation or city write-down of the development site
- In-kind work and materials donated at no cost
- Local government donation/waiver of project specific costs, assessments or fees (e.g., SAC/WAC)
- Reservation land not subject to local property taxes calculate net present value (NPV) by using NPV discounted by applicable federal rate (AFR) for the term of the LURA)
- Reservation land with long-term low cost leases
- Funder commitments to modify existing debt including: forgiveness of interest payable; reduction in interest rate (measured as amount of interest saved over term of loan). Commitments must contain no contingencies other than receipt of a tax credit award. At the time of application, written documentation from the funder justifying the amount and the terms of the contribution must be provided.

C. Intermediary Costs (1 to 6 points):

1. Projects with the lowest intermediary costs on a sliding scale based on percentage of total development costs. For selected projects, this percentage will be enforced at the time of closing for deferred loans or at issuance of the IRS Form 8609 for HTC developments. Calculate your total using the formula below, and then select the appropriate option.

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

   a. ☐ 0.0 to 15% (6 points)

   b. ☐ 15.1 to 20% (3 points)

   c. ☐ 20.1 to 25% (2 points)

   d. ☐ 25.1 to 30% (1 point)

   e. ☐ 30.1% and over (0 points)

D. Cost Containment (6 points):

1. 50% of developments with the lowest costs within each development type/location group will receive points (subject to the methodology described in Cost Containment Methodology. Applicants may claim these points and Minnesota Housing will make point reductions following its review of costs for all applications in the funding round. (6 points)

   A different process occurs for the second round of 9% tax credit selections. For each of the four competition groups, the cost per unit of the proposal at the 50th percentile in Round 1 will determine the cut-off point or threshold for receiving points in Round 2.

NOTE: Proposals that believe they have contained their costs should select these points. Only proposals that claim cost containment points on the Self-Scoring Worksheet and are awarded points through the process described above will receive cost containment points.

CAUTION: If a project receives points under this criterion, failure to keep project costs under the applicable cost threshold will be considered an unacceptable practice and will result in negative four **points being awarded in all of the applicant's tax credit submissi**ons in the next funding round in which submissions are made. If developers are concerned about their costs and keeping them **within the "applicable cost threshold," they should not claim the cost**-containment points.

Cost Containment Methodology: [insert link]

7. Building Characteristics (1 to 4 points)

A. Universal Design (3 points):

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

2. Select one:
   a. ☐ An elevator building with 100% of assisted units meeting the definition of a Universal Design Unit (3 points); OR

   b. ☐ A non-elevator building with at least 10% of ~~HTC~~ assisted units meeting the definition of a Universal Design Unit (3 points)

Minimum Essential Universal Design Features:

- At least one bedroom or space that can be converted to a bedroom (without changing door locations for new construction or adaptive re-use) on an accessible level and connected to an accessible route, or efficiency units (without a bedroom) on an accessible level and connected to an accessible route
- 42" minimum hallways within a unit for new construction or adaptive re-use
- At least one three quarter bathroom on an accessible level with five foot open radius for new construction or adaptive re-use, and clear floor space of 30" x 48" for rehabilitation
- Lever handles on all doors and fixtures
- Provide wall blocking in all tub and shower areas for new construction or adaptive re-use, and for rehabilitation if showers are being replaced
- Door thresholds flush with the floor with maximum threshold height of ½" beveled or ¼"square edged
- Kitchen and laundry appliances have parallel approach clear floor space with all controls within maximum height of 48". Range controls must have lockout feature. Stackable laundry units with a maximum reach range of 54" will meet this requirement
- Kitchen sink area 30" wide minimum with cabinet panel concealing piping or a removable base cabinet

- All common spaces and amenities provided in the housing development located on an accessible route
- For new construction or adaptive re-use, deck or patio spaces have a step-less transition from dwelling unit meeting door threshold requirements, with decking gaps no greater than ¼”
- Universal Design features are incorporated in an aesthetic, marketable, non-institutional manner

Optional Features:

- High contrast finish selections that include floor to wall transitions, top treads of stairs, counters and adjacent flooring and walls
- Single lever, hands free or touch faucets
- At least 50% of kitchen storage space within reach range. This can include pull-out shelves, full extension glide drawers or pantry design
- A variety of work surface heights in kitchen and one five foot open radius
- Roll under vanity or sink in 25% of Universal Design qualifying units, rounded up to the nearest whole number
- Cabinet hardware with “D” type pull handles or operation for people with limited dexterity
- Zero threshold shower or transfer space at tub is provided for minimum of half the qualifying Universal Design units, rounded up to the nearest whole number
- Slip resistant flooring in kitchens and baths
- Toilets provided with seats 17”– 19” from the floor
- Windows are provided with maximum sill height of 36”, parallel clear floor space and locks/operating mechanism within 48” and easily operable with one hand. Sidelight or view window at main entry door from a seated position
- Thermostats designed for visually impaired or ability to monitor and operate with electronic device such as a tablet computer
- Closet storage is adjustable in a majority of the closets provided
- Audio/visual doorbell
- Covered entry with adequate lighting and interior or exterior bench space for parcels or groceries
- Lettering and numbering with all characters and symbols contrasting with their background
- Parking spaces provided for at least 50% of Universal Design qualifying units, rounded up to the nearest whole number, with a five foot wide adjacent auxiliary space connected to accessible route
- Residential elevator or chair lift space structured for future use in multiple level homes
- Enterprise Green Communities Model Specifications are used for applicable sections for the Universal Design qualifying units
- On-site physical activity is provided for in a fitness area, biking or walking path or community garden
- Other modifications that make units livable for disabled populations, as demonstrated by credible evidence provided in the application, and at the sole discretion of Minnesota Housing

B. Smoke Free Buildings (1 point):
The projects will institute and maintain a written policy[16]* prohibiting smoking in all the units and all common areas within the building/s of the project. The project must include a non-smoking clause in the lease for every household. Projects awarded a point in this scoring criteria will be required to maintain the smoke-free policy for the term of the declaration. (1 point)

8. Unacceptable Practices (~~4 to -25~~ -4 to -25 points)

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

Total Points

TOTAL DEVELOPER CLAIMED POINTS:

TOTAL MINNESOTA HOUSING AWARDED POINTS:

Signatures

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

Name of Owner: ______________________________

____

By (Signature): ______________________________

Of (Name of Legal Entity): ______________________________

Its (Title) (Managing General Partner):

Print or Type Name of Signatory:

NOTE: During the competition process, Minnesota Housing's review of the submitted Self-Scoring Worksheet is only to validate that the points claimed are eligible, to reduce points claimed if not eligible, and to determine points awarded. Minnesota Housing will not award additional points that are not initially claimed by the applicant/owner. Many performance obligations are created by the claiming of certain scoring points. As such, Minnesota Housing will not assume the position of creating any such performance obligations on behalf of the applicant/owner. In addition, applications funded under the Joint Powers

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

Agreement must also comply with the suballocators selection criteria defined in their Qualified Allocation Plan.

2019 Housing Tax Credit Self-Scoring Worksheet

4% Housing Tax Credits

Updated May 2017

Development Name: ______

Development Number (D Number): ______

Application Number (M Number): ______

Development Location: ______

Development City: ______

Instructions

Strategic Priority Policy Threshold:

A. All projects, ~~with the exception of those~~ with applications for non-competitive tax credits in association with Tax Exempt Bonds, must meet at least one of the Strategic Priority Policy Thresholds defined in Article 9 of the State of Minnesota Housing Tax Credit Qualified Allocation Plan (QAP) in order to apply for Housing Tax Credits (HTC).

Minimum Point Requirements:

A. Request for tax credits in association with Tax Exempt Bonds must demonstrate the project is eligible for no fewer than 40 points.

B. Minnesota Housing reserves the right to reject applications not meeting its Project Selection requirements as contained in the HTC Program Procedural Manual, to revise proposal features, and associated scoring, and to ensure the project meets the requirements.

Documentation of Points:

A. Indicate the scoring criteria expected for your project. Where multiple points per section are available, please check the appropriate box (☐) for points claimed. **In addition to the self-scoring worksheet the applicant must submit a separate detail sheet and documentation that clearly supports the points claimed. Minnesota Housing will determine the eligible points; points will not be awarded unless documentation is provided along with the application to justify the points claimed.**

Extended Duration:

A. Request for tax credits in association with Tax Exempt Bonds, ~~with the exception of those with applications for non-competitive tax credits in association with Tax Exempt Bonds submitted prior to October 1, 2016 and for which Minnesota Housing has not recommended non-selection as of October 19, 2016,~~ must maintain the duration of low-income use for a minimum of 20 years, or longer if a longer duration is selected. The owner agrees that the provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a qualified contract for the acquisition of the project) do not apply to the project, and the owner also agrees the Section 42 income and rental restrictions must apply for a period of a minimum of 20 years beginning with the first day of the compliance period in which the building is a part of a qualified low-income housing project.

Design Standards:

A. The project must meet the requirements in the Minnesota Housing Rental Housing Design/Construction Standards and be evidenced by a Design Standards Certification form executed by the owner and architect. Additional design requirements will be imposed if Large Family Housing points are claimed/awarded or points are claimed/awarded that require specific design elements (e.g. Universal Design).

A Declaration of Land Use Restrictive Covenants:

A. Covering the rent restrictions and occupancy requirements presented at selection must be recorded against the property.

Affirmative Fair Housing:

A. Affirmative Fair Housing Marketing Regulations, held as centrally important by Minnesota Housing, require that each applicant carry out an affirmative marketing program to attract prospective buyers or tenants of all majority and minority groups in the housing market area regardless of race, creed, color, religion, sex, national origin, marital status, status with regard to public assistance, disability, sexual orientation, or familial status. At the time of 8609, all applicants must submit an Affirmative Fair Housing Marketing Plan documenting an acceptable plan to carry out an affirmative marketing program.

~~Round 1 – Minimum Threshold Requirements~~

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

~~A. In the Metropolitan Area:~~

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

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

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

~~B. Outside the Metropolitan Area:~~

~~1. ☐ Projects which meet a locally identified housing need and which are in short supply in the local housing market as evidenced by credible data such as a local council resolution submitted with the application. (For Threshold Letter – Sample Format, see the HTC Application Reference Materials section located on the Tax Credit page of Minnesota Housing's website.)~~

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

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

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

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

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

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

~~D. Preserve Existing Subsidized Housing~~

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

~~E. Rural Development:~~

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

Strategic Priority Thresholds

To be eligible for non-competitive tax credits a developer must demonstrate that the project meets at least one of the following priorities.
Select all that apply.

A. Access to Fixed Transit:

1. ☐ Projects within one-half mile of a planned or existing LRT, BRT or commuter rail station.

B. Greater Minnesota Workforce Housing:

1. ☐ Projects in Greater Minnesota documenting all three of the following:
   a. Need: Projects in communities with low vacancy (typically considered 4 percent and below, documented by a market study or other third party data) and:
      i. That have experienced net job growth of 100 or more jobs,
      ii. With 15 percent or more of the workforce commuting 30 or more miles to work, or
      iii.. With planned job expansion documented by a local employer
   b. Employer Support
   c. Cooperatively Developed Plan: Projects that are consistent with a community-supported plan that addresses workforce housing needs.

C. Economic Integration:

1. ☐ Projects located in higher income communities (outside of rural/tribal designated areas) with access to low and moderate wage jobs, meeting either First or Second Tier Community Economic Integration as defined in the Areas of Opportunity category. This strategic priority must be selected to activate the Economic Integration criterion (Excel).

D. Tribal:

1. ☐ Projects sponsored by tribal governments, tribally designated housing entities or tribal corporate entities.

E. Planned Community Development:

1. ☐ Projects that contribute to active implementation of Planned Community Development efforts, as defined in the Planned Community Development selection criterion to address locally identified needs and priorities in which local stakeholders are actively engaged. This strategic priority must be selected to activate the Planned Community Development selection criterion (Excel).

F. Preservation:

1. ☐ Projects that preserve existing federally assisted housing or other critical affordable housing projects must be eligible under the Preservation selection criterion. This strategic priority must be selected to activate the Preservation selection criterion (Excel).

G. Supportive Housing:

1. ☐ Projects that will serve people with disabilities or High Priority Homeless (HPH) households must be eligible under the Permanent Supportive Housing for High Priority Homeless selection criterion or the People with Disabilities selection criterion. This strategic priority must be selected to activate the High Priority Homeless or People with Disabilities selection criteria Excel).

2019 HOUSING TAX CREDIT SELECTION CRITERIA
1. Greatest Need Tenant Targeting (~~2 to 39~~ 2 to 47 points)

A. Large Family Housing (~~5 to 7~~ 5 to 15 points):

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

a. ☐ At least 75% of the total assisted[1] units contain two or more bedrooms. (~~5~~ 10 points)
Enter Number of Units
2 Bedrooms
3 Bedrooms
4 Bedrooms

b. ☐ For Greater Minnesota proposals if eligible ~~for points~~ under 1. a. above, at least one-third of the 75% contain three or more bedrooms. (~~2~~ 5 points)
Enter Number of Units
3 Bedrooms
4 Bedrooms

B. Permanent Supportive Housing for High Priority Homeless[2] (7 to 22 points):

1. A minimum of 5% (rounded up to the next full unit) of the total units, but no fewer than four units are set aside and rented to High Priority Homeless who are households prioritized for permanent supportive housing by the Coordinated Entry System[3] (HPH units). Select one and complete the unit count below:

a. ☐ 50% to 100%, but no fewer than 20 units (20 points)
Representing _______ number of units

b. ☐ 10% to 49.99%, but no fewer than 7 units (10 points)
Representing _______ number of units

c. ☐ 5% to 9.99%, but no fewer than 4 units (7 points)
Representing _______ number of units

High Priority Homeless: Representing ________ number of units~~______ Total Units~~

---

[1] Assisted is defined as tax credit units for HTC applications ~~and affordable units~~ for deferred funding.
[2] Specific performance requirement relief provisions are available for projects eligible for the Permanent Supportive Housing **High Priority Homeless category selection criterion for "Homeless Units".** Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents recorded with the property.
[3] Coordinated Entry System is defined by the Statewide Coordinated Entry standards and protocol as adopted by the local Continuum of Care, or such successor system as determined by Minnesota Housing.

Families with Children: Representing _______ number of units ~~______ Total Units~~
Youth Total: Representing _______ number of units ~~______ Total Units~~
Youth with Children: Representing _______ number of units ~~______ Total Units~~
Youth Singles: Representing _______ number of units ~~______ Total Units~~
Single Adults: Representing _______ number of units ~~______ Total Units~~

2. Proposals that serve High Priority Homeless in B. 1 above are eligible for this selection criterion if units will be available for populations consistent with local needs identified by the local Continuum of Care. (Published Priorities are available on Minnesota Housing's website at: [insert link])

a. ☐ 5% of units (rounded up to the next full unit) or more, but no fewer than four units, targeted to Continuum of Care Household Type Priority One (2 points)
Representing _______ number of units ~~______ Total Units~~
Priority Type: ______
(Families with children, youth singles, youth with children or single adults)

EXCEL HELP TEXT:
Select Supportive Housing under Strategic Priority Threshold to enable checkboxes for Permanent Supportive Housing for High Priority Homeless.

NOTE:
Permanent Supportive Housing for High Priority Homeless (B.) and People with Disabilities (C.) selection criteria cannot be claimed for the same units.

To be eligible for Permanent Supportive Housing for High Priority Homeless (HPH), the proposal must meet *all* of the following conditions:

1. The applicant must complete and submit the Supportive Housing application materials, including the narratives, forms and submittals identified in the Multifamily Rental Housing Request for Proposal Guide and the Multifamily Rental Housing Common Application Checklist
2. The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available
3. Supportive Housing Threshold Criteria:
   a. Supportive Services: On-site service coordination and tenant engagement must be made available to all supportive housing residents. The level and type of services offered should be appropriate for the needs of the target population, with a minimum of tenant service coordination averaging two hours per household per week.
   b. Experienced service provider with demonstrated outcomes:
      i. At a minimum, the service provider has experience providing services to a similar population to maintain housing over a period of time, and has sufficient capacity to deliver the services proposed.
   c. Service funding commitments: At a minimum, a portion of service funding is secured ~~for two years~~ with a viable plan for securing the remaining resources, as approved by Minnesota Housing. Evidence must be provided in the application narrative and commitment letters or other documentation.

i. Developments with 5% to 9.99% HPH units must have secured at least 75% of service funding
ii. Developments with 10% to 49.99% HPH units must have secured at least 20% of service funding
iii. Developments with 50% to 100% HPH units must have secured at least 5% of service funding

d. Coordinated Entry and serving highest need households: The property owner must agree to accept high priority households for the HPH supportive housing units through Coordinated Entry.

A proposal that claims points from this category and is selected to receive tax credits will be required to comply with the reporting requirements for Permanent Supportive Housing for High Priority Homeless, as defined by Minnesota Housing. The Tax Credit Declaration of Land Use Restrictive Covenants, including a specific Rider to the Declaration and Minnesota Housing Loan documents) will contain performance requirements related to these permanent supportive housing units for High Priority Homeless and will be recorded with the property.

C. People with Disabilities (7 to 10 points):

1. Select the number of units set aside for people with disabilities:

a. ☐ 15% to 25% of units (10 points)
Representing ________ number of units

b. ☐ 10% to 14.99% of units (9 points)
Representing ________ number of units

c. ☐ 5% to 9.99%, but no fewer than four units (7 points)
Representing ________ number of units

Permanent housing proposals that are not restricted to persons of a particular age group and in which, for the term of the extended use period (Declaration of Land Use Restrictive Covenants), a percentage of the units are set aside and rented to persons with any of the following disabilities[4]:

i. A serious and persistent mental illness as defined in Minn. Stat. § 245.462, subdivision 20, paragraph (c)
ii. A developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended
iii. Assessed as drug dependent as defined in Minn. Stat. § 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minn. Stat. § 254A.02, Subdivision 2
iv. A brain injury as defined in Minn. Stat. § 256B.093, Subdivision 4, paragraph (a)

[4] Specific performance requirement relief provisions are available for projects ~~receiving points/claiming under~~ that meet the **People with Disabilities selection category of the People with Disabilities Selection Criterion for "PDSC Units."** Reference Section 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and recorded with the property.

v. Permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules Chapter 1341

EXCEL HELP TEXT: Select Supportive Housing under Strategic Priority Threshold to enable checkboxes for People with Disabilities.

NOTE: Permanent Supportive Housing for High Priority Homeless (B.) and People with Disabilities (C.) selection criteria may not be claimed for the same units. ~~People with Disabilities criterion may not be claimed for a development where more than 25% of the units are targeted for permanent supportive housing.~~

To be eligible under People with Disabilities, the proposal must meet all of the following conditions:

1. The applicant must submit the ~~Supportive Housing~~ People with Disabilities narratives and any other forms and submittals identified in the Multifamily Rental Housing Common Application Request for Proposal Guide and the Multifamily Rental Housing Common Application Checklist.
2. The applicant must complete the required People with Disabilities Narrative and provide a signed Service Agreement.
    a. People with Disabilities Narrative: Complete the required narrative that demonstrates the applicant meets the following threshold criteria including: the target population of people with disabilities; the income limit restrictions for the units to households with incomes at or below 30% Multifamily Tax Subsidy Project (MTSP)income limits; rent levels; outreach efforts; referral processes; verification of applicant disability; types of services provided to tenants; how the service entity communicates with property management; and plans for crisis intervention, eviction prevention and lease mitigation.
    b. Signed service agreement: Applicants can either complete the signature page (must be completed by both parties) attached to the People with Disabilities Narrative, or submit a separate signed service agreement.
3. The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available.
4. The application must meet the following threshold criteria:
    a. Target population: The target population(s) of people with disabilities must be clearly defined in the narrative (e.g., mental illness, developmental disability, physical disability).
    b. Units are restricted to households with incomes at or below 30% MTSP income limits.
    c. Rent levels must be underwritten to the Supportive Housing Units underwriting standards outlined in the Multifamily Underwriting Standards if no rent assistance is available.
    d. Service Agreement: The property owner must have an agreement with the county or tribal human services office OR a designated service provider specifying:
        i. How they will provide outreach to the target population
        ii. How eligible applicants will be referred to the property management agent
        iii. That verification of applicant disability will be provided to the owner
        iv. The types of services appropriate to the population that will be made available with the goal of housing stability
        v. How services will be provided to tenants
        vi. How the service entity will communicate and coordinate with property management
        vii. Plans for crisis intervention, eviction prevention and lease mitigation
    e. Units for individuals with disabilities must be provided in an integrated setting.

2. Serves Lowest Income for Long Durations (~~3 to 46~~ 2 to 49 points)

A. Serves Lowest Income Tenants/Rent Reduction (8 to 13 points):

1. Eligibility is based on gross rent level, including utilities before rental assistance. Eligible units must have rents affordable to households whose incomes do not exceed 50% of MTSP income limits as published by HUD without rental assistance for a period of 10 years.

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

This selection will restrict rents only (tenant incomes will not be restricted to the 50% or 30% income level by claiming points in this section).

a. ☐ 100% of the ~~HTC~~ restricted unit rents representing _______ units affordable to households with incomes at the county 50% HUD MTSP income limit (13 points)

b. ☐ At least 50% of the ~~HTC~~ restricted unit rents representing _______ units affordable to households with incomes at the county 50% HUD MTSP income limit (8 points)

NOTE: Serves Lowest Income and Rental Assistance selection criteria cannot be claimed for the same units.

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

IMPORTANT

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

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

B. Rental Assistance (~~3 to 26~~ 2 to 26 points):

1. Priority is given to an owner who submits with the application a fully executed binding commitment (i.e., binding Resolution/binding Letter of Approval from the governing body) for project-based rental assistance awarded in accordance with 24 CFR Ch. IX, Section 983.51 or-which is effectively project-based by written contract. For the purposes of this ~~scoring~~ category, project-based rental assistance is defined as a project-specific funding stream that supports the operations of the property, reduces the tenant rent burden, and provides for the tenant paid portion of rent to be no greater than 30% of household income.

- New or transferred federal rental assistance contracts that were executed within the past 15 years are eligible. This includes transfers of existing Section 8 contracts under the 8bb notice to new construction projects or existing developments that currently have no Existing Federal Assistance.
- Site-based Group Residential Housing and awards of project-based McKinney Vento Continuum of Care funding, will be considered project-based rental assistance.
- Privately funded rental assistance must demonstrate a commitment of a minimum of four years. Documentation must also contain language regarding the possibility of future renewals.
- A current request for Minnesota Housing Rental Assistance is not eligible to claim this category ~~will not receive Rental Assistance points.~~ A past award of existing Rental Assistance will be counted toward meeting the required percentages.

For developments that agree to set aside units and have the required binding commitment for the associated percentage of units with project based rental assistance units as follows. Select one option from a.-e. and, if applicable, select f.

a. ☐ 100% of the total units for project-based rental assistance (15 points)

b. ☐ Between 51.1% to 99.9% of the total units (12 points)

c. ☐ 20.1% but under to 51% of the total units (9 points)

d. ☐ 10.1% to 20% of the total units, with a minimum of four units (6 points)

e. ☐ 5% to 10% of the total units, with a minimum of four units (3 points)

f. ☐ Less than 5% of units, but no fewer than 4 units, with a minimum of four units (2 points)

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g. ☐ For selection components ~~a-e~~ a-f above, if, in addition, the development agrees to provide the project-based rental assistance for a minimum 10 years. The owner must continue renewals of existing project-based housing subsidy payment contract(s). Applicant agrees that rents will remain at affordable at 50% MTSP income limits for a 10 year period if the rental assistance is not available for the full period. (4 points)

2. Projects that have rental assistance (as described above), that agree to further restrict units to households whose incomes do not exceed 30% of MTSP income limit for a 10 year period. Rental Assistance Commitment documentation should indicate that deeper income restrictions on project based units is allowable[5]Select one:

[5] Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion **for Further restricted Rental Assisted units "FRRA Units."** Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents and recorded with the property.

a. ☐ ~~5% to 25%~~ 5% to 15.1%, but no fewer than four units (3 points)
Representing ________ units

b. ☐ 15.1% to 25.1% of units (4 points)
Representing ________ units

c. ☐ 25.1% to 50% of units (5 points)
Representing ________ units

d. ☐ ~~50.1% to 100%~~ 50.1% to 75% of units (~~7~~ 6 points)
Representing ________ units

e. ☐ ~~50.1%~~ 75.1% to 100% of units (7 points)
Representing ________ units

NOTE: Rental Assistance and Serves Lowest-Income Tenants/Rent Reduction selection criteria cannot be claimed for the same units.

NOTE: Rental Assistance selection criterion cannot be claimed if the development qualifies for or is claiming Existing Federal Assistance under the Preservation criterion. Rental assistance under the Rental Assistance Demonstration Program (components I or II) or the Public Housing Program are also not eligible.

To claim the criterion, the applicant must comply with all program requirements for the assistance at application, including maintaining rents within the appropriate payment standard for the project area in which the project is located for the full compliance and extended use period of the housing tax credits.

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

C. Long Term Affordability (~~3 to 7~~ 3 to 10 points):

Applications for 4% Tax Credits

1. The owner agrees that the provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a qualified contract for the acquisition of the project) do not apply to the project, and the owner also agrees the Section 42 income and rental restrictions must apply for the period indicated below, beginning with the first day of the compliance period in which the building is a part of a qualified low-income housing project. Select one:

a. ☐ Extend the long-term affordability of the project and maintain the duration of low-income use for a minimum of 40 years. (10 points)

b. ☐ Extend the long-term affordability of the project and maintain the duration of low-income use for a minimum of 35 years. (9 points)

c. ☐ Extend the long-term affordability of the project and maintain the duration of low-income use for a minimum of 30 years. (~~7 points~~ 8 points)

d. ☐ Extend the long-term affordability of the project and maintain the duration of low-income use for a minimum of 25 years. (~~3 points~~ 7 points)

e. ☐ Extend the long-term affordability of the project and maintain the duration of low-income use for a minimum of 20 years. (3 points)

3. Areas of Opportunity (1 to 28 points)

A. Economic Integration (2 to 9 points):

1. Projects that meet the requirements under economic integration include (select one):

   a. ☐ Provides the project economic integration by providing at least 25% but not greater than 80% of the total units representing _______ of units in the project as qualified ~~HTC~~ assisted low-income units (does not include full-time manager or other common space units) (2 points)

   b. Promotes economic integration for projects that are located in higher income communities that are ~~close to jobs~~ outside of Rural/Tribal Designated Areas. First and second tier economic integration areas are outside of racially and ethnically concentrated areas of poverty.

      i. ☐ First Tier - The proposed housing is located in a first tier census tract (9 points)

      ii. ☐ Second Tier - The proposed housing is located in a second tier census tract (7 points)

EXCEL HELP TEXT:
Select Economic Integration under Strategic Priority Threshold to enable the checkboxes for First and Second Tier.

The following resources on Minnesota Housing's website may be used to determine if the proposed housing is located in areas that meet the requirements under Economic Integration:
Economic integration area maps and census tract listing: [insert link]
Rural/Tribal Designated areas maps and census tract listing: [insert link]

Economic integration and Rural/Tribal Designation Area map overlays in the community profiles interactive mapping tool: [insert link]

B. Access to Higher Performing Schools (4 points):

1. Projects serving families in locations that will provide access to higher performing schools must have at least 25% of total assisted units, with a minimum of 15 units, contain two or more bedrooms, and the owner agrees to market the units to families with minor children.

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

      Enter number of units to be marketed to families with minor children:
      2 Bedrooms: ______
      3 Bedrooms: ______
      4 Bedrooms: ______

Access to Higher Performing Schools area maps: [insert link]

Access to Higher Performing Schools Area map overlays in the community profiles interactive mapping tool: [insert link]

C. Workforce Housing Communities (3 to 6 points):

1. Projects located in or near a city or township needing workforce housing (communities having a large number of jobs or job growth, individual employer growth, or having a large share of their workforce commuting long distances). Select one:

   a. ☐ The proposed housing is in a Top Job Center or Net Five Year Job Growth Community (6 points)

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

   c. ☐ The proposed housing is in a Long Commute Community (3 points)

In the metropolitan area, project locations must be within five miles of a workforce housing city or township. In Greater Minnesota, project locations must be within ten miles of a workforce housing city or township.

Top Job Centers, Net Five Year Job Growth communities, and Long Commute communities lists and maps: [insert link]

Proximity to workforce housing in the community profiles interactive mapping tool: [insert link]

D. Location Efficiency (1 to 9 points):

1. For Projects in the Twin Cities metropolitan area, indicate whether the project will promote location efficiency based on access to transit, walkability and transit oriented development.

a. Access to Transit: To claim access to transit in the Twin Cities metropolitan area, a project must be (select one):

i. ☐ Located within one half mile of a planned[6] or existing LRT, BRT, or commuter rail station (7 points);

ii. ☐ Located within one quarter mile of a fixed route stop on Metro Transit's Hi-Frequency Network (4 points)

iii. ☐ Located within one quarter mile of a high service[7] public transportation fixed route stop (2 points);

iv. ☐ Located within one half mile of an express bus route stop (2 points)

v. ☐ Located within one half mile of a park and ride facility (2 points)

b. Walkability: To claim walkability in the Twin Cities metropolitan area, a project must meet the Access to Transit criterion described above, and be (select one):

i. ☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com (2 points)

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

2. For projects in Greater Minnesota, choose from urbanized areas and rural and small urban areas. Urbanized areas, according to the U.S. Census are places with populations greater than 50,000, and are defined by the Minnesota Department of Transportation (MnDOT)[8] as areas in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato and St. Cloud. Rural and small urban areas are places with populations fewer than 50,000.

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[6] Includes planned stations on future transitways that are in advance design or under construction that meet the following criteria: issuance of a draft EIS, station area planning underway, and adoption by the Metropolitan Council Transportation Policy Plan. Transitways entering into advance design after publication will be eligible, but data may not be available using Minnesota Housing scoring tools.

[7] High service fixed route stop is defined as those serviced from 6 am to 7 pm and with service approximately every half hour during that time.

[8] Greater Minnesota Transit Investment Plan: http://www.dot.state.mn.us/transitinvestment

a. Urbanized Areas (population greater than 50,000)[9]:

i. Access to Transit: To claim access to transit, a project in Greater Minnesota must be (select one):

1. ☐ Located within one quarter mile of a planned [10]or existing public transportation fixed route stop (7 points);

2. ☐ Located between one quarter mile and one half mile of a planned or existing public transportation fixed route stop (4 points);

3. ☐ Located less than one half mile of an express bus route stop or park and ride lot (4 points)

ii. Walkability: To claim walkability, a project in Greater Minnesota must meet the Access to Transit criterion described above, and be (select one):

1. ☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com (2 points);

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

b. Rural and Small Urban Areas (population fewer than 50,000). For rural and small urban areas, applicants may claim Location Efficiency by having access to route deviation service or demand response/dial-a-ride, and walkability. Route deviation service[11] is different from fixed route transit in that the vehicle may leave its predetermined route upon request by passengers to be picked up or returned to destinations near the route, after which the vehicle returns to the predetermined route. Passengers may call in advance for route deviations similar to that of demand response/dial-a-ride or access the service at designated route stops without advanced notice. Demand response usually involves curb-to-curb or door-to-door service with trips scheduled in advance (also known as "Dial-A-Ride").

i. Access to Transit: To claim access to transit, a project in Greater Minnesota must be (select one):

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[9] Eligible areas are those in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead and St. Cloud. These are the seven MnDOT identified fixed route transit systems for Greater Minnesota.

[10] For a Greater Minnesota planned stop to be claimed, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop of route must be available M-F and provide service every 60 minutes for a minimum of 10 hours per day.

[11] Applicants can find providers by county or city on MnDOT's website, https://www.dot.state.mn.us/transit/riders/index.html, and the service type in MnDOT's annual transit report, http://www.dot.state.mn.us/govrel/reports/2017/transit.pdf

1. ☐ Located within one quarter mile of an existing or planned[12] designated stop that has service every 60 minutes OR served by demand response/dial-a-ride with no more than two hour advance notice. (7 points)

2. ☐ Located between one quarter mile and one half mile of an existing or planned designated stop that has service every 60 minutes OR served by demand response/dial-a-ride with prior day notice. (4 points)

3. ☐ The proposed housing has access to demand response/dial-a-ride service not meeting the scheduling terms above (2 points)

ii. Walkability: To claim walkability, a project in Greater Minnesota must meet the Access to Transit criteria described above, and be (select one):

1. ☐ Located in an area with a Walk Score of 50 or more according to www.walkscore.com (2 points)

2. ☐ Located in an area with a Walk Score between 35 – 49 according to www.walkscore.com (1 point)

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

Access to transportation maps and census tract listings are found on Minnesota Housing's website: [insert link]

Community profiles interactive mapping tool: [insert link]

4. Supporting Community and Economic Development (1 to 18 points)

A. Planned Community Development (3 points):

1. ☐ Project contributes to active implementation of Planned Community Development efforts, as defined in section 6.A of the HTC Program Procedural Manual, to address locally identified needs and priorities, in which local stakeholders are actively engaged. Comprehensive plans, land use plans and general neighborhood planning documents are not by themselves considered evidence of Planned Community Development. ~~The plan or initiative or most recent amendment must be dated within seven years of the application.~~ (3 points)

A qualifying plan or initiative can be created and approved by a wide variety of public and private local community development partners such as cities, counties, private foundations and public housing

[12] For a Greater Minnesota planned stop to claimed, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop of route must be available M-F and provide service every 60 minutes for a minimum of 10 hours per day.

authorities. Plans local entities are required to produce, such as comprehensive and consolidated plans, are not by themselves considered evidence of Planned Community Development.

To be considered for Planned Community Development, an applicant must provide a narrative and backup documentation. The narrative must address the items below and include page numbers to direct where information is located in the backup documentation:

1. A list of various local stakeholders involved and their role.
2. The milestones or steps that have been completed, underway and planned. Include dates and stakeholders involved.
3. Key investments, in-kind or other financial commitments that have been made, or are pending, and are critical for implementation. Include dates for these commitments.
4. Affordable housing as a key strategy.
5. The Targeted Geographic area.

EXCEL HELP TEXT:
Select Planned Community Development under Strategic Priorities to enable checkboxes for Planned Community Development.

B. Eventual Tenant Ownership (1 point):

1. ☐ Projects with detached single-family units are eligible for homeowner conversion. The project owner must submit a preliminary conversion plan with their application that is consistent with the requirements of the Eventual Tenant Ownership (ETO) Guide. The plan must address the transfer of 100% of the HTC unit ownership after the end of the 15-year compliance period from the initial ownership entity (or Minnesota Housing approved "Transfer of Ownership" entity) of the project to tenant ownership. (1 point)

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

The Declaration of Land Use Restrictive Covenants will contain provisions ensuring compliance with these Eventual Tenant Ownership commitments by the owner, including a right of first refusal allowing tenants to purchase their units. (Refer to the Eventual Tenant Ownership (ETO) Guide and also to Chapter 3W of the HTC Program Procedural Manual for additional information.)

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

C. Rural/Tribal (10 points):

~~Points are awarded~~ Projects located in Rural/Tribal Designated Areas outside of the Twin Cities seven-county metropolitan area.

1. ☐ The proposed housing is located in a census tract eligible as a Rural/Tribal Designate Area outside of the Twin Cities seven-county metropolitan area. (10 points)

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

Rural/Tribal Designation Area map overlays in the community profiles interactive mapping tool: [insert link]

The Federal/Local/Philanthropic Contributions selection criterion has been incorporated into new selection criterion 6B.Other Contributions in the Efficient Use of Scarce Resources and Leverage Category.

D. QCT/Community Revitalization and Tribal Equivalent Areas (1 point):

1. ☐ The proposed housing is located in a QCT Community Revitalization Area or a Tribal Equivalent Area (1 point)

To be eligible for the QCT/Community Revitalization criterion, the project must be located in a Qualified Census Tract (See Qualified Census Tract – Reference Materials Index) and be part of a concerted plan that provides for community revitalization consistent with the definition described in the Planned Community Development selection criterion.

To be eligible for the Tribal Equivalent Areas criterion, the project must be located in one of the Tribal Equivalent Areas: [insert link]

Find these areas in the community profiles interactive mapping tool: [insert link]

E. Minority-owned/Women-owned Business Enterprise (MBE/WBE) (3 points):

1. ☐ The project sponsor, executive director of a non-profit, general contractor, architect, or management agent is a MBE/WBE[13], as certified by the owner. (3 points)

5. Preservation (~~6 to 30~~ 5 to 30 points)

IMPORTANT NOTE: DUAL APPLICATION and PRE-APPLICATION REQUIRED.
Applicants must submit a dual application, as defined in the Multifamily RFP Guide, if the development contains 40 units or more.

[13] A MBE/WBE is a tribe or tribally-designated housing entity, or another entity which is at least 51% owned by one or more minority persons or women, and whose management and daily business operations are controlled by one or more minority persons or women who own it.

Applicant must provide the required Pre-Application 30 days prior to the application deadline for HTC Round 1 or Round 2, as detailed in the HTC Program Procedural Manual Section 6.A. Failure to submit all required pre-application materials will result in rejection of the pre-application. Provide Minnesota Housing's "Preliminary Determination of Preservation Eligibility" letter with the application which should be consistent with threshold and items claimed below.

A. Thresholds: Applicants seeking Preservation points should read the descriptions and then select one of the following three Thresholds:

1. ☐ Risk of Loss Due to Market Conversion

    a. Expiration of contract/use-restrictions
        i. Existing property at risk of conversion to market rate housing within five years of application date, and conversion is not prohibited by existing financing or use restrictions; OR
        ii. Existing tax credit developments eligible to exercise their option to file for a Qualified Contract, and have not previously exercised their option; AND
    b. Market for conversion evidenced by low physical vacancy rate (4% or lower) for market rate comparable units (comparable units to be validated by Minnesota Housing at Minnesota Housing's discretion); AND
    c. Market for conversion evidenced by one or more of the following:
        i. An appraisal commissioned by Minnesota Housing within a year of the application date where the as-is unrestricted value is equal to or greater than the as-is restricted value; OR
        ii. For properties with Section 8 contracts, a Rent Comparability Study acceptable to Minnesota Housing staff and reviewers which was completed within a year of the application date that shows current rents are below comparable market rents; OR
        iii. A market study commissioned by Minnesota Housing completed within a year of the application date that shows current rents are below comparable market rents and that the property has comparable location, amenities and condition to convert to market rate; AND
    d. Fifteen (15) or more years have passed since the award of the existing federal assistance and the tax credit placed in service date (if applicable) for projects claiming points under Existing Federal Assistance, or 15 years must have passed since the closing of the loan that created rent and income restrictions or the most recent tax credit placed in service date for projects claiming points under Critical Affordable Units.

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

2. ☐ Risk of Loss Due to Critical Physical Needs

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

b. Critical physical needs identified by third party assessment to support the following conclusions:
   i. Repair/replacement of major physical plant components have been identified that will result in 15+ years sustained operations; AND
   ii. Identified scope of critical physical needs exceeds the available reserves by at least $5,000 per unit, as evidenced by the Three Year Critical Needs Model;

3. ☐ Risk of Loss Due to Ownership Capacity/Program Commitment

a. Fifteen (15) or more years have passed since the award of the Existing Federal Assistance and the tax credit placed in service date (if applicable) for projects claiming points under Existing Federal Assistance, or 15 years must have passed since the closing of the loan that created rent and income restrictions or the most recent tax credit placed in service date for projects claiming points under Critical Affordable Units; AND
b. One of four conditions exist:
   i. Existing conditions created by the current owner such as bankruptcy, insolvency, default, foreclosure action, unpaid taxes and assessments, on-going lack of compliance with lenders or terms of federal assistance, or self-determination by non-profit board are severe enough to put the property at significant risk of not remaining decent, safe and affordable. Ownership must be transferred to an unrelated party; OR
   ii. The property has been or will be acquired from an unrelated party within three years of the application date after being offered for sale on the open market after an opt-out notice for the HAP contract had been submitted to Minnesota Housing; OR
   iii. The property has been or will be acquired from an unrelated party within 3 years of the application date as a result of a PARIF Right of First Refusal being exercised; OR
   iv. The acquisition of a property with USDA Rural Development rental assistance has occurred or will occur when the current or previous owner intends or intended to allow the existing USDA Rural Development mortgage to mature, and has turned down offers from USDA Rural Development to reamortize the mortgage. Must apply within five years of maturity date and within three years of acquisition.

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

EXCEL HELP TEXT
Select Preservation under Strategic Priorities to enable checkboxes for Preservation.
For projects meeting one of the three thresholds above, choose points under either Existing Federal Assistance or Critical Affordable Units at Risk of Loss below.

B. Scoring:
   Existing Federal Assistance (5 to 30 points):
   Definition: Any housing receiving project-based rental assistance or operating subsidies under a U.S. Department of Housing and Urban Development (HUD), U.S. Department of Agriculture Rural Development (RD), NAHASDA or other program that is not scheduled to sunset or expire. Properties that have converted their type of federal rental assistance through the Rental

Assistance Demonstration program, Component 2 (RAD 2) are eligible. Such assistance must have been committed to the property 15 years prior to the year of application.

Owner will continue renewals of existing project based housing subsidy payment contract(s) for as long as the assistance is available. Except for "good cause," the owner will not evict existing subsidized residents and must continue to renew leases for those residents. Developments with qualified Existing Federal Assistance and which have secured additional federal rental assistance (including through an 8bb transfer) should count the total number of assisted units below. Such units are not eligible to be counted under Rental Assistance.

Select an option from either a. or b. below.

a. Existing Federally Assisted Units:

   i. ☐ 100% of units are federally assisted (30 points)
   Representing ______ units

   ii. ☐ 75.01% - 99.99% of units are federally assisted (22 points)
   Representing ______ units

   iii. ☐ 50.01 - 75% of units are federally assisted (15 points)
   Representing ______ units

   iv. ☐ 25.01% - 50% of units are federally assisted (10 points)
   Representing ______ units

   v. ☐ Less than 25% of units are federally assisted (5 points)
   Representing ______ units

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

   i. ☐ 75.01 - 99.99% of units are federally assisted (30 points)
   Representing ______ units

   ii. ☐ 25.01 - 75% of units are federally assisted (20 points)
   Representing ______ units

   iii. ☐ Less than 25% of units are federally assisted (10 points)
   Representing ______ units

OR

2. Critical Affordable Units at Risk of Loss (6 points)

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

AND

You must also claim and be eligible under Serves Lowest Income Tenants/Rent Reduction criterion. (6 points)

EXCEL HELP TEXT:
Projects must select one of the three Risk of Loss thresholds above to activate options in Preservation Selection Priority.

6. Efficient Use of Scarce Resources and Leverage (1 to 38 points)

A. Financial Readiness to Proceed/Leveraged Funds (4 to16 points):

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

   Calculate your total using the formula below, and then select the appropriate option. The calculation must exclude first mortgage financing and any anticipated proceeds from the current tax credit request.

   Total eligible funding secured, awarded or committed (excluding first mortgage financing net of the Tax Increment Financing (TIF) portion, if applicable, any anticipated proceeds from the current tax credit request, and sales tax rebate[14]) $______divided by Total Development Cost (excluding first mortgage financing net of the Tax Increment Financing (TIF) portion, if applicable, any anticipated proceeds from the current tax credit request, and sales tax rebate) $______ equals Percentage of Funds Committed ______% (round to nearest tenth):

   a. ☐ 70% or more of funding secured, awarded or committed[15] (16 points)

   b. ☐ 60% to 69.9% of funding secured, awarded or committed (14 points)

   c. ☐ 50% to 59.9% of funding secured, awarded or committed (12 points)

   d. ☐ 40% to 49.9% of funding secured, awarded or committed (10 points)

   e. ☐ 30% to 39.9% of funding secured, awarded or committed (8 points)

   f. ☐ 20% to 29.9% of funding secured, awarded or committed (6 points)

[14] Sales tax rebate, for the purpose of this scoring category, should be calculated as 40% of the construction contract amount multiplied by the local tax rate for the area where the project is located.
[15] Projects that have both a numerator and denominator equal to zero are eligible to claim 70 % or more of funding secured, awarded or committed.

g. ☐ 10% to 19.9% of funding secured, awarded or committed (4 points)

h. ☐ 9.9% and below of funding secured, awarded or committed (0 points)

The documentation must be in the form of a project specific Letter of Intent, city or council resolution, letter of approval, or statement of agreement or eligibility. Commitment documentation must state the amount, terms and conditions and be executed or approved by the lender or contributor and the applicant. Documentation containing words synonymous with "consider" or "may," (as in "may award") regarding the commitment will not be acceptable.

Financial Readiness/Leverage Funding Commitments include:

- Syndication proceeds due to previously awarded tax credits: Syndication proceeds from tax credits awarded in a previous cycle/round may be included if verification is included in the application. Acceptable verification is an executed syndicator agreement or executed Letter of Intent from the syndicator that is acceptable to Minnesota Housing. The executed Letter of Intent must:
  - Be current within 15 days of submission of the application
  - Contain a projected closing date for the development
  - Contain a projected equity price for the purchase of the credit
  - Contain a detailed explanation of the assumptions being used by the syndicator to arrive at the projected equity price
- Monetary grants/donations
- Amortizing first mortgage incorporates tax abatement for properties with a first mortgage
- Tax Increment Financing (TIF): Provide satisfactory documentation that the contribution is committed to the development at the time of application, including a letter from the city and a city council resolution, indicating its intention to provide TIF assistance and the anticipated amount and term. The documentation should include the TIF analysis from the city or its consultant.
- Deferred loans with a minimum 30-year term with an interest rate at or below the Applicable Federal Rate (AFR)
- Grants from nonprofit charitable organizations converted to deferred loans with a minimum 30-year term that is with an interest rate at or below the AFR. Award letter from the nonprofit charitable organization contributor must be provided at the time of application verifying the contribution. Documentation must evidence that the contribution is restricted for housing development uses and the contribution must be included as a development source.
- Historic Tax Credits: In addition to the commitment documentation, at the time of application provide written documentation of eligibility through evidence of Historic Register listing or approval of Part 1—Evaluation of Significance.
- Funder commitments to modify existing debt including: debt forgiveness; approval of assumption of debt and extension of loan term; commitments must contain no contingencies other than receipt of a tax credit award. At the time of application, written documentation from the funder justifying the amount and the terms of the contribution must be provided.
- Deferred developer fee: The applicant must provide the required commitment documentation and provide evidence of repayment within 10 years by the projected cash flow.

B. Other Contributions (2 to 10 points):

1. For projects that receive contributions referenced below from the federal government; a local unit of government; an area employer; and/or a private philanthropic, religious or charitable organization. Calculate your total using the formula below, and then select the appropriate option.

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

   Total "Other" non-funding contributions from federal/local/philanthropic sources $_____ divided by Total Development Cost $_____ equals (rounded to the nearest tenth):

   a. ☐ 20.1% and above (10 points)

   b. ☐ 15.1 to 20% (8 points)

   c. ☐ 10.1 to 15% (6 points)

   d. ☐ 5.1 to 10% (4 points)

   e. ☐ 2.1 to 5% (2 points)

   f. ☐ 0 to 2 % (0 points)

At the time of application, written documentation from the contributor justifying the amount and the terms of the contribution must be provided and be consistent with current market comparable costs. The documentation must be in the form of a project specific Letter of Intent, city or council resolution, letter of approval, statement of agreement or eligibility, or memorandum of understanding.

The documentation must state the amount, terms and conditions and must be executed or approved, at a minimum, by the contributor. Documentation containing words synonymous with "consider" or "may" (as in "may award") regarding the contribution will not be acceptable. Lack of acceptable documentation will result in the reevaluation and adjustment of the tax credits or RFP award, up to and including the total recapture of tax credits or RFP funds.

Other Contributions include:

- Land donation or city write-down of the development site
- In-kind work and materials donated at no cost
- Local government donation/waiver of project specific costs, assessments or fees (e.g., SAC/WAC)
- Reservation land not subject to local property taxes calculate net present value (NPV) by using NPV discounted by applicable federal rate (AFR) for the term of the LURA)
- Reservation land with long-term low cost leases
- Funder commitments to modify existing debt including: forgiveness of interest payable; reduction in interest rate (measured as amount of interest saved over term of loan). Commitments must contain no contingencies other than receipt of a tax credit award. At the time of application,

written documentation from the funder justifying the amount and the terms of the contribution must be provided.

C. Intermediary Costs (1 to 6 points):

1. Projects with the lowest intermediary costs on a sliding scale based on percentage of total development costs. For selected projects, this percentage will be enforced at the time of closing for deferred loans or at issuance of the IRS Form 8609 for HTC developments. Calculate your total using the formula below, and then select the appropriate option.

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

   a. ☐ 0.0 to 15% (6 points)

   b. ☐ 15.1 to 20% (3 points)

   c. ☐ 20.1 to 25% (2 points)

   d. ☐ 25.1 to 30% (1 point)

   e. ☐ 30.1% and over (0 points)

D. Cost Containment (6 points):

1. Proposals will receive points based on the cost containment methodology. For each of the four competition groups, the cost per unit of the proposal at the 50th percentile in Round 1 will determine the cut-off point or threshold for receiving points for 4% tax credits. (6 points)

   NOTE: Proposals that believe they have contained their costs should select these points. Only proposals that claim cost containment points on the Self-Scoring Worksheet and are awarded points through the process described above will receive cost containment points.

   CAUTION: If a project receives points under this criterion, failure to keep project costs under the applicable cost threshold will be considered an unacceptable practice and will result in negative four **points being awarded in all of the applicant's tax cr**edit submissions in the next funding round in which submissions are made. If developers are concerned about their costs and keeping them **within the "applicable cost threshold," they should not claim the cost**-containment points.

   ~~Revised~~ Cost Containment Methodology: [insert link]

7. Building Characteristics (1 to 4 points)

A. Universal Design (3 points):

1. A unit that includes all Minimum Essential Universal Design Features below, along with eight Optional Features for units in a new construction or adaptive re-use project, and four Optional Features for units in a rehabilitation project. Type A accessible units (as referenced in Minnesota

Housing's Rental Housing Design and Construction Standards) also meet the definition of a Universal Design unit.

2. Select one:
   a. ☐ An elevator building with 100% of assisted units meeting the definition of a Universal Design Unit (3 points); OR

   b. ☐ A non-elevator building with at least 10% of ~~HTC~~ assisted units meeting the definition of a Universal Design Unit (3 points)

Minimum Essential Universal Design Features:

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

Optional Features:

- High contrast finish selections that include floor to wall transitions, top treads of stairs, counters and adjacent flooring and walls
- Single lever, hands free or touch faucets
- At least 50% of kitchen storage space within reach range. This can include pull-out shelves, full extension glide drawers or pantry design
- A variety of work surface heights in kitchen and one five foot open radius
- Roll under vanity or sink in 25% of Universal Design qualifying units, rounded up to the nearest whole number
- Cabinet hardware with "D" type pull handles or operation for people with limited dexterity
- Zero threshold shower or transfer space at tub is provided for minimum of half the qualifying Universal Design units, rounded up to the nearest whole number
- Slip resistant flooring in kitchens and baths

- Toilets provided with seats 17”– 19” from the floor
- Windows are provided with maximum sill height of 36”, parallel clear floor space and locks/operating mechanism within 48” and easily operable with one hand. Sidelight or view window at main entry door from a seated position
- Thermostats designed for visually impaired or ability to monitor and operate with electronic device such as a tablet computer
- Closet storage is adjustable in a majority of the closets provided
- Audio/visual doorbell
- Covered entry with adequate lighting and interior or exterior bench space for parcels or groceries
- Lettering and numbering with all characters and symbols contrasting with their background
- Parking spaces provided for at least 50% of Universal Design qualifying units, rounded up to the nearest whole number, with a five foot wide adjacent auxiliary space connected to accessible route
- Residential elevator or chair lift space structured for future use in multiple level homes
- Enterprise Green Communities Model Specifications are used for applicable sections for the Universal Design qualifying units
- On-site physical activity is provided for in a fitness area, biking or walking path or community garden
- Other modifications that make units livable for disabled populations, as demonstrated by credible evidence provided in the application, and at the sole discretion of Minnesota Housing

B. Smoke Free Buildings (1 point):

The projects will institute and maintain a written policy[16]* prohibiting smoking in all the units and all common areas within the building/s of the project. The project must include a non-smoking clause in the lease for every household. Projects awarded a point in this scoring criteria will be required to maintain the smoke-free policy for the term of the declaration. (1 point)

8. Unacceptable Practices (~~4 to -25~~ -4 to -25 points)

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

Total Points

TOTAL DEVELOPER CLAIMED POINTS:

TOTAL MINNESOTA HOUSING AWARDED POINTS:

Signatures

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

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

Name of Owner: ______________________________

By (Signature):

Of (Name of Legal Entity):

Its (Title) (Managing General Partner):

Print or Type Name of Signatory:

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

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2019 QAP Content and Scoring Change Summary

Key Changes

The changes in the 2019 QAP focus on streamlining and enhancing clarity. The key changes are:

- Providing two Self-Scoring Worksheets. We will now provide separate Self-Scoring Worksheets for 9% and 4% tax credits.

- Increasing the per development tax credit cap increases from $1 million to $1.2 million to reflect an adjustment for inflation.

- Increasing the number of selection categories from six to seven. The Greatest Need – Tenant and Affordability Targeting Priority is now broken into two. The first priority focuses on the tenant populations served by targeting large families, high priority homeless and people with disabilities. The second priority focuses on serving the lowest income tenants and affordability.

- Adding one selection criterion and deleting another.
    - *What's New:* Under the Serves Lowest Income for Long Durations Selection criterion, we now provide points for the 4% and 9% tax credits with a 35-year or 40-year extended-use period and a waiver of the qualified contract.
    - *What's Gone:* We removed High Speed Internet Access as an optional selection criterion because we now require it under our Design/Construction Standards.

- Recalibrating the overall scoring framework to reflect the streamlining and clarifications but not change the balance of priorities. After streamlining the QAP and making the content changes, we recalibrated and adjusted the overall scoring to align the pointing of the 2019 QAP with the 2017 QAP. While we want to streamline and simplify the QAP, we want to keep the type of selections that occurred under the 2017 QAP (the most recent selections) because those selections are well-aligned with our priorities. With the scoring recalibration, the changes in the proposed 2019 QAP would result in only one change in ranking among the 13 projects that were selected under the 2017 QAP if the proposed 2019 QAP were used instead. See the Test Cases for Scoring Changes for more details.

Selection Categories and Selection Criteria

The pointing, content, streamlining and clarification changes impacted several selection categories and scoring criteria, all of which are outlined in the At-A-Glance 2019 QAP Changes document. Notable changes are outlined below:

- Greatest Need Tenant Targeting. The three selection criteria that comprise this selection category are:
    - Large Family Housing (previously named Household Targeting)
    - Permanent Supportive Housing for High Priority Homeless
    - People with Disabilities

  The 2019 QAP emphasizes serving large families. We eliminated the points for Single Room Occupancy (SRO); however, the Rental Assistance criterion continues to provide points for serving households with incomes at or below 30 percent of Multifamily Tax Subsidy Project (MTSP) Income Limits. Multifamily Tax Subsidy Projects (MTSP) Income Limits were developed to meet the requirements established by the Housing and Economic Recovery Act of 2008 (Public Law 110-289) that allows project rents to increase over time. The MTSP Income Limits are used to determine qualification levels as well as set maximum rental rates for projects funded with tax credits authorized under section 42 of the Internal Revenue Code.

While the Permanent Supportive Housing criterion previously offered 100 bonus points to applicants, we have concluded that the bonus points have no measurable impact on the selections. After a careful evaluation of past scoring, we found that the developments that received the bonus points would still have been selected without them. Therefore, we are dropping the bonus points.

Several important clarifications were made to the People with Disabilities criterion, which includes creating a preference for serving people with disabilities who are moving from segregated settings. Developments with units designated for people with disabilities need to be an integrated setting, which is defined as no more than 25 percent of the units designated for people with disabilities.

- Serves Lowest Income for Long Durations. The three selection criteria that comprise this selection category are:
    - Serves Lowest Income
    - Rental Assistance
    - Long-term Affordability (newly added in the 2019 QAP)

  The Serves Lowest Income criterion is revised to focus solely on rents affordable to tenants with incomes at or below 50 percent of MTSP Income Limits. We further adjusted the criterion by requiring a 10-year commitment, when the 10-year commitment had previously been an option to get additional points.

  Rental assistance is critical for serving very low-income populations, and the 2019 QAP made several important adjustments. First, all rental assistance points are consolidated into this selection criterion. Previously, they were co-mingled in other selection criteria, such as Permanent Supportive Housing for High Priority Homeless or People with Disabilities. The notable changes are: (1) adding an additional tier to the category to include projects with a smaller percentage of units with rental assistance;, and (2) providing additional points for developments that target rental assistance to households with incomes at or below 30 percent of MTSP Income Limits.

- Areas of Opportunity – Location Efficiency. We made several modifications to the Location Efficiency selection criterion in an effort to streamline and enhance scoring clarity. First, we better define Greater Minnesota geographies for scoring purposes and align these definitions with the Minnesota Department of Transportation (MnDOT) Transit Investment Plans. There are now two transit categories in Greater Minnesota:
    - Urbanized areas with fixed route transit services.
    - Rural and small urban areas with access to designed stops, route deviation service or dial-a-ride.

  In the Twin Cities Metropolitan area, we eliminated the criterion related to Transit Oriented Development (TOD) building design but moved the two points previously available under that criterion to the Access to Transit criterion.

- Preservation. We eliminated the requirement that developments be located in a Preservation Priority Area, and we added the following requirements and clarifications for two of three risk categories:

    - Risk of loss due to market conversion. This risk of loss has been updated to require evidence from one or more of the following:
        - An appraisal commissioned by Minnesota Housing within one year of the application date.
        - For properties with Section 8 contracts, a Rent Comparability Study that is acceptable to Minnesota Housing, meets HUD standards, and is completed within one year of the application date.
        - A market study commissioned by Minnesota Housing, paid for by the developer, and completed within one year of the application date.

    - Risk of loss due to ownership capacity/program commitment. The expanded acceptable circumstances include:
        - Properties acquired from an unrelated party within three years of the application date after being offered for sale on the open market after an opt-out notice for the Housing Assistance Payment (HAP) contract was provided.
        - Properties acquired from an unrelated party within three years of the application date as a result of a PARIF Right of First Refusal being exercised.
        - Properties where the current or previous owner intends (or intended) to allow a USDA Rural Development mortgage to mature and has (or had) turned down offers to re-amortize the mortgage. An application must occur within five years of the maturity date and within three years of acquisition by a new party.

    Federally assisted projects will now be awarded points only for the percentage of units that are assisted, rather than the absolute number of units that are assisted. This will prioritize projects with a greater percentage of assisted units and will result in a more efficient use of resources.

- Efficient Use of Resources/Leverage. We value the contributions made by other governmental and philanthropic funding partners, but previously scored these contributions under two distinct selection categories - Community and Economic Development and Efficient Use of Scarce Resources. Combining similar commitments into a newly-named selection category (Financial Readiness to Proceed/Leverage) enhances scoring clarity and underscores the critical financial impact other funding partners have on the development.

    The category now includes both direct funding contributions and other types of contributions (land donation, fee waivers) from federal, local or philanthropic partners. All previously scored elements from Federal/Local/Philanthropic Contributions in the Community and Economic Development selection category have been consolidated, retained and integrated into this newly-named selection category.

Minnesota Housing
Finance Agency

At-A-Glance 2019 QAP Changes

Greatest Need – Tenant Targeting

- Large Family Housing
  - Removed Single Room Occupancy (SRO) points; but points are still available under rental assistance for serving households with incomes at or below 30 percent MTSP Income Limits
  - Reduced points for Large Family Housing for 9% HTC; with the SRO category being dropped, the points for large families needed to be recalibrated. Large Family Housing points were maintained for 4% HTC projects.
- Permanent Supportive Housing for High Priority Homeless[1]
  - Streamlined language to support use of the Coordinated Entry delivery system
  - Eliminated bonus points but increased general points for homelessness to maintain the incentive to serve this population
- People with Disabilities
  - Added preference for individuals moving from segregated settings
  - Removed the restriction on claiming points for developments serving people with disabilities where more than 25% of the units are targeted for permanent supportive housing

Serves Lowest Income for Long Durations

- Serves Lowest Income
  - Added requirement that developments that choose this option and restrict rents to 50 percent of MTSP Income Limits must provide a 10-year commitment. Previously the 10-year commitment was optional for additional points
  - Dropped points for units with rents further restricted to 30 percent MTSP Income Limits; consolidated incentive to serve households at 30 percent of MTSP Income Limits in Rental Assistance criterion
- Rental Assistance (RA)
  - Consolidated RA points into one category (points were previously available in Permanent Supportive Housing and People with Disabilities)
  - Added ~~a~~ two lower tier point categories~~y~~: one for developments with less than 5% or units, but no fewer than four units with RA and another for developments with 5-10 percent of units with RA
  - Added a new criterion that provides points for the percentage of units serving households with incomes at or below 30 percent MTSP Income Limits
  - Increased the overall points available under RA
- Long-term Affordability - NEW
  - Added new points for 35- or 40-year extended affordability

[1] Families with children, youth (including youth with families or single youth), and single adults.

Areas of Opportunity

- Economic Integration
  - Removed the proximity to jobs requirements under the economic integration scoring criterion
- Higher Performing Schools
- Workforce Housing Communities
- Location Efficiency
  - Eliminated points for transit-oriented development building design in the Twin Cities metropolitan area and moved these points to Access to Transit
  - Aligned the criterion's definitions with the MnDOT transit investment plan and reclassified Greater Minnesota into two geographies: urbanized and rural/small urban areas
    - Better defined urbanized areas with access to fixed routes
    - Better defined rural/small urban areas with access to designated stops, demand-response service, or dial-a-ride
  - Removed proximity to jobs threshold under the Greater Minnesota category

Community and Economic Development

- Planned Community Development
  - ~~Required plan to be dated or amended within seven years~~
  - Defined documentation required to support the plan; clarified active implementation is key
  - Eliminated the requirement for a local official support letter
- Qualified Census Tracts – Low Income Communities
- Eventual Tenant Ownership
- Rural/Tribal
- Minority-owned and Women-owned Business Enterprise
  - Added eligibility for non-profit corporations
- Federal/Local/Philanthropic Contributions
  - Moved to Efficient Use of Scarce Resources

Preservation

- Thresholds: Risk of loss due to market conversion, critical physical needs or ownership capacity/program commitment
  - Eliminated requirement to be in a Preservation Priority Area
  - Clarified risk of loss due to market conversion requirements
  - Clarified risk of loss due to ownership capacity requirements.
- Scoring
  - Based points on the percentage of units assisted, rather than the absolute number of units assisted

Efficient Use of Resources/Leverage

- Financial Readiness to Proceed/Leveraged Funds
  - Provided a list of eligible sources including clarification regarding supporting documentation for: Tax Increment Financing (TIF), Historic Tax Credits, deferred loans, below-market interest rate loans, grants and donations, and grants from nonprofit organizations converted to deferred loans
- Other Contributions
  - Removed duplicate funding sources included in the Financial Readiness criterion. Remaining contributions listed are sources that reduce development costs and are not reflected in the sources and uses budget, such as land donation or SAC/WAC fee waivers
- Intermediary Costs
- Cost Containment

Building Characteristics

- Universal Design
  - Eliminated one options feature because it is already a code requirement (braille on interior signage)
- Smoke-Free Buildings
- High Speed Internet
  - Eliminated because it is now required in our design standards

Test Cases for 9% HTC Scoring Changes

After streamlining and modifying the selection criteria, we recalibrated the overall pointing by running dozens of test cases (primarily 2017 tax credit applications) through multiple point scenarios, with the goal of minimizing the change in the total points that a project would receive and that project's final ranking in the selection process. In the end, more than half the test cases had a change in their overall score of three points or less when we ran these development through the scoring and point changes that we are recommending in the 2019 QAP.

The following examples reflect test cases using the point structure that we are recommending. The summary for each test case focuses just on those selection criteria that had the largest changes. The analysis excludes the additional three to seven points that will be available to developments that extend their affordability period to 35 or 40 years. All developments will be eligible for these points.

Test Development #1

50 one-bedroom units of permanent supportive housing for high priority homeless with incomes at or below 30 percent of MTSP Income Limits; all the units have rent assistance

Category	Impact
SRO (deleted)	Lose 10 points with the elimination of the SRO scoring criterion
Permanent Supportive Housing	Gain 10 points because the points for the top tier (50 percent to 100 percent of the units are PSH) increases from 10 to 20 points
Rent Assistance	Gain 5 points overall. There are two changes: (1) Lose 2 points because the points awarded based on the number of rent assistance units are reduced, and (2) gain 7 points because a new scoring criterion is added based on the share of units with rent assistance
Other	Lose 3 points from a few small changes
Total Change	Gain 2 points

Test Development #2

35 units in Greater Minnesota with 29 of the units having two or more bedroom units and 4 units with rent assistance and permanent supportive housing

Category	Impact
Large Family	Lose 5 points because the points are reduced from 10 to 5
Permanent Supportive Housing	Gain 3 points because the points for the middle tier (10.0% to 49.9% of the units are PSH) increases from 7 to 10 points
Rent Assistance	Gain 3 points because a new scoring criterion is added based on the share of units with rent assistance
Other	0 point change because a few small changes offset each other
Total Change	Gain 1 point

Preservation Analysis

Preservation of Federally Assisted Units

We made a significant change to the 2019 Preservation scoring criterion by basing the points just on the share of units with federal assistance rather than on both the number and share of units, as the 2018 QAP does. The following grid summarizes the effect of that change after we recalibrated the scoring.

The rows show three different sized buildings and the columns show three different shares of units with federal assistance, for a total of nine test cases. Seven of the nine cases have a change of three points or fewer. The largest scoring changes, which are all increases, occur for the developments with 100 percent federal assistance because the new scoring is focused just on the share of units with federal assistance. It is more cost efficient to preserve two 40-unit buildings each with 100 percent assistance (preserving 80 units of assistance), than one 80-unit building with 50 percent assistance (40 units of assistance), assuming the rehabilitation costs per unit are the same for each development.

	Share of Units with Rent Assistance		
	50%	75%	100%
40-Unit Building	20 assisted units • 2018 QAP = 9 points ○ Share = 8 points ○ Number = 1 point • 2019 QAP = 10 points	30 assisted units • 2018 QAP = 13 points ○ Share = 12 points ○ Number = 1 point • 2019 QAP = 15 points	40 assisted units • 2018 QAP = 23 points ○ Share = 20 points ○ Number = 3 points • 2019 QAP = 30 points
60-Unit Building	30 assisted units • 2018 QAP = 9 points ○ Share = 8 points ○ Number = 1 point • 2019 QAP = 10 points	45 assisted units • 2018 QAP = 15 points ○ Share = 12 points ○ Number = 3 points • 2019 QAP = 15 points	60 assisted units • 2018 QAP = 23 points ○ Share = 20 points ○ Number = 3 points • 2019 QAP = 30 points
80-Unit Building	40 assisted units • 2018 QAP = 11 points ○ Share = 8 points ○ Number = 3 points • 2019 QAP = 10 points	60 assisted units • 2018 QAP = 15 points ○ Share = 12 points ○ Number = 3 points • 2019 QAP = 15 points	80 assisted units • 2018 QAP = 27 points ○ Share = 20 points ○ Number = 7 points • 2019 QAP = 30 points

2019 QAP - Access to Higher Performing Schools Methodology

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

- Share of 3rd graders who are reading proficient (2015/2016 school year). The area's neighborhood elementary school needs to meet or exceed the statewide proficiency rate of 57.3%[1]
- Share of 8th graders who are math proficient (2015/2016 school year). The area's neighborhood middle school needs to meet or exceed the statewide proficiency rate of 57.9%[1]
- Share of high school students that graduate on time (2015/2016 school year). The area's high neighborhood school needs to meet or exceed the statewide graduation rate of 82.17%[2]

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

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

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

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

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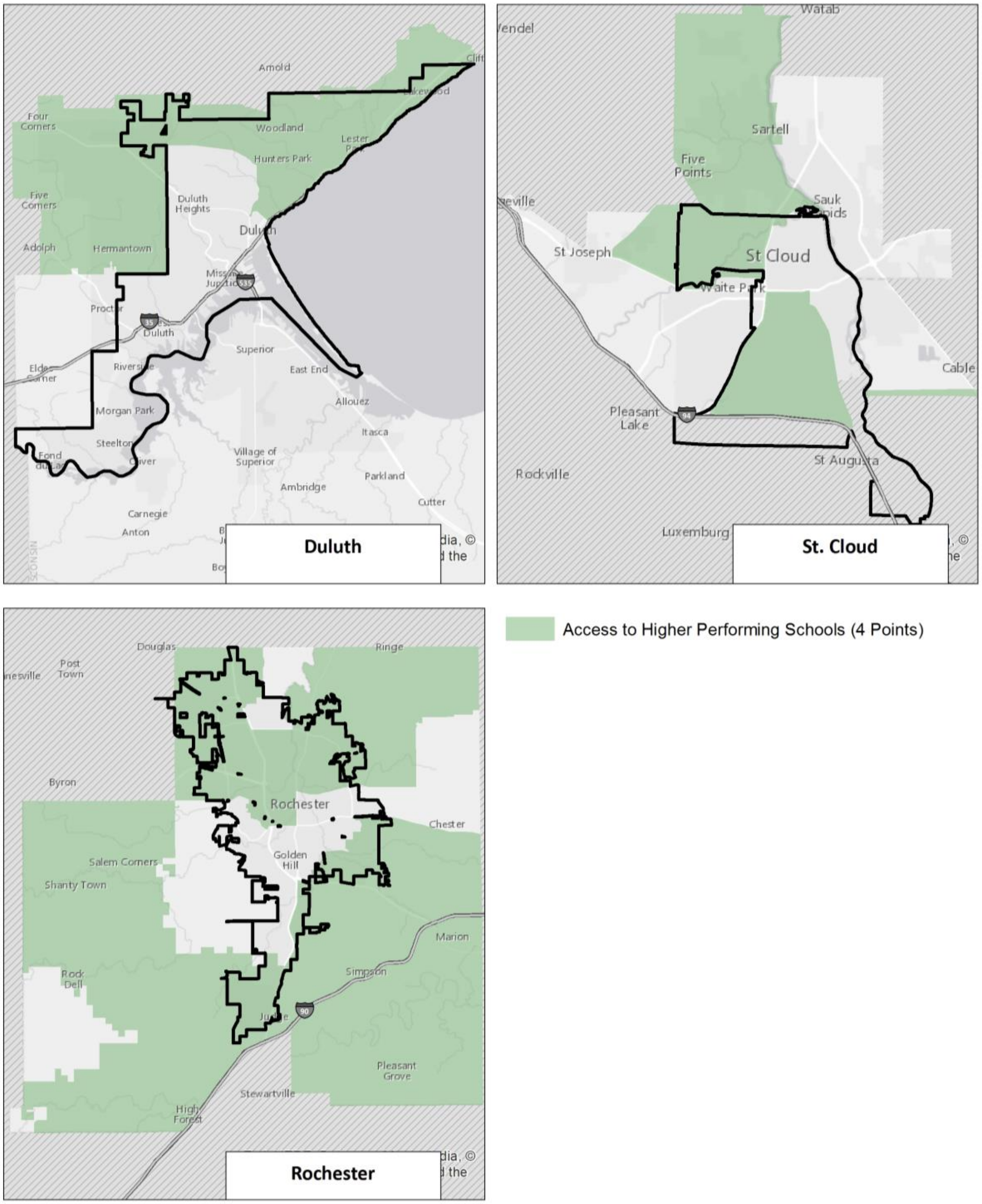
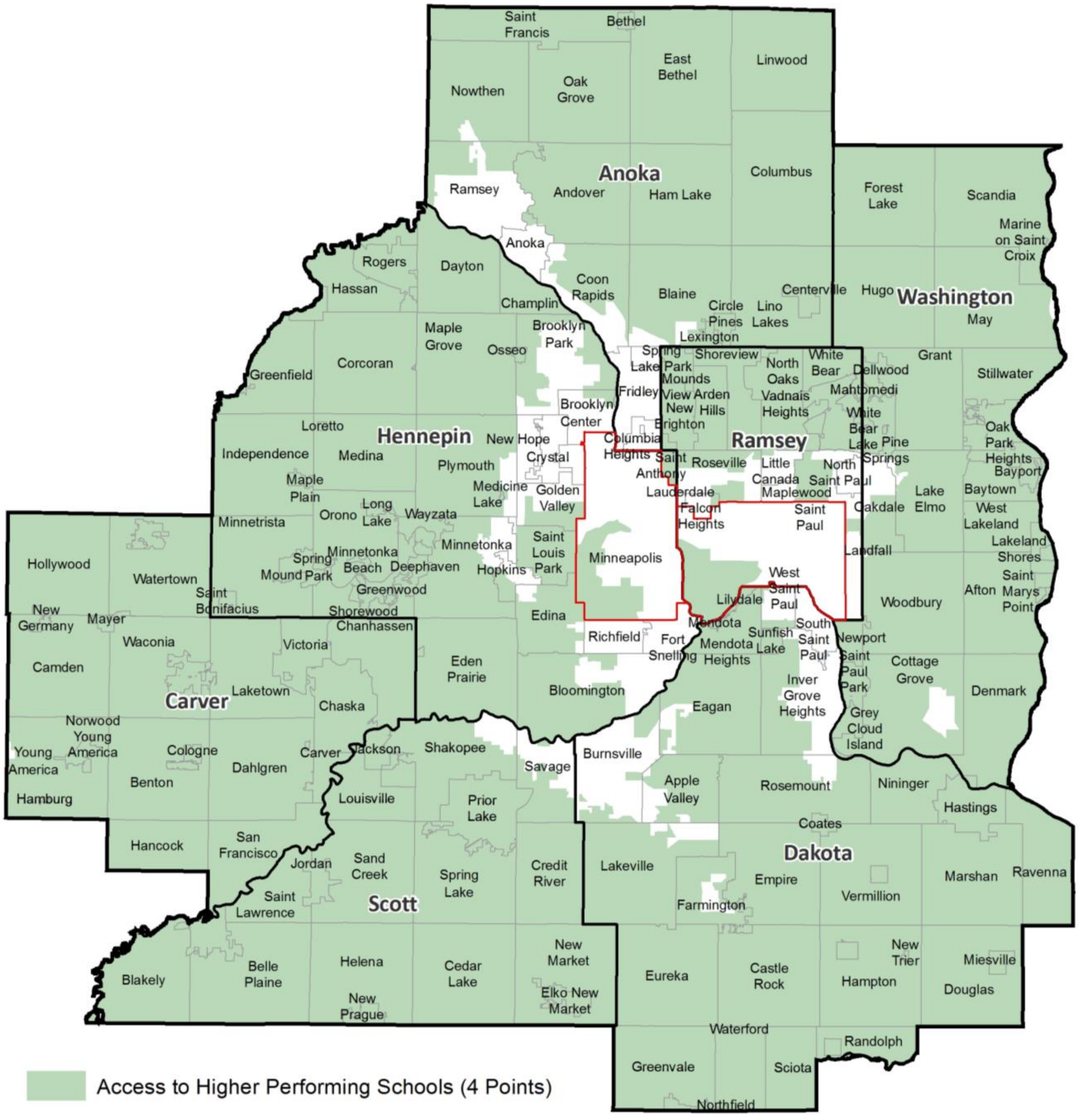
[1] Based on Minnesota Comprehensive Assessments (MCA) Series III test scores by school for 2015/2016 school year – 3rd and 8th grade proficiency. Data source: http://w20.education.state.mn.us/MDEAnalytics/Data.jsp.
[2] Based on 4-year graduation rates by school for 2015/2016 school year. Data source: http://w20.education.state.mn.us/MDEAnalytics/Data.jsp.
[3] If a middle school attendance boundary is not defined or a middle school does not exist, the high school attendance boundary is used.
[4] Data source Minnesota Department of Education via the Minnesota Geospatial Commons: https://gisdata.mn.gov/organization/us-mn-state-mde.

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





Access to Higher Performing Schools (4 Points)

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Community Economic Integration Methodology

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

Communities are eligible for these points in the 7-county Twin Cities metropolitan area and areas in and around Duluth, St. Cloud, and Rochester. For applicants to be awarded 7 or 9 points for community economic integration, the proposed housing needs to be located in a community (census tract) with the median family income meeting or exceeding the region's[1] 40th percentile for 7 points and 80th percentile for 9 points, based on data published in the American Community Survey (ACS) for 2015. For each region, the 40 percent of census tracts with the lowest incomes are excluded from receiving points.

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

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

First Tier Community Economic Integration – 9 Points
Meets or exceeds the 80th percentile of median family income for the region.

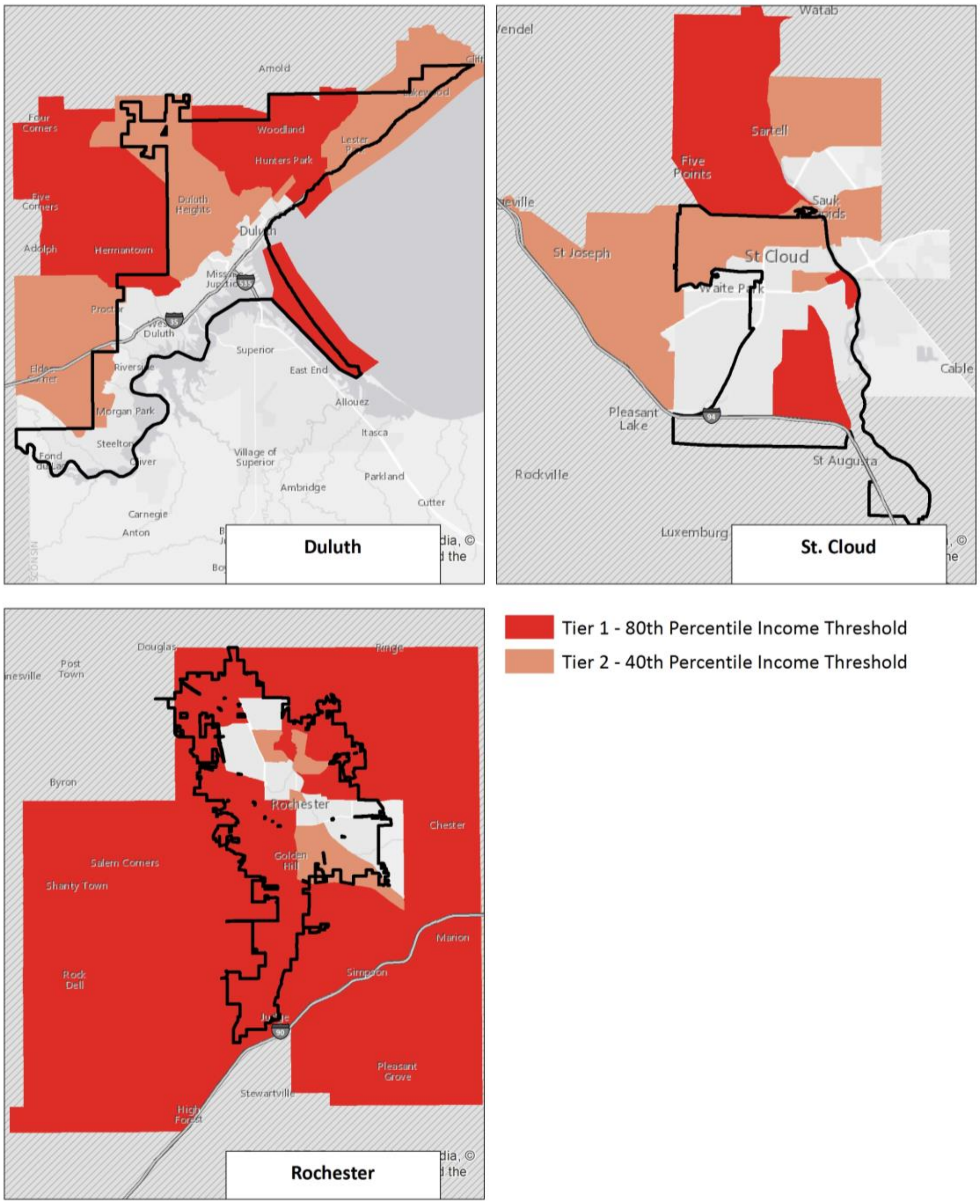
Second Tier Community Economic Integration – 7 Points
Meet or exceed the 40th percentile of median family income (but less than the 80th percentile) for the region.

[1] For the purpose of assessing income by region, Minnesota Housing used three regional categories 1) Twin Cities 7 County Metropolitan Area, 2) Counties making up Greater Minnesota MSAs, including: Duluth, St. Cloud, Rochester, Mankato/North Mankato, Grand Forks, and La Crosse, and four Twin Cities MSA counties outside of the 7 county metro, and 3) Balance of Greater Minnesota. The purpose of the regional split is to acknowledge that incomes vary by region.
[2] R/ECAPs must have a non-white population of 50 percent or more and has a poverty rate that exceeds 40 percent or is three or more times the average tract poverty rate for the metropolitan/micropolitan area, whichever threshold is lower (http://egis.hud.opendata.arcgis.com/datasets/320b8ab5d0304daaa7f1b8c03ff01256_0).

Table 1 – Median Family Income Thresholds by Region.

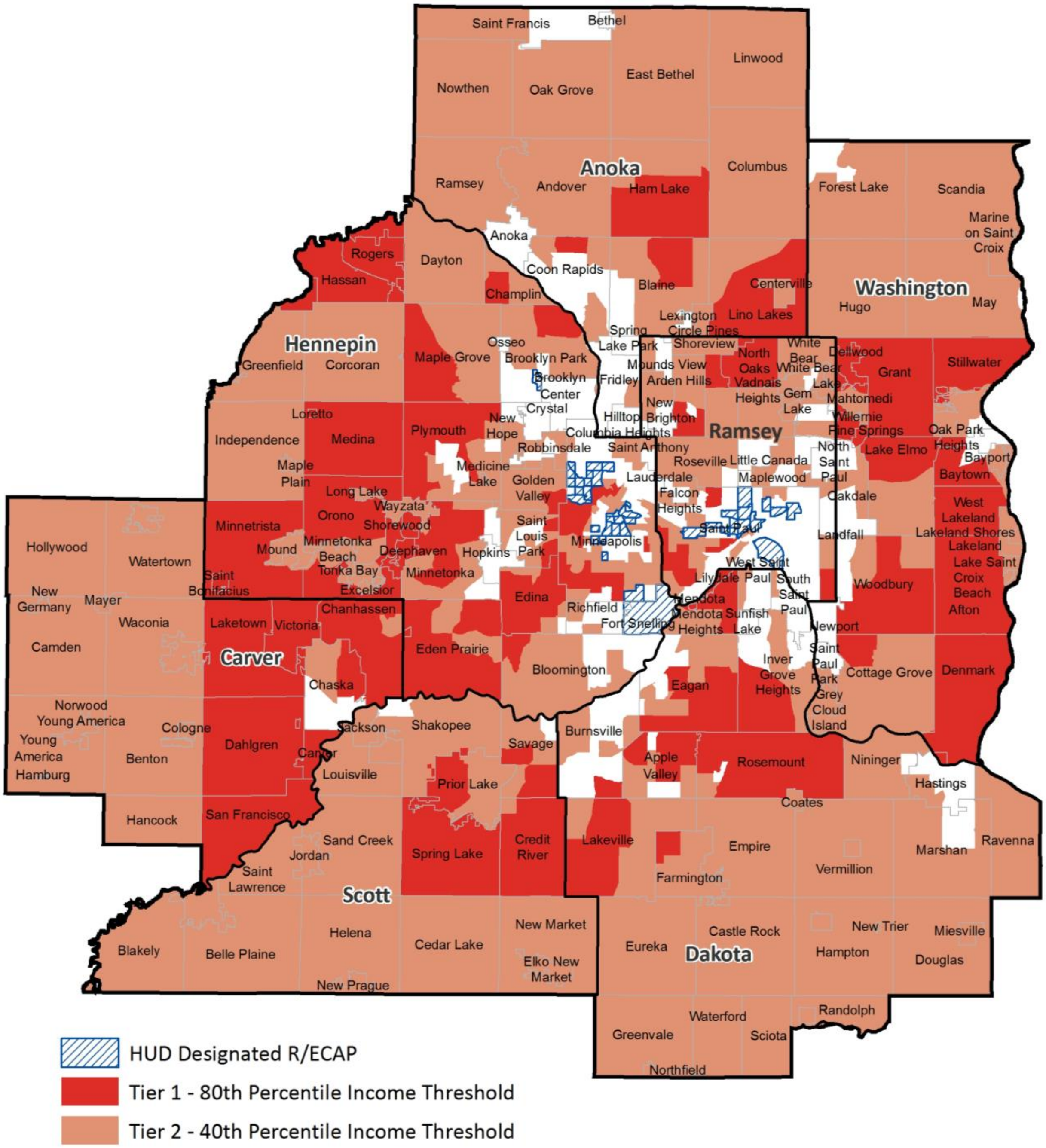
Community Economic Integration *(Twin Cities Metro on next page)*	Non Metro MSAs
Med Family Income / 40th percentile	$62,473
Med Family Income / 80th percentile	$83,250

MAP 1 – CENSUS TRACTS MEETING **REGION'S 40TH** AND 80TH PERCENTILE THRESHOLDS FOR MEDIAN INCOME (OUTSIDE OF RURAL/TRIBAL AREAS)



MAP 2 – TWIN CITIES 7 COUNTY METRO DETAIL - CENSUS TRACTS MEETING **REGION'S 40TH** AND 80TH PERCENTILE THRESHOLDS FOR MEDIAN INCOME

	Twin Cities 7 County Metro
Med Family Income / 40th percentile	$75,186
Med Family Income / 80th percentile	$110,170



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

Anoka	
501.07	*
501.09	*
501.1	*
501.11	*
501.14	*
501.15	*
501.16	*
502.08	*
502.1	*
502.15	
502.16	
502.17	*
502.18	*
502.19	*
502.2	*
502.21	*
502.22	*
502.23	*
502.24	*
502.25	*
502.26	*
502.27	*
502.28	*
502.29	*
502.3	
502.32	*
502.33	*
502.34	*
502.35	*
502.36	
502.37	
506.09	*
507.07	
507.09	*
507.1	*
507.11	*
508.05	*
508.06	*
508.13	*
508.16	*
508.18	
508.19	
508.2	*
508.21	*
509.02	*
512.03	*
516	*
Benton	
202.06	*
211.02	*
Carver	
901	*
902	*
903.01	*
903.02	*
904.01	
904.02	
905.01	
905.02	
905.03	
906.01	*
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908	*
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911	
912.01	*
912.02	*
Dakota	
601.02	*
601.03	*
602.01	*
605.06	*
605.07	*
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605.09	*
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615.02	*
Hennepin	
3	*
6.01	*
6.03	*
11	*
81	*
106	
107	
110	*
117.03	
117.04	
118	*
119.98	*
120.01	*
201.01	*
209.02	*
210.02	*
211	*
212	*
214	*
215.03	*

215.04	*
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253.01	*
256.01	*
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260.19	*
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264.03	*
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267.06	*
267.07	*
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267.1	*
267.11	*
267.12	*
267.13	*
267.14	
267.15	
267.16	
268.11	*
268.12	*
268.14	*
268.15	*
268.16	*
268.2	
268.22	*
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269.06	*
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269.09	
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270.02	*
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271.02	*
272.01	
272.02	*
272.03	*
273	*

274	
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275.03	
275.04	
276.01	*
276.02	*
277	
1012	*
1030	*
1036	
1037	*
1051	
1052.01	*
1054	*
1055	
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1067	*
1075	*
1076	*
1080	
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1090	*
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1099	*
1102	*
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1108	*
1109	*
1111	*
1112	
1113	
1114	
1115	
1116	
1226	*
1256	*

1261	*
1262	
Olmsted	
1	*
4	
9.02	*
9.03	
10	*
11	
12.01	
12.02	
12.03	
13.01	
13.02	
14.02	
15.01	*
15.02	*
15.03	
16.01	*
16.02	
16.03	
17.03	
22	
23	
Ramsey	
301	*
302.01	*
303	
306.02	*
321	*
322	*
323	*
332	*
333	*
342.02	*
349	*
350	*
351	
352	*

353	*
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358	
360	*
363	
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365	*
366	*
375	
376.01	*
401	*
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403.01	*
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411.05	*
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414	*
415	*
416.01	*
417	*
418	*

419	*
422.02	*
423.01	*
424.02	*
425.03	
425.04	*
429	*
430	
Scott	
802.01	*
802.02	
802.03	*
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809.04	*
809.05	*
809.06	*
810	
811	*
812	*
813	*
St. Louis	
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3	*
4	
5	
6	*
7	
9	*
10	*
11	
22	

23	*
101	*
102	*
103	
157	
Stearns	
4.02	
6.02	*
9.01	*
10.01	*
101.01	
101.02	
113.01	*
116	
Washington	
701.05	*
701.06	*
702.03	*
702.04	*
702.05	*
702.06	*
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703.03	
703.04	*
704.03	
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704.05	
704.06	*
705.01	*
705.02	*
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709.09	*
710.06	*
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710.13	*

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712.07	*
712.08	*
712.09	*
714	*

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2019 QAP - Cost Containment Methodology

Background

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

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

To address the issue of developments with larger units having higher costs than developments with smaller units, the scoring process includes cost adjustments related to the size of the units. Specifically, the process classifies developments largely for:

- Singles (primarily efficiencies and 1 bedroom units),
- Large families (primarily 3+ bedroom units), and
- Families/mixed (developments with other bedroom mixes).

The adjustments bring the TDCs for these developments into equivalent terms, and they reflect historical differences. For example, new construction TDCs for family/mixed developments are typically 16% higher than the TDCs for developments for singles. Thus, to make the TDCs for singles equivalent to those for families/mixed, the TDCs per unit for singles are increased by 16% when making cost comparisons.

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

The cost containment criterion applies to the selection of proposals for both 9% credits and 4% credits with tax-exempt bonds; however, the processes for awarding the points are different for the two types of credits.

Process for Awarding Points for Proposals Seeking 9% Credits

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

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

- New Construction – Greater Minnesota
- Rehabilitation – Metro
- Rehabilitation – Greater Minnesota

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

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

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

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

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

    However,

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

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

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

Table 1: 2019 QAP - Adjustment Factors and Thresholds to Determine if Middle Proposal Gets Points if Odd Number in Group

	Cost Adjustment to Families/ Mixed	Threshold Test if Odd Number of Proposals
New Construction Metro for Singles	1.16	$262,000
New Construction Metro for Families/Mixed	1.00	
New Construction Metro for Large Families	0.95	
New Construction Greater MN for Singles	1.16	$209,000
New Construction Greater MN for Families/Mixed	1.00	
New Construction Greater MN for Large Families	0.95	
Rehabilitation Metro for Singles	1.23	$210,000
Rehabilitation Metro for Families/Mixed	1.00	
Rehabilitation Metro for Large Families	0.83	
Rehabilitation Greater MN for Singles	1.23	$166,000
Rehabilitation Greater MN for Families/Mixed	1.00	
Rehabilitation Greater MN for Large Families	0.83	

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

Implementation Details for 9% Credit Proposals

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

Self-Scoring Worksheet and Awarding Points. All applicants that want to pursue the cost containment points must claim the six points in the Self-Scoring Worksheet; however, during the final scoring by Minnesota Housing, staff will take away the points from those proposals not in the lower half of TDCs for each of the four categories. (To identify the 50% of proposals with the lowest costs in each category, Minnesota Housing will include the TDCs of all proposals seeking 9% tax credits, not just those electing to participate in the competition for cost containment points by claiming the points in the Self-Scoring Worksheet. However, only those electing to participate in the competition by claiming the points in the Self-Scoring Worksheet will be eligible to receive the points if they are in the lower half of project TDCs.)

Applicable Cost Threshold and Unacceptable Practices. If a project receives points under this criterion, failure to keep the actual TDC under the "applicable cost threshold" will be considered an unacceptable practice and result in negative four points being awarded in the applicant's next round of tax credit submissions.

The "applicable cost thresholds" will be determined by the cost-containment selection process. Within each of the four development/location types, the TDC per unit of the proposal at the 50th percentile (as identified in the process outlined above) will represent the "applicable cost threshold" that projects receiving cost-containment points will need to meet (with appropriate adjustments for single, family/mixed, and large-family developments). For example, if the 50th percentile proposal for new construction in Greater Minnesota is a family/mixed development with a per unit TDC of $210,000, all new construction family/mixed developments in Greater Minnesota receiving the cost-containment points will need to have a final TDC per unit at or below this threshold when the project is completed.

Within the four development/location types, separate thresholds will be published for single, family/mixed, and large-family developments, using the cost-adjustment factors in Table 1. In the example above, if the family/mixed category has a $210,000 threshold, the threshold for large-family developments will be $221,053 ($21,000 divided by 0.95 equals $221,053).

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

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

Round-2 Process. A different process is used for the Round-2 tax credit applications and selections. The Round-1 "applicable cost thresholds" will serve as the thresholds for determining if a Round-2 tax credit proposal receives the cost containment points. Like Round-1, Round-2 proposals will need to claim the six cost containment points on the Self-Scoring Worksheet to be eligible; developers for selected projects that receive the points will receive negative four points for their next round of tax credit submissions if they do not keep their actual TDCs within the applicable cost thresholds.

Process for Awarding Points for Proposals Seeking 4% Credits

Minnesota Housing will publish the "applicable cost thresholds" from the Round-1 competition for 2019 9% credits by September 30, 2018. Proposals for 2019 4% credits must have TDCs within these thresholds to receive the cost containment points.

To be eligible for the points, an applicant must claim the six cost containment points on the Self-Scoring Worksheet; developers for selected projects that receive the points will receive negative four points for their next round of tax credit submissions if they do not keep their actual TDCs within the applicable cost thresholds.

Predictive Cost Model and Cost Reasonableness

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

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2019 QAP - Location Efficiency Methodology

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

Twin Cities Metropolitan Area

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

• Access to Transit (one of the following): *Applicants can map project locations and determine access to transit points using the Minnesota Housing Community Profiles tool: www.mnhousing.gov > Research & Publications > Community Profiles*		
Proximity to LRT/BRT/Commuter Rail Station	Locations within ½ mile of a planned[1] or existing LRT, BRT, or Commuter Rail Station. As of publication, lines include: Hiawatha, Central Corridor, Bottineau, and Southwest LRT, Northstar Commuter Rail, and stations of the Cedar Ave, Snelling, Penn, and I-35W rapid bus lines.	Points 7
Proximity to Hi-Frequency Transit Network	Locations located within ¼ mile of a fixed route stop on Metro Transit's Hi-Frequency Network.	4
Access to Public Transportation	Locations within one quarter mile of a high service[2] public transportation fixed route stop or within one half mile of an express route bus stop or park and ride lot.	2
• Walkability (one of the following):		
Walk Score of 70+	Walk Score is based on results from the following tool: www.walkscore.com. Applicant must submit a dated printout of the locations' Walk Score from the Walk Score tool.[3]	2
Walk Score of 50-69		1

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

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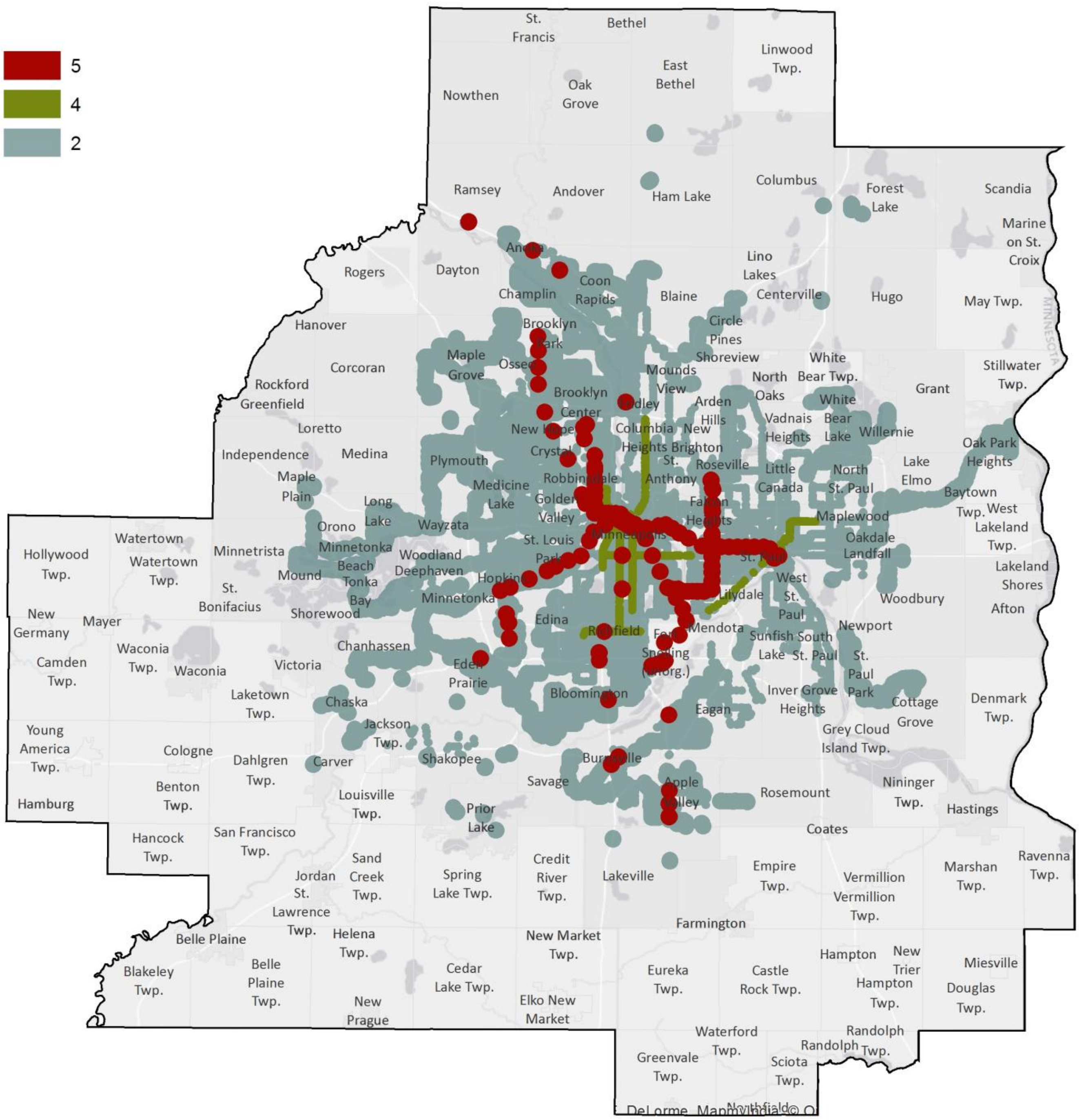
1 Includes planned stations on future transitways that are in advanced design or under construction. To be considered in advanced design, transitways need to meet the following criteria: issuance of a draft EIS, station area planning underway, and adoption by the Metropolitan Council Transportation Policy Plan. Transitways entering into advanced design after publication will be eligible, but data may not be available using Minnesota Housing scoring tools.

2 High service fixed route stop defined as those serviced during the time period 6 a.m. through 7 p.m. and with service approximately every half hour during that time.

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

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



Map Source: Minnesota Housing analysis of MetroTransit data on Hi-Frequency Network, Planned and Existing Transit Lines, bus service, and park and rides (obtained January 2017)

Greater Minnesota – Urbanized Areas

For urbanized areas, defined by the U.S. Census as places with populations greater than 50,000, applicants can receive up to nine points with a combination of access to fixed route transit and walkability. These areas, identified by the Minnesota Department of Transportation (MnDOT)[4] are in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato and St. Cloud.

For urbanized areas:

• Access to Transit (one of the following):		Points
Within ¼ mile of existing or planned[5] fixed route transit stop		7
Between ¼ mile and ½ mile of existing or planned fixed route transit stop		4
Within ½ mile of an express bus route stop or park and ride lot		4
• Walkability (one of the following):		
Walk Score of 70+	Walk Score is based on results from the following tool: www.walkscore.com. Applicant must submit a dated print out of locations' Walk Score from the Walk Score tool.[6]	2
Walk Score of 50-69		1
• The proposed housing must have access to transit service Monday through Friday for a minimum of 10 hours per day. • The maps in Figure 2 display fixed route stops and ¼ and ½ mile buffers in Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato, and St. Cloud. • Applicants must provide a map with the proposed housing's distance to the nearest stop.		

[4] Greater Minnesota Transit Investment Plan: http://www.dot.state.mn.us/transitinvestment/

[5] For a Greater Minnesota planned stop to be eligible for points under the QAP, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop or route must be available Monday through Friday and provide service every 60 minutes for a minimum of 10 hours per day.

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

Figure 2: Transit Access Point Levels in Greater Minnesota

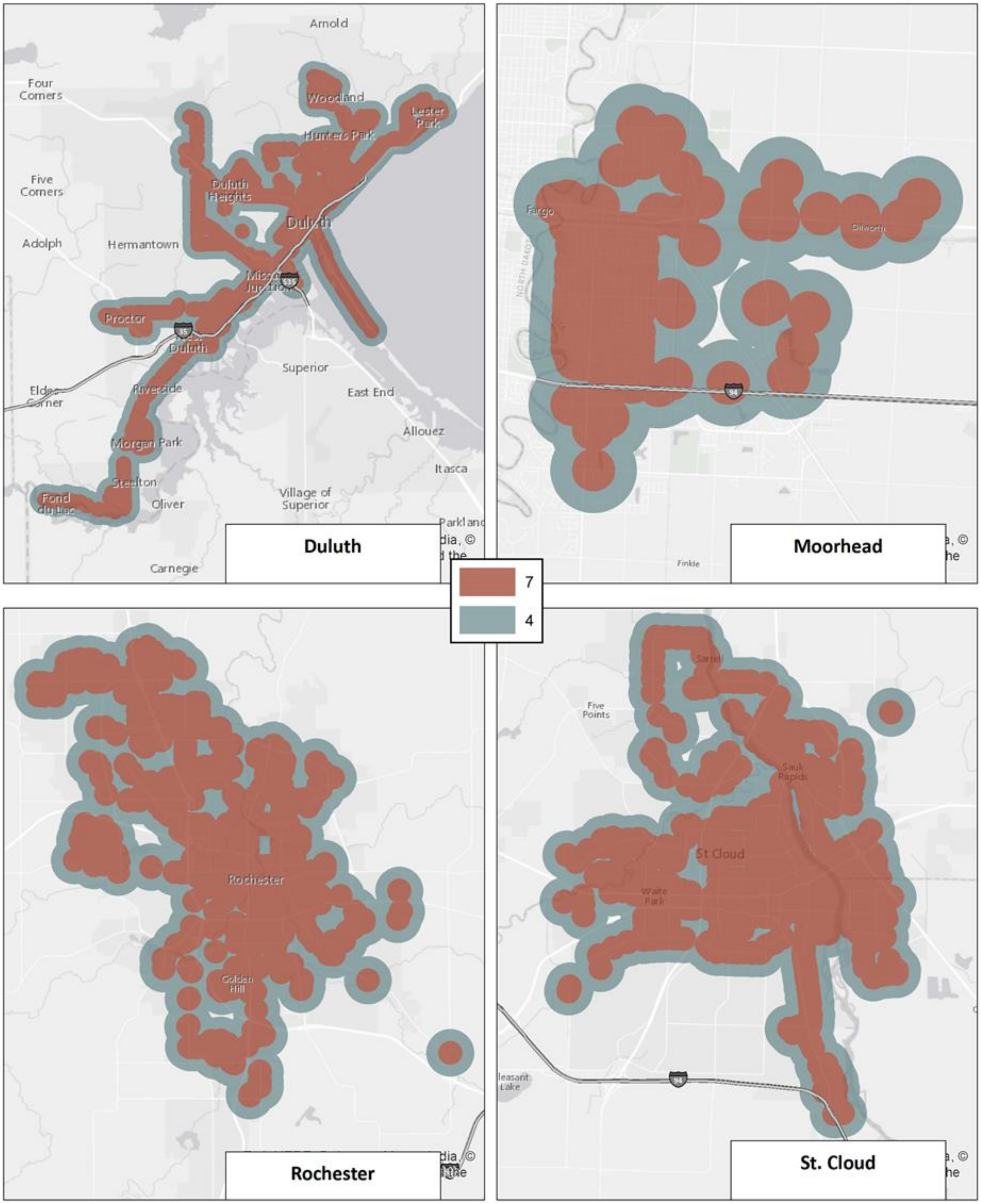
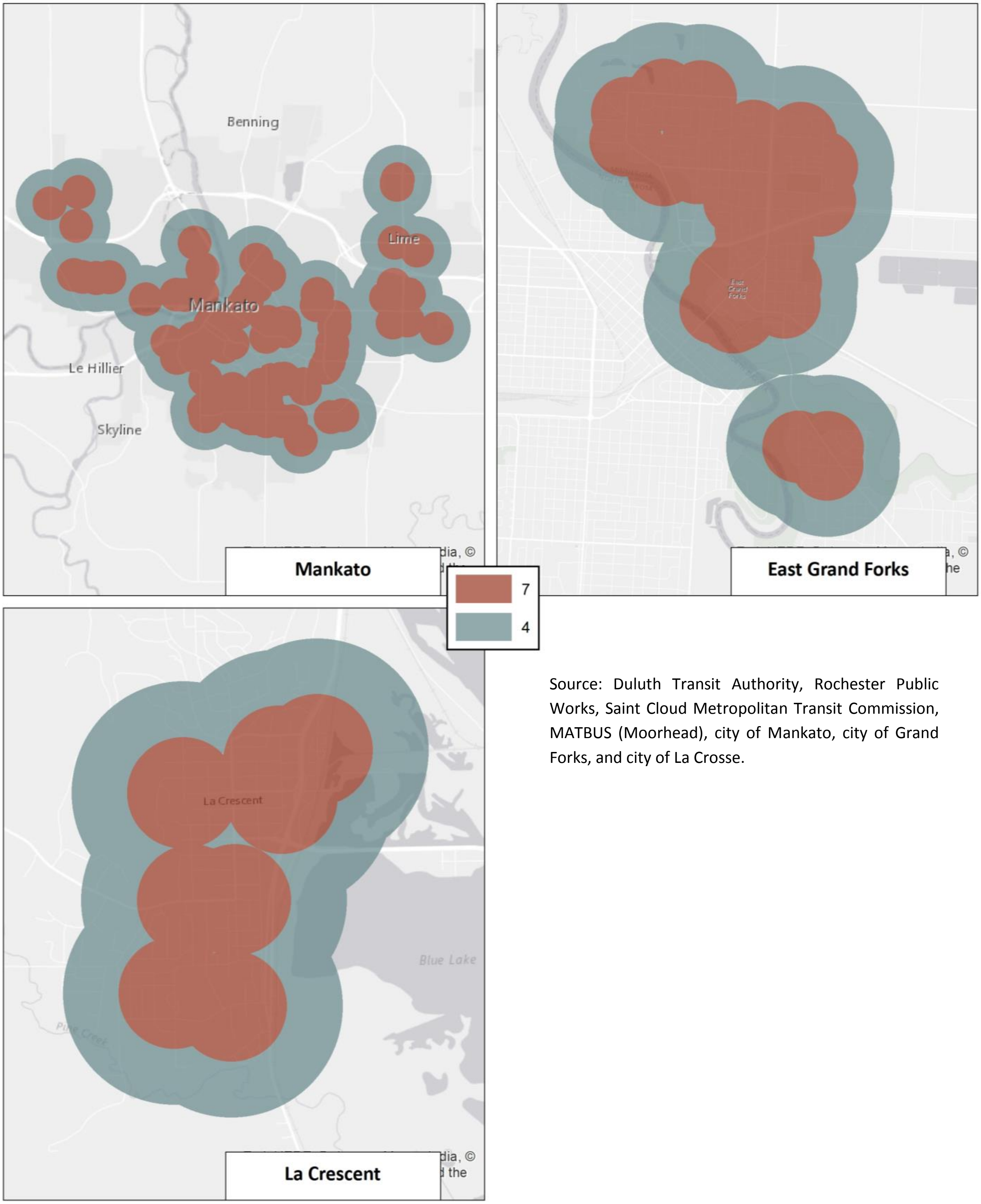


Figure 2: Transit Access Point Levels in Greater Minnesota



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

Greater Minnesota – Rural and Small Urban Areas

For rural and small urban areas, places with populations fewer than 50,000, applicants can receive up to nine points by having access to route deviation service or demand response/dial-a-ride, and walkability. Route deviation service is different from fixed route transit in that the vehicle may leave its predetermined route upon request by passengers to be picked up or returned to destinations near the route, after which the vehicle returns to the predetermined route. Passengers may call in advance for route deviations similar to that of demand response/dial-a-ride, or access the service at designated route stops without advanced notice. Demand response usually involves curb-to-curb or door-to-door service with trips scheduled in advance (also known as "Dial-A-Ride").

Applicants can find providers by county or city on MnDOT's website, http://www.dot.state.mn.us/transit/riders/index.html, and the service type in MnDOT's annual transit report, http://www.dot.state.mn.us/govrel/reports/2017/transit.pdf.

For rural and small urban areas:

• Access to Transit (one of the following):		Points
Within ¼ mile of an existing or planned[7] designated stop that has service every 60 minutes OR served by demand response/dial-a-ride with no more than two hour advance notice		7
Between ¼ mile and ½ mile of an existing or planned[7] designated stop that has service every 60 minutes OR served by demand response/dial-a-ride with prior day notice		4
Demand response/dial-a-ride service not meeting the scheduling terms above		2
• Walkability (one of the following):		
Walk Score of 50+	Walk Score is based on results from the following tool: www.walkscore.com. Applicant must submit a dated print out of locations' Walk Score from the Walk Score tool.[8]	2
Walk Score of 35-49		1

- The proposed housing must have access to transit service Monday through Friday for a minimum of 10 hours per day.
- Applicants must provide documentation of access and availability of service and describe how the service is a viable transit alternative. For proposed housing near deviated routes, applicants must provide a map with the distance to the nearest stop or predetermined route if the service allows passengers to board anywhere along that route.
- For proposed housing in communities with deviated route service but beyond the ½ mile requirement, requests for route deviations must meet the advanced notice requirements for demand response in that pointing category to receive the points.

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[7] For a Greater Minnesota planned stop to be eligible for points under the QAP, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop or route must be available Monday through Friday and provide service every 60 minutes for a minimum of 10 hours per day.

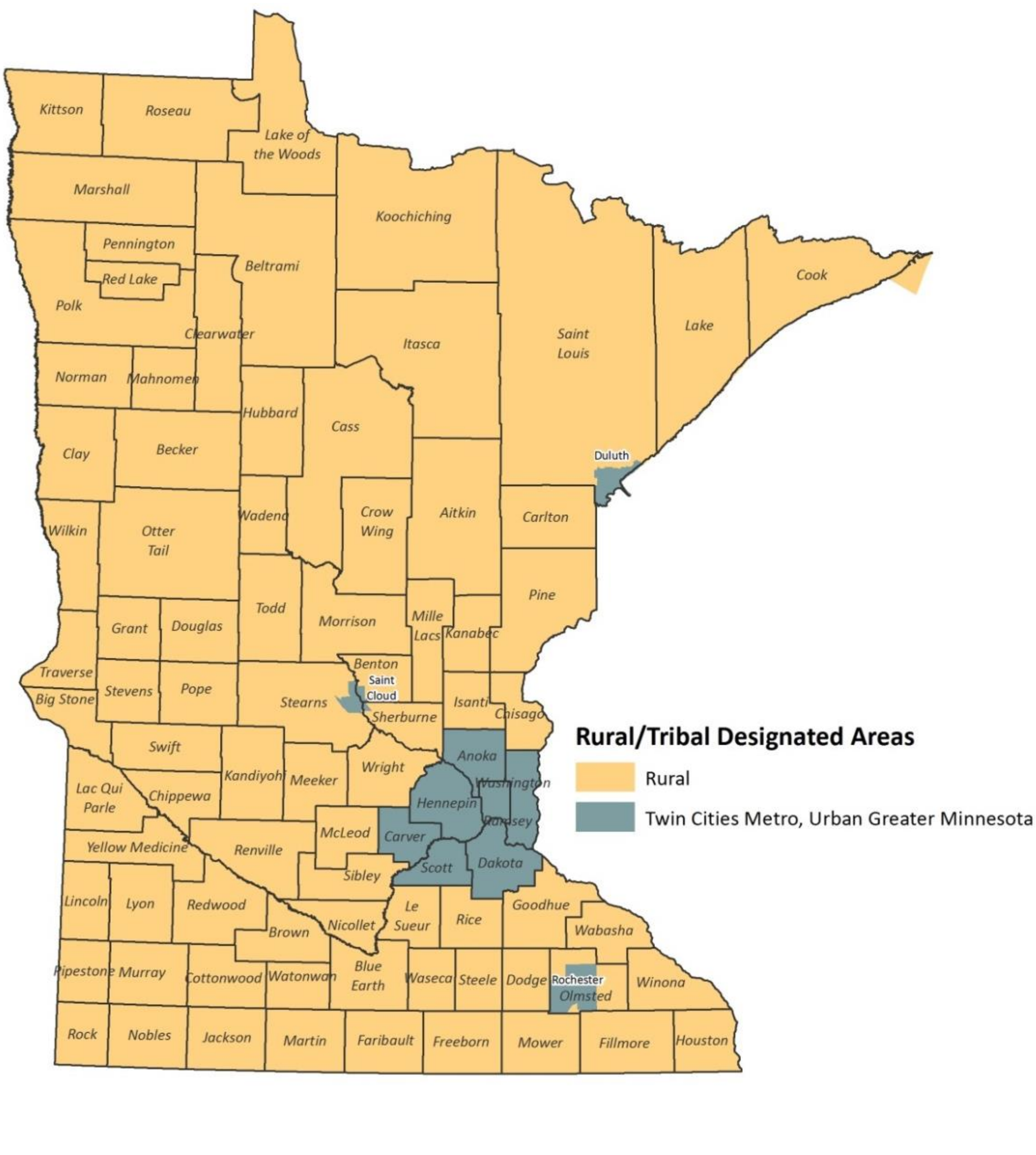
[8] If applicants would like to request revisions of a location's Walk Score, they may contact Walk Score directly with details of the request to mhfa-request@walkscore.com. Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If address cannot be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

2019 QAP - Rural/Tribal Designated Areas

Because communities in rural parts of Minnesota are not eligible for priority points under economic integration or higher performing schools, the selection process provides 10 points to rural and tribal communities.

Minnesota Housing defines rural and tribal communities as census tracts outside of the Twin Cities seven-county Metropolitan area and communities in Greater Minnesota with populations over 50,000. These areas include census tracts in Duluth, Rochester and St. Cloud.

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



Tracts Eligible for Rural/Tribal Designation Points

Aitkin
7701
7702
7703
7704
7905.01
7905.02
Becker
4501
4502
4503
4504
4505
4506
4507
4508
4509
9400
Beltrami
4501
4502
4503
4504
4505
4506
4507.01
4507.02
9400.01
9400.02
Benton
201
202.02
202.03
202.05
203
Big Stone
9501
9502
9503

Blue Earth
1701
1702
1703
1704
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1706
1707
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1715
1708
1712.02
1716
1711.01
Brown
9601.01
9601.02
9602
9603
9604
9605
9606
9607
Carlton
701
702
703
704
705
706
9400
Cass
9400.01
9400.02
9601
9602

9603.01
9603.02
9606
9607
9608.01
9608.02
Chippewa
9503
9504
9505
9506
Chisago
1101
1102
1103.01
1103.02
1104.02
1105.01
1105.02
1106
1107
1104.01
Clay
201
202.02
203
204
205
206
301.02
301.07
302.01
302.02
301.06
301.03
301.04
Clearwater
1
2

3
Cook
4801
4802
Cottonwood
2701
2702
2703
2704
Crow Wing
9501
9502.04
9504
9505.01
9505.02
9507
9508
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Dodge
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Douglas
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4508
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Faribault
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Fillmore
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9602
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Freeborn
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Goodhue
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Grant
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Houston
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Hubbard
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707
Isanti
1301
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1303.02
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1305.01
1305.02
1306
Itasca
4801
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4810
9400
Jackson
4801
4802

4803
4804
Kanabec
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4803
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Kandiyohi
7709
7801
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7810
7811
7812
Kittson
901
902
Koochiching
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7903
7905
Lac Qui Parle
1801
1802
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Lake
3701
3703
3704
Lake of the Woods
4603
4604
Le Sueur

9501
9502
9503
9504
9505
9506
Lincoln
2010.01
2010.02
Lyon
3601
3602
3603
3604
3605
3606
3607
Mahnomen
9401
9403
Marshall
801
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Martin
7901
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McLeod
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Meeker

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Mille Lacs
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Morrison
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2019 QAP - Qualified Census Tracts (QCT), Tribal Equivalent Areas Methodology

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

Eligible Areas

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

- Areas are eligible based on the "income threshold" if 50% or more of households in the area have incomes below the household-size-adjusted income limit for at least two of three evaluation years (2012-2014); OR
- Areas are eligible based on the "poverty threshold" if the poverty rate in the area is 25% or higher for at least two of three evaluation years (2012-2014).

The following are eligible areas

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

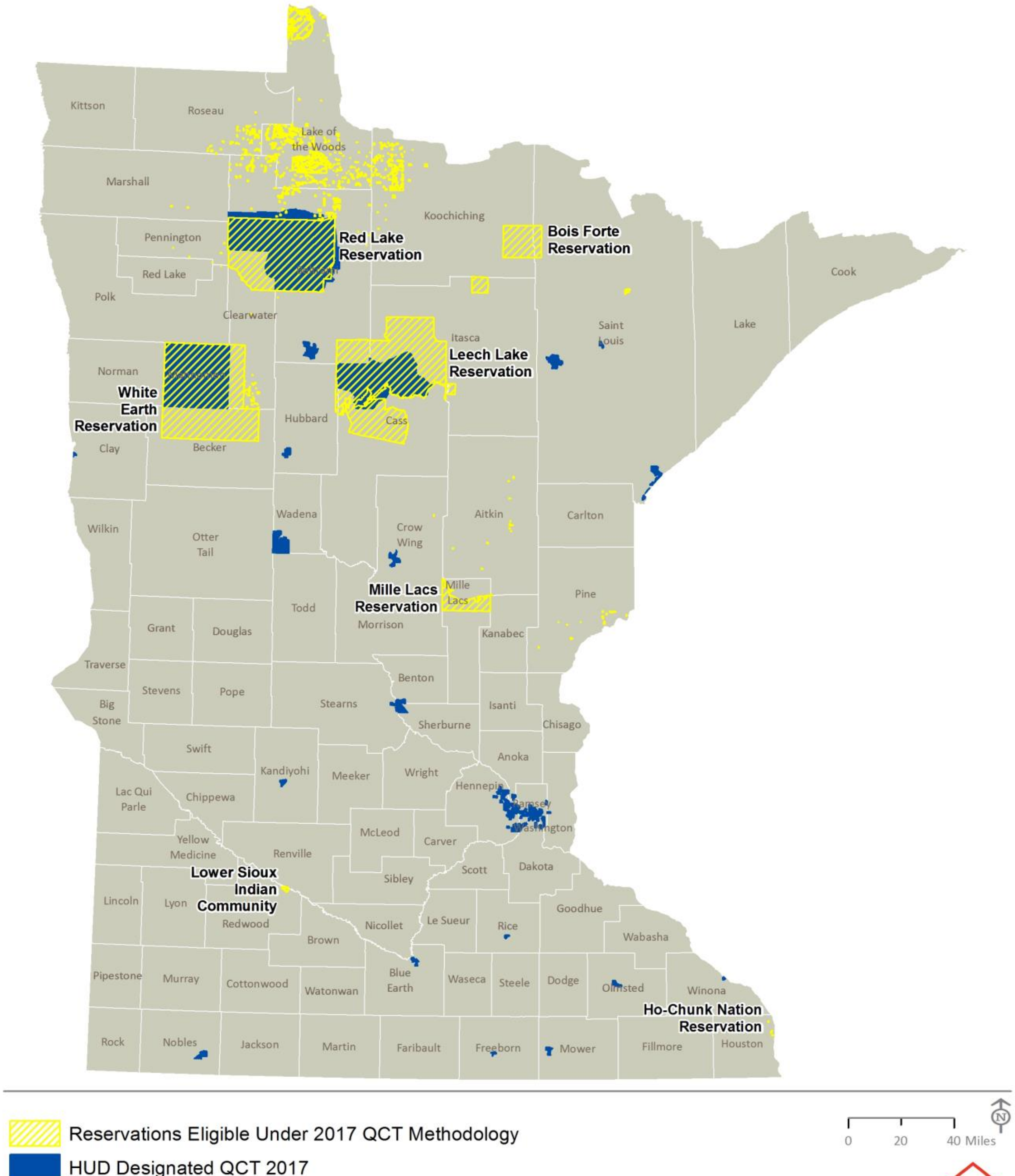
Indian Reservation	Years Eligible Based on Income	Years Eligible based on Poverty
Bois Forte Reservation, MN	3	0
Ho-Chunk Nation Reservation and Off-Reservation Trust Land, WI--MN	3	3
Leech Lake Reservation and Off-Reservation Trust Land, MN	1	3
Lower Sioux Indian Community, MN	0	3
Mille Lacs Reservation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

Sources: Decennial Census, HUD Income Limits (Statewide for Very Low Income, 50%), American Community Survey 2008-2012, 2009-2013, and 2010-2014 samples.

Minnesota Housing will update the list of tribal census tracts or reservations in accordance with HUD updates to federally designated Qualified Census Tracts.

[1] HUD QCT Designation Algorithm found here: http://qct.huduser.org/tables/QCT_Algorithm_2017.htm

Qualified Census Tracts and Tribal Lands Eligible Under QCT Methods



Minnesota Housing Finance Agency

Source: Minnesota Housing Analysis of American Community Survey Data for three periods, 2010-2014, 2009-2013, and 2008-2012. Tribal lands are 2014 boundaries from the US Census of American Indian, Alaska Native, and Native Hawaiin geographies.

2018QAP - Workforce Housing Communities Methodology

Communities with a need for workforce housing are identified using data on: (1) total jobs in 2015, (2) 5 year job growth, or (3) long distance commuting. Data on jobs and growth are from the Minnesota Department of Employment and Economic Development's Quarterly Census of Employment and Wages.[1] Data on commuting are from the US Census Bureau's Longitudinal Employer-Household Dynamics program.[2] Workforce housing areas are defined separately for the Twin Cities Metro (7 County) and Greater Minnesota. The priority has two point levels, 6 and 3 points. The following sections describe the eligible communities and buffers around these communities for the two regions. Applicants will find interactive maps to identify whether a property falls within these areas at Minnesota Housing's website: www.mnhousing.gov > Policy & Research > Community Profiles.

- 6 Points
    - Top Job Centers. A community is eligible if it is one of the top 10 job centers in Greater Minnesota or the top 5 job centers in the Twin Cities Metro as of 2015 as defined by total jobs.

(OR)

- Net Five Year Job Growth. Communities are eligible in Greater Minnesota if they have at least 2,000 jobs in the current year and had a net job growth of at least 100 jobs in the last five years. In the Twin Cities Metro the minimum net job growth is 500. Minnesota Housing is publishing in this document the most current available data from the Dept. of Employment and Economic Development, 2010-2015; but will add additional communities when more current data becomes available in April 2018 for the 2019 QAP.

(OR)

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

(OR)

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

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[1]The 5 year job growth communities presented in this methodology are for 2010-2015. Minnesota Housing will also add eligible 2011-2016 growth communities by application release of the 2019 QAP. Data source: http://mn.gov/deed/data/data-tools/qcew.jsp

[2] Data from LEHD are current to 2014. Minnesota Housing will also add eligible communities with more current data available by application release of the 2019 QAP. Data source: http://lehd.did.census.gov/data/.

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

The maps and tables below and on following pages list and display eligible areas for the Twin Cities Metro (pages 2 and 3) and Greater Minnesota (pages 4 and 5). If additional communities become eligible in the next year with updated data, Minnesota Housing will add them to the 2019 QAP lists; no communities will be subtracted from the 2019 QAP lists with the updated.

Twin Cities Metro Job Centers and Ranked Job Growth Communities 2010-2015 (6 Points)

Twin Cities Metro Top 5 Job Centers (2015)
Minneapolis, Hennepin
Saint Paul, Ramsey
Bloomington, Hennepin
Eagan, Dakota
Eden Prairie, Hennepin

Twin Cities Metro Communities With Net Growth of 500 Jobs or More (2010-2015)	
Andover, Anoka	Maple Grove, Hennepin
Anoka, Anoka	Maple Plain, Hennepin
Apple Valley, Dakota	Maplewood, Ramsey
Blaine, largely Anoka	Medina, Hennepin
Bloomington, Hennepin	Minneapolis, Hennepin
Brooklyn Center, Hennepin	Minnetonka, Hennepin
Brooklyn Park, Hennepin	New Brighton, Ramsey
Burnsville, Dakota	Oakdale, Washington
Chanhassen, largely Carver	Plymouth, Hennepin
Chaska, Carver	Ramsey, Anoka
Coon Rapids, Anoka	Richfield, Hennepin
Eagan, Dakota	Rogers, Hennepin
Eden Prairie, Hennepin	Rosemount, Dakota
Edina, Hennepin	Roseville, Ramsey
Fridley, Anoka	Saint Louis Park, Hennepin
Ham Lake, Anoka	Saint Paul, Ramsey
Hopkins, Hennepin	Savage, Scott
Hugo, Washington	Shakopee, Scott
Inver Grove Heights, Dakota	Vadnais Heights, Ramsey
Lake Elmo, Washington	Waconia, Carver
Lakeville, Dakota	White Bear Lake, Ramsey
Lino Lakes, Anoka	Woodbury, Washington
Little Canada, Ramsey	

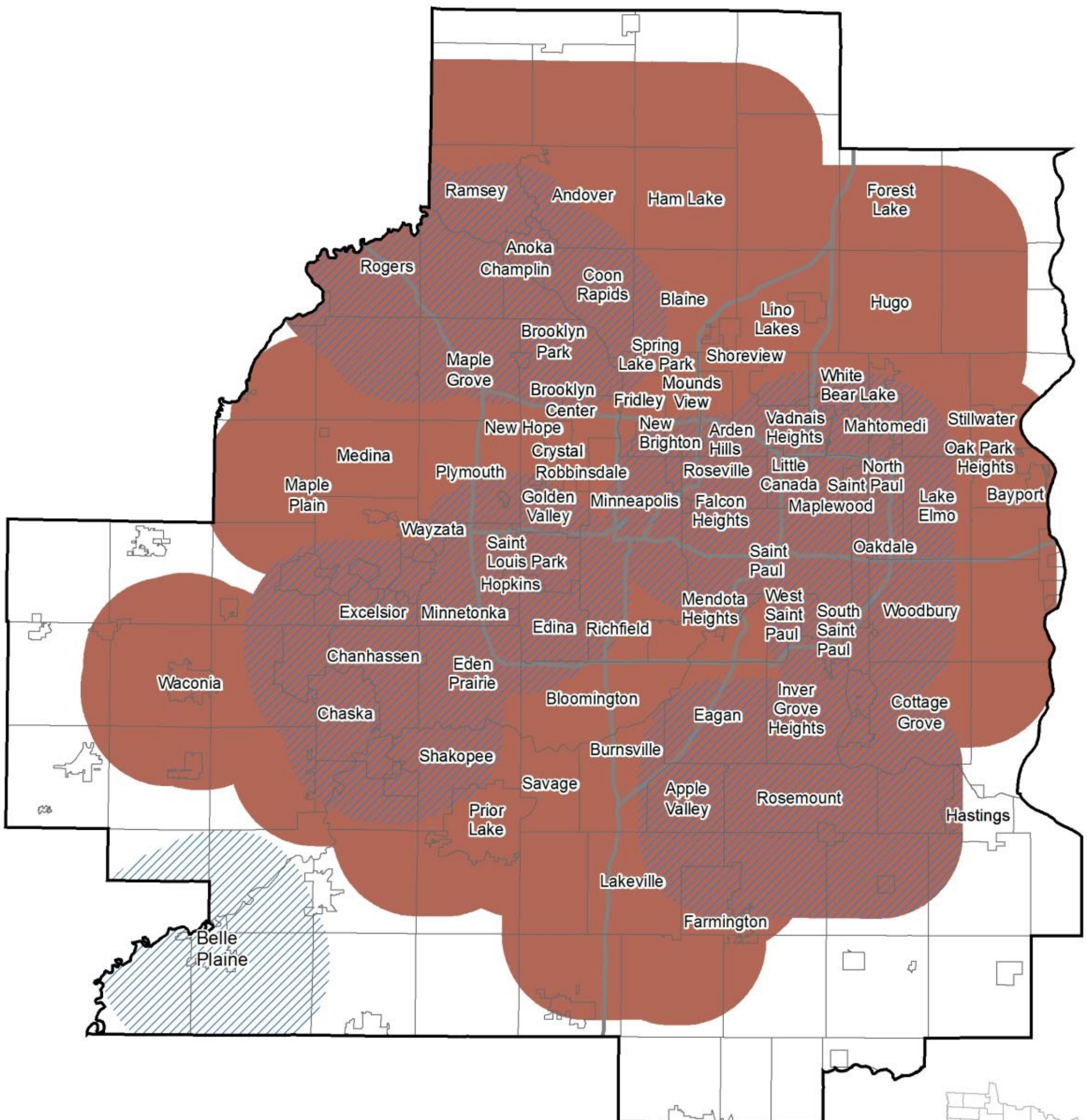
Source: Minnesota Housing analysis of Minnesota Dept. of Employment and Economic Development Quarterly Census of Employment and Wages (2010-2015).

Twin Cities Metro Long Commute Communities (3 Points)

Twin Cities Metro Long Commute Communities		
Belle Plaine	Falcon Heights	Rogers
Champlin	Hopkins	Rosemount
Chanhassen	Maplewood	

Source: Minnesota Housing analysis of US Census Longitudinal Employer Household Dynamics Data, 2014.

Metro Workforce Housing Communities for 2019 QAP (with 2010-2015 data)



-Job centers are defined by total jobs in 2015.
-Job growth is a measure of change in total jobs between 2010 and 2015.
-To be eligible as a job growth community, a community must have 2,000 or more jobs in 2015.
-Long Commute Communities have 15% or more of the workforce travelling 30+ miles to work.

Top 5 Job Center or Growth >=500 Jobs (6 Points)

Long Commute Community (3 Points)

0 4 8 Miles

Minnesota Housing Finance Agency

Source: Minnesota Housing analysis of MN Department of Employment and Economic Developments Quarterly Census of Employment and Wages. Date: 2/6/2017

Greater Minnesota Job Centers and Job Growth Communities 2010-2015 (6 Points)

Greater Minnesota Top 10 Job Centers (2015)
Rochester, Olmsted
Duluth, Saint Louis
Saint Cloud, largely Stearns
Mankato, largely Blue Earth
Winona, Winona
Owatonna, Steele
Willmar, Kandiyohi
Moorhead, Clay
Austin, Mower
Alexandria, Douglas

Greater MN Communities With Net Growth of 100 jobs or more, 2010-2015	
Albertville, Wright	Mankato, largely Blue Earth
Alexandria, Douglas	Marshall, Lyon
Austin, Mower	Melrose, Stearns
Baxter, Crow Wing	Monticello, Wright
Becker, Sherburne	Morris, Stevens
Bemidji, Beltrami	Mountain Iron, Saint Louis
Big Lake, Sherburne	New Ulm, Brown
Brainerd, Crow Wing	North Branch, Chisago
Cambridge, Isanti	North Mankato, largely Nicollet
Cloquet, Carlton	Northfield, largely Rice
Delano, Wright	Otsego, Wright
Detroit Lakes, Becker	Owatonna, Steele
Dodge Center, Dodge	Park Rapids, Hubbard
Duluth, Saint Louis	Perham, Otter Tail
East Grand Forks, Polk	Princeton, Mille Lacs
Elk River, Sherburne	Rochester, Olmsted
Faribault, Rice	Roseau, Roseau
Glencoe, McLeod	Saint Cloud, largely Stearns
Glenwood, Pope	Saint Michael, Wright
Grand Rapids, Itasca	Saint Peter, Nicollet
Hermantown, Saint Louis	Sartell, largely Stearns
Hibbing, Saint Louis	Sauk Rapids, Benton
Hutchinson, McLeod	Thief River Falls, Pennington
Lake City, Goodhue-Wabasha	Waite Park, Stearns
Le Sueur, largely Le Sueur	Willmar, Kandiyohi
Litchfield, Meeker	Winona, Winona
Luverne, Rock	Wyoming, Chisago

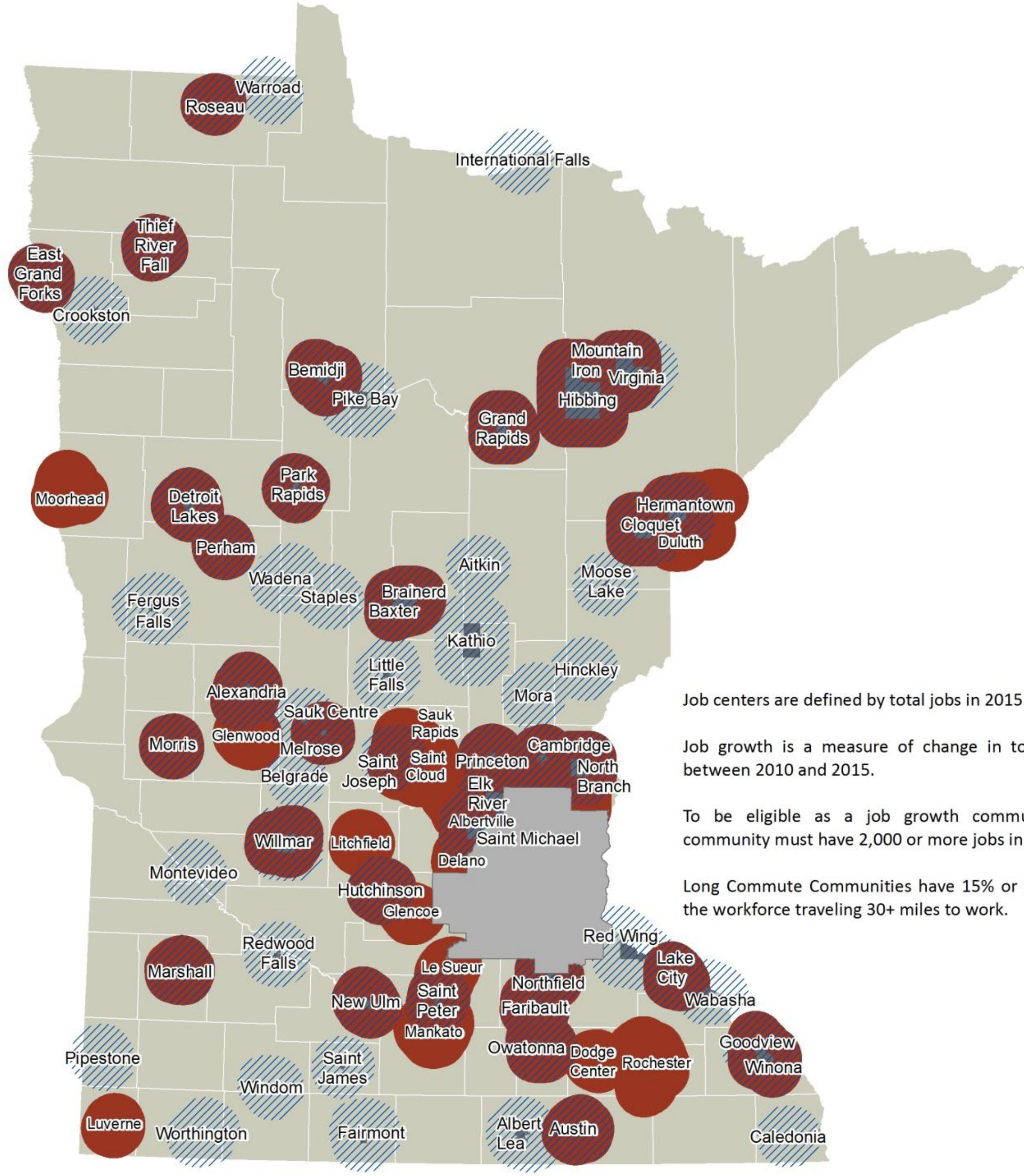
Source: Minnesota Housing analysis of Minnesota Dept. of Employment and Economic Development Quarterly Census of Employment and Wages (2010-2015).

Greater Minnesota Long Commute Communities (3 Points)

Greater Minnesota Metro Long Commute Communities			
Aitkin	Faribault	Mora	St. James
Albert Lea	Fergus Falls	Morris	St. Joseph
Alexandria	Goodview	Mountain Iron	St. Michael
Austin	Grand Rapids	New Ulm	St. Peter
Baxter	Hermantown	North Branch	Staples
Belgrade	Hibbing	Northfield	Thief River Falls
Bemidji	Hinckley	Owatonna	Virginia
Brainerd	Hutchinson	Park Rapids	Wabasha
Caledonia	International Falls	Perham	Wadena
Cambridge	Kathio Twp.	Pike Bay Twp.	Warroad
Cloquet	Lake City	Pipestone	Willmar
Crookston	Little Falls	Princeton	Windom
Detroit Lakes	Marshall	Red Wing	Winona
East Grand Forks	Melrose	Redwood Falls	Worthington
Elk River	Montevideo	Roseau	
Fairmont	Moose Lake	Sauk Centre	

Source: Minnesota Housing analysis of US Census Longitudinal Employer Household Dynamics Data, 2014.

Greater Minnesota Workforce Housing Communities for 2019 QAP



Job centers are defined by total jobs in 2015.

Job growth is a measure of change in total jobs between 2010 and 2015.

To be eligible as a job growth community, a community must have 2,000 or more jobs in 2015.

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

Long Commute Community (3 Points)

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

0 20 40 Miles

Minnesota Housing Finance Agency

Source: Minnesota Housing analysis of MN Department of Employment and Economic Developments Quarterly Census of Employment and Wages. Date: 2/6/2017

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Continuum of Care (CoC) Priorities for the 2018 RFP/2019 QAP

Priority Household Type Options: Single Adults, Families with Children, Youth –Singles, Youth with Children (Youth are defined as age 24 and younger)

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

Southeast	
County	Household Type
Blue Earth	Youth w/children
Brown	Families
Dodge	Singles
Faribault	Families
Fillmore	Singles
Freeborn	Singles
Goodhue	Youth w/children
Houston	Singles
Le Sueur	Youth w/children
Martin	Families
Mower	Families
Nicollet	Families
Olmsted	Families
Rice	Families
Sibley	Youth w/children
Steele	Families
Wabasha	Families
Waseca	Families
Watonwan	Families
Winona	Youth/Singles
St Louis County	
St Louis	Singles
Southwest	
Big Stone	Singles
Chippewa	Singles
Cottonwood	Singles
Jackson	Families
Kandiyohi	Singles
Lac qui Parle	Singles
Lincoln	Families
Lyon	Families
McLeod	Families
Meeker	Singles
Murray	Families
Nobles	Singles
Pipestone	Families
Redwood	Families
Renville	Singles
Rock	Families
Swift	Singles
Yellow Medicine	Singles

Suburban Metro Area	
County	Household Type
Anoka	Families
Carver	Families
Dakota	Families
Scott	Families
Washington	Families
West Central	
Becker	Singles
Clay	Singles
Douglas	Singles
Grant	Singles
Otter Tail	Singles
Pope	Singles
Stevens	Singles
Traverse	Singles
Wadena	Singles
Wilkin	Singles

These priorities were determined and approved by each CoC governing body. The CoC is required to invite broad community input, including tribal representatives if the CoC region includes tribal land, and must broadly advertise the meeting to vote on the priority. The CoC must use the most recent, reliable, local data and needs assessment to determine the priority. Recommended methodology is to use the local Point in Time Data (PIT), Housing Inventory Chart (HIC), and the HUD HDX formula for calculating need. Data from

Coordinated Entry or local housing studies may also be used. The Minnesota Interagency Council on Homelessness verifies that the prioritization process is valid.

Minnesota Housing
Finance Agency

Board Agenda Item: 7.E
Date: 7/27/2017

Item: Waiver, Pre-Issuance Application Requirement contained in the 2016 Qualified Allocation Plan (QAP)

- Minnetonka Affordable Housing, Minnetonka and Golden Valley, D3102

Staff Contact(s):
Susan Thompson, 651.296.9838, susan.thompson@state.mn.us

Request Type:

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

Summary of Request:
Minnesota Housing staff requests the adoption of a resolution approving a waiver of a requirement contained in section 9.0(a) of the agency's 2016 Qualified Action Plan (QAP).

Fiscal Impact:
None

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

Attachment(s):
- Background
- Letter of request from developer
- Resolution

Minnetonka Affordable Housing, f.k.a. Elmbrooke-Golden Valley Townhomes, is an existing, 54 unit project-based Section 8, scattered site development built in 1981. Elmbrooke Townhomes is a 46 unit, two- and three-bedroom family townhome development in Minnetonka. Golden Valley Townhomes is an eight unit, three-bedroom family townhome development in Golden Valley.

The owner has been working toward a financial restructuring over the past several years in an effort to complete necessary rehabilitation of the units and preserve the Section 8 Housing Assistance Payment (HAP) contract. In May 2016, the city of Minnetonka obtained an allocation of $11.5 million of tax-exempt bonding authority from Minnesota Management and Budget for the transaction, which, at that point, also included construction of 27 new affordable housing units. In order to retain the allocation of bonding authority, the bonds needed to be issued within 120 days. Although the financing package was not yet finalized, the bonds were issued in August 2016, and the bonds were "parked." Parking the bonds means that the bonds are issued in the stated principal amount equal to the allocation of bonding authority, but only a small amount is drawn on. This allows the allocation of bonding authority to be used and not forfeited while the developer assembles and finalizes the remainder of the financing package. When the rest of the financing is ready to close, the "parked" bonds are refunded and used to fund the mortgage for the project.

As part of Minnetonka Affordable Housing's financing package, it was anticipated that the development would obtain 4% housing tax credits from Minnesota Housing, which would be sold to an investor to provide necessary equity to fund a portion of the redevelopment. Under Minnesota Housing's QAP, developers are required to submit an application for a preliminary determination of eligibility of credits (Preliminary Determination) to reserve an allocation of 4% housing tax credits prior to issuance of the tax-exempt bonds. The developer of Minnetonka Affordable Housing did not interpret the issuance of "parked" bonds as issuance, and the developer mistakenly did not submit the application until after the "parked" bonds were issued.

The developer has submitted a letter (attached) explaining the error and requesting the Minnesota Housing board to approve a waiver of the requirement to submit the application prior to issuance of the bonds. The developer has obtained commitments for financing, including a commitment to purchase the tax credits, and is moving forward toward a mid-August 2017 closing. The proposal no longer includes the construction of new units; therefore, the amount of tax-exempt bonding that will now be utilized is $6.8 million rather than the original allocation of $11.5 million.

Staff has determined that without the waiver and the issuance of the 4% housing tax credits by Minnesota Housing, the financing would not be feasible and the bonds issued pursuant to the 2016 bonding authority allocation would be lost. Since the bonding authority allocation was from a previous year, it is no longer available to any other affordable housing project. Furthermore, it is likely that the loss of bonding authority could be compounded if the developer sought and was awarded a new allocation of 2017 bonding authority that would otherwise be available for other developments. Alternatively, it is possible that the developer would not be able to proceed with the rehabilitation and preservation of the development, and the housing and associated Section 8 rental assistance could be lost entirely.

It does not appear that any particular financial benefit has been realized as a result of this mistake. Staff has enacted steps to avoid such errors in the future, including pro-actively contacting developers who receive bonding authority from MMB.

Community Housing Corporation of America
Shelter Corporation

July 6, 2017

Wesley Butler
Assistant Commissioner, Multifamily
Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St Paul, Minnesota 55101

Subject: Requesting a waiver of Section 9.0(a) of the QAP for Minnetonka Affordable Housing

Dear Wes,

Almost four years ago when the MHFA closed on the PARIF Loan for the 54 unit Project Based Section 8 Elmbrooke-Golden Valley Townhomes, it was contemplated that a tax credit development would complete the necessary uncompleted rehab thereby assuring the long term viability of this important affordable housing resource. Community Housing Corporation of America, the 501(c)(3) non-profit purchaser, and Shelter Corporation have been working the last few years on a variety of tax credit applications without success. In 2016 a tax-exempt bond allocation was secured that would also provide the needed 4% housing tax credits to make the acquisition/rehab financially viable. In August of 2016, the tax-exempt bonds were "parked" with the City of Minnetonka as the issuer in order to preserve the tax-exempt financing and the 4% housing tax credits as well as to provide sufficient time to get the tax credits and existing loans documents completed. We are now preparing for a mid-August closing on the tax-exempt bonds, the tax credits and the existing loans – including the MHFA PARIF loan.

Unfortunately, we made a mistake and did not submit an application to MHFA to issue preliminary determination letter prior to the issuance of the "parked" bonds. Based on our understanding of the required procedures in connection with previous projects involving parked bonds, we understood that that because the bonds were "parked" and will be reissued at the debt and equity closing next month, a preliminary determination letter was not required at that point and, that we would submit the application for issuance of a preliminary determination letter now prior to the permanent reissuance of the tax-exempt bonds.

We apologize for this mistake and request that the MHFA Board of Commissioners waive the pre-issuance requirement for Minnetonka Affordable Housing in order to preserve 54 units of Project Based Section 8 housing in Minnetonka and Golden Valley.

Thank you for your consideration.

Ken Johnson
Community Housing Corporation of America

Jay Jensen
Shelter Corporation

Agenda Item: 7.E
Resolution

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

RESOLUTION NO. MHFA 17-

RESOLUTION GRANTING A WAIVER OF THE PRE-ISSSUANCE APPLICATION REQUIREMENT UNDER MINNESOTA HOUSING'S 2016 QUALIFIED ALLOCATION PLAN

WHEREAS, in 2016, Minnetonka Affordable Housing (f.k.a. Elmbrooke-Golden Valley Townhomes) secured a 4% tax-exempt bond allocation from Minnesota Management and Budget in order to acquire and rehabilitate 54 units of project-based Section 8 townhomes in Minnetonka and Golden Valley; and

WHEREAS, Section 9.0(a) of the 2016 Qualified Allocation Plan (QAP) requires the project to apply to Minnesota Housing for issuance of the required Internal Revenue Code Section 42 (M) determination letter prior to the issuance of the bonds; and

WHEREAS, the pre-issuance of the bonds requirement is imposed by Minnesota Housing and is not imposed by federal tax law; and

WHEREAS, in August 2016, the city of Minnetonka issued short-term drawdown bonds in order to preserve the tax-exempt financing and the 4% housing tax credits; and

WHEREAS, the project failed to apply for the requisite 42(M) letter prior to the issuance of the bonds; and

WHEREAS, in its letter dated July 6, 2017 the owner admits it made a mistake and requests that a waiver to the pre-issuance be granted; and

WHEREAS, that the mistake did not provide a benefit to the project; and

WHEREAS, Minnesota Housing is interested in preserving 54 units of very affordable housing in an area of opportunity, and

WHEREAS, if the waiver is not granted, $6.8 million in private activity bonding authority will result in a loss of valuable resources for affordable housing and will be unavailable for use by the project or any other project, now or in the future; and

WHEREAS, staff have taken additional steps to mitigate this mistake from occurring in other transactions; and

WHEREAS, pursuant to Chapter 3 (X) of Minnesota Housing's Housing Tax Credit Program Procedural Manual, "the Board is authorized to waive any conditions that are not mandated by Section 42 on a case-by-case basis for good cause shown."

Agenda Item: 7.E
Resolution

NOW THEREFORE, BE IT RESOLVED:

For good cause shown, the board grants the request to waive the pre-issuance bond requirement of Section 9.0(a) of Minnesota Housing's 2016 QAP.

Adopted this 27th day of July 2017

____

CHAIRMAN

Board Agenda Item: 7.F
Date: 7/27/2017

Item: Request to Consider Waivers to Agency Debt Management Policy, Upper Post Flats, D7976

Staff Contact(s):
Ryan Baumtrog
Kevin Carpenter
Wes Butler

Request Type:

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

Summary of Request:
The prospective developer of the Upper Post Flats project has requested Agency staff to ask the Board, whether the Board would consider certain waivers to the Agency's Debt Management Policy that would allow for the processing of the developer's request for the issuance of conduit tax-exempt private activity bonds for the project.

Fiscal Impact:
Issuance of tax-exempt bonds from the Agency's entitlement bond volume cap is a critically important resource in providing capital to finance the Agency's affordable housing programs. Using approximately $58 million of the limited private activity bond volume cap resource for a single conduit bond issuance would likely cause a significant loss of authority and flexibility for the Agency to operate its broad array of priority programs now and into the future.

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
- Agency Debt Management Policy
- Board Report for Agenda Item 8.A of March 23, 2017 Board Meeting
- Minutes of March 23, 2017 Board Meeting
- Debt Management Policy Board Report for April 5, 2017 Special Board Meeting
- Minutes of April 5, 2017 Special Board Meeting
- July 12, 2017 Letter from the Governor to Board Members

Background

The subject of this memorandum involves a potential issuance of conduit bonds. As stated in the Agency's Debt Management Policy (copy attached), a goal of the Agency is to raise capital for its programs at the lowest overall cost. In support of this goal, the policy notes that tax-exempt bonding authority is a valuable resource and that the use of bonding authority for conduit debt issuance is generally not in the best interest of the Agency. For that reason, as stated under Section 1.09 of the Agency's Debt Management Policy, eleven threshold conditions must be present in order for staff to recommend a conduit bond issue to the Board.

In September 2016, Minnesota Housing staff received a request, in the form of a partial application, from Dominium, LLC ("Dominium") for the Agency to issue approximately $58 million in conduit tax-exempt private activity bonds for Dominium's proposed Upper Post Flats development. In order for the Agency to proceed with that request, it appears that at least three of the conduit bond threshold conditions in the Debt Management Policy would have to be waived.

The usual process for requests for conduit bond issuance is for staff to review a proposed project's complete application and, when warranted, recommend that the Board authorize the issuance of conduit bonds for the project. Such recommendation would be made only if staff is satisfied that the eleven threshold conditions for issuing conduit bonds are met or, if not, that a waiver of one or more particular threshold conditions is justified. The proposed Upper Post Flats project presents an unusual situation since staff is not in a position to request that conduit bonds be issued due to not having a complete application, but even if it had a complete application, it does not believe waivers would be warranted. However, Dominium has requested that staff present the potential waiver matter for consideration by the Board so that they can determine whether or not to continue working with the Department of Natural Resources on the development.

The threshold conditions that appear likely to require waivers are that: (1) the issuance is for preservation of affordable rental units; (2) significant barriers to issuance of bonds by another government issuer exist; and (3) the conduit bond issuance does not cause a significant loss of bonding authority available to Minnesota Housing to operate priority programs.

A description of the circumstances and these specific threshold conditions was presented to the Board in the attached Board Report dated March 23, 2017 (Agenda Item 8.A) at pages 66 and 67. Staff continues to have significant reservations about the project's ability to meet those threshold conditions:

- **Threshold Condition:** ***"The issuance is for preservation of affordable rental units the Agency determines are important units to preserve under its strategic plan."***
  This project proposes the adaptive reuse of historic buildings that have been vacant for an extended period of time. Therefore, because there is no federal rental assistance at risk, and no existing affordable rental units to preserve, the project does not meet the criteria of being a project for the preservation of affordable rental units.

- **Threshold Condition:** ***"Significant barriers to issuance by a different government issuer exist, such as properties located in multiple jurisdictions, making public notice and authorization requirements difficult."***
  Staff is unaware of a reason that the developer could not request that Hennepin County submit application for an allocation of private activity bonds from the state housing pool, or the unified pool, at MMB. The project is located in an unincorporated area of Hennepin County. Because of the current competitive environment for volume cap allocations from either state pool, and because the project does not qualify as a project that preserves affordable rental units (which are given preferences and priority in the allocation in statute), it is uncertain whether such an application would result in an allocation of bonding authority.

- **Threshold Condition:** ***"Bonding authority used for conduit issues does not cause a significant loss of authority available to operate priority programs, in the sole judgment of the Agency."***
  In the current environment, the dwindling and limited amount of the Agency's entitlement bond volume cap is constraining the Agency's ability to use tax exempt bonds to finance a wide variety of projects and our programs. Because this environment is expected to intensify in the future, using approximately $58 million of this volume cap for a single project that produces roughly 200 units of affordable rental housing is likely to limit our ability to finance more rental units as well as finance and fund other programs from all areas of the Agency.

The March 23, 2017 Board Report also raised additional staff concerns, which could become an issue if this project were to move forward, including that the current estimated total development cost of approximately $600,000 per unit is nearly triple the Agency's predictive cost model cost of $208,000 per unit.

At the Board's March 23, 2017 meeting the Board received comments from the DNR, Dominium and other parties supporting the project who had requested the opportunity to make comments. At that Board meeting, the Board asked several questions of the presenters, but did not discuss the matter. Attached are the minutes of that meeting.

On April 5, 2017 the Board held a Special Board meeting to discuss the Agency's Debt Management Policy. The Board discussed the reasons conduit debt issuance is generally not in the best financial interest of the Agency as well as the threshold requirement that an eligible project must preserve existing affordable rental units. Attached are the minutes of that meeting as well as staff's Board Report.

The Governor submitted a letter dated July 12, 2017 (attached) to Board members expressing support for the project and urging the Board to grant the necessary waivers.

The Board is asked to determine whether it is inclined to consider the required waivers to the Agency's Debt Management Policy for this project. If the Board is not willing to consider such waivers, staff will cease processing the application. If the Board is willing to consider the waivers, staff would work with Dominium to prepare a presentation of the project application. At the time of such future presentation, the Board would be asked to consider approval or denial of the waivers and to consider approval or denial of a conditional commitment of bonding authority from the Agency's entitlement allocation.

Policy 1 – Debt Management

Adopted: 02/22/ 1996
Amended 07/24/2003; 12/05/2008; 07/23/2009; 05/22/2014; 05/28/2015; 07/23/2015

The goal of Minnesota Housing (the "Agency") is to raise capital for its programs at the lowest overall cost. The Agency will take into consideration desired mortgage rates and the need to maintain asset and debt management flexibility while carefully managing risk.

To achieve this, the Agency will:

1. Establish long-range financial objectives as set forth in Section 1.01. These objectives may change in response to economic and other factors.
2. Establish an Affordable Housing Plan that sets forth specific financing objectives for a one to two year period. This plan may be adjusted due to economic and other factors.
3. Maintain a debt management policy that provides for optimum access to capital markets and broad distribution capabilities, both horizontally (geographically) and vertically (both institutional and retail investors).

Agency staff will monitor these plans and the policy and recommend changes when appropriate based on results of the Risk Based Capital Study and other circumstances.

1.01 Long Range Financial Objectives

The long-range financial objectives are as follows:

- Maximize the spread between loan rates and cost of capital, where possible, in order to maximize future capital available for the Housing Investment and Housing Affordability Funds.
- Maintain program flexibility.
- Effectively manage risk so as to minimize the potential of calling upon the Agency's general obligation or the State's moral obligation pledge.
- Maintain the Agency's Aa1/AA+ general obligation credit ratings.
- Maintain the current level of credit ratings for each bond resolution.

1.02 Finance Team

The Agency will maintain a team of finance professionals consisting of internal and external experts for the purpose of managing its borrowing activities. The team will include investment bankers, bond counsel, underwriter's counsel, in-house counsel, a financial advisor, and Agency finance staff. Staff may recommend to the Board the addition of finance team members based on needs of specific financings.

1.03 Planning and Structuring Bond Issues

When capital is needed for program funding or for debt management purposes, the finance team will review the financing alternatives in accordance with this policy and determine whether bonds should be issued or other sources of external capital raised. Any proposed financing will be reviewed to determine the best method of accessing the financial markets to achieve the goal of issuing debt at the lowest overall interest rates and costs.

1.04 Annual Capital Needs Planning

The finance team will meet annually to review proposed capital needs and timing for the calendar year. The timing of bond sales will be based primarily upon housing program needs, but other market and tax compliance factors will also be taken into consideration. Staff will communicate the results of the planning session to the Board.

1.05 Procedures for Each Bond Issue

The finance team will recommend to the board a financing approach best suited to the current set of circumstances and consistent with the Agency's desire to issue debt at the lowest overall possible interest rates and costs while managing risks and maintaining the maximum flexibility for asset and debt management. Staff will decide how to proceed from among the recommended approaches. The rationale underlying any financing decision will be included in staff's comments to the Board at the time the Board's approval for a specific bond sale is requested.

Before each financing, the finance team will review the immediate capital and/or refunding needs, market conditions, proposed bond structure(s), merits of a negotiated, competitive or privately placed bond issue and expense guidelines. Gross spread will be finalized prior to the commencement of the order period.

Before pricing a debt offering, the financial advisor will provide the Agency with summary information and its recommendations with regard to all pertinent aspects of the financing. For negotiated issues, the pricing will generally be handled by a conference call including Agency staff, the financial advisor and the underwriters. The Chief Financial Officer, in consultation with the Commissioner, will have primary responsibility for making pricing determinations. A formal post-sale analysis will be prepared by the financial advisor and reviewed with the Board within approximately 45 days of the Board's approval of the bond issue. The post-sale analysis should include sufficient information to permit the Board to judge the performance of the investment bankers. If an offering is marketed by negotiated sale, the management fee paid should reflect reimbursement for services rendered on the particular issue in progress and for uncompensated services rendered since the last issue, if any.

1.06 Short-Term Financing Needs

From time to time, depending on conditions in the bond market and the availability of liquid funds to the Agency, it may be necessary for the Agency to borrow money on a short-term basis from a bank or other financial institution or corporation to provide sufficient liquidity for

Agency program and other operational needs. Staff is authorized to determine the need and feasibility of such short-term borrowing, in consultation with the Agency's financial advisor. The Chief Financial Officer is authorized to cause the Agency to enter into any such short-term borrowing arrangement upon consultation with the Commissioner, the Finance Director and the Agency's financial advisor, in a principal amount, at an interest rate and for a term (not exceeding 18 months) that the Chief Financial Officer determines is sufficient for the Agency's needs and financially feasible.

Any such borrowing may be secured by collateral comprising mortgage loans or other assets of the Agency to be specifically pledged thereto, but may not be secured by the general obligation of the Agency or be evidenced by a bond or note, unless approved by resolution of the Board. The Chief Financial Officer is authorized, upon consultation with the Commissioner, the Finance Director and the Agency's financial advisor, to cause the Agency to renew or extend any such short-term borrowing if circumstances then warrant. No more than $150,000,000 in principal amount of such borrowings may be outstanding at any one time, unless approved by resolution of the Board. The Agency shall count the outstanding principal amount of any such borrowings against the debt limit set forth in Minnesota Statutes, Section 462A.22, as amended.

1.07 Debt Issuance Review

The results of the Agency's debt issuance and the performance of the investment bankers will be reviewed by the Board on no less than a biannual basis. The Agency's financial advisor will prepare the report in cooperation with Agency staff.

1.08 Variable Rate Debt and Interest Rate Swap Management

The Agency may elect to issue variable-rate debt when issuing fixed-rate debt results in a cost of capital that would result in mortgage interest rates, which could not be effectively lent to borrowers of low and moderate incomes or to developers of rental properties for low and moderate-income renters. The Agency generally lends at fixed rates, which creates the potential for a mismatch between its cost of capital and its revenues. In order to manage the mismatch, interest rate swaps may be utilized. An interest rate swap is a financial agreement in which two parties agree over a fixed period of time on a stated notional principal amount to exchange interest payments, one based on a variable interest rate and the other a fixed rate. Interest rate swaps will be structured to synthetically achieve a fixed-rate cost of capital that is less than can be achieved by issuing traditional fixed-rate debt.

Authorization. For purposes of authorization, all swap transactions shall go through the same process as bond financings including review by the Agency's finance team, which includes at a minimum bond counsel and appropriate external financial advisors and formal approval by the Agency's Board. Minnesota Statutes Section 462A.105 authorizes the Agency to enter into interest rate swaps, referred to in statute as interest rate exchange agreements. The Agency's Board approved a resolution in April 2003 authorizing staff to enter into interest rate swaps and in May 2003 approved a resolution amending the Residential Housing Finance Bonds Resolution to allow for the effective administration of interest rate swaps. Interest rate swaps will be utilized in connection with a bond resolution and will be approved with the bond series resolution to which the swap applies. When and if replacement swaps are needed, they will be approved by a resolution of the Agency's Board.

Goals for Swap Transactions. Swap transactions will be used as part of a strategy to use variable-rate debt to reduce the Agency's overall cost of funds. Swap transactions will not be used for speculative purposes. The Agency acknowledges that synthetically fixing the cost of funds by use of interest rate swaps mitigates, but does not eliminate, interest rate risk due to risks factors described in the Risk Analysis section of Board Policy 1.08.

Relationship to Assets. Swap transactions will be entered into based on analysis that staff determines is adequate to indicate an expected positive impact on the Agency's ability to manage its underlying assets and liabilities. The term and structure of any swap agreement should bear a logical relationship to a specific pool of assets and the underlying liabilities financing the assets.

Risk Analysis. Before making a final decision to proceed with a swap transaction, the Agency shall analyze the risks, costs, and benefits associated with interest rate swaps to ensure that a proper and well-informed decision is being made. Specific risks that should be analyzed and understood are:

- Amortization. Amortization risk represents the cost to the Agency of paying interest on debt or making swap payments due to a mismatch between the amounts outstanding of the variable rate liabilities and the notional amount of the swap.
- Basis. Basis risk represents the potential difference between the interest rate paid by the agency on its variable rate liabilities and the rate received from the swap contract.
- Tax. Tax risk represents a risk that may arise due to a change in the tax code which creates or exacerbates a difference between the interest rate paid by the agency on its variable rate liabilities and the rate received from the swap contract
- Counterparty. Counterparty risk is the risk that the swap transaction provider will not fulfill its obligations as specified in the swap contract.
- Termination. Termination risk represents the risk that the swap contract could be terminated by the counterparty due to various events including downgrade, covenant defaults, payment defaults or other default events specified by the contract or Resolution.
- Rollover. Rollover risk is the risk that the swap contract is not coterminous with the variable rate liabilities creating the possibility that a replacement contract will be either unavailable or at terms disadvantageous to the Agency.
- Liquidity. Liquidity risk is the risk that the back-up liquidity facilities required by certain types of variable rate debt will not available or financially viable in the future resulting in the need to call the debt or refund it into fixed rate debt thus creating an un-hedged swap position. Liquidity risk exists with the form of variable rate debt known as Variable Rate Demand Obligations (VRDOs). VRDOs are remarketed regularly and the

risk exists that there may be an insufficient market to purchase all or some of the bonds on any given remarketing date. To mitigate this risk, a liquidity provider is engaged to purchase unremarketed bonds at a higher rate than could be achieved under a remarketing and with the expectation that the bonds will be repaid on an accelerated timetable. Additional risk exists in that the term of the VRDOs is generally longer than the term of any related liquidity facility agreement, which requires that the issuer periodically engage replacement liquidity providers during the term of the debt. Potential exists for there being available no entity willing to provide the service at an acceptable cost.

- Rating Agency Criteria Risk. This risk exists because the credit rating agencies may periodically change their criteria for maintaining credit ratings over the term of the variable rate debt, which may impact the cost of the variable rate debt or impose additional duties or restrictions on the Agency to maintain ratings.

Risk Mitigation. In addition to utilizing interest rate swaps to mitigate the interest rate risk associated with issuing variable-rate debt, the Agency will seek to employ other risk mitigation techniques, either from the outset of a variable rate bond issue or at any stress point during the life of the issue, and will seek to incorporate relevant optionality in any agreements entered into in connection with the debt. Examples of such techniques include but are not limited to: the option to modify the interest rate mode among variable rate alternatives or from variable to fixed; options to terminate the swap at par and at market under certain scenarios acceptable to the Agency; selection of the type of variable rate debt issued and its ability to be called at par; maintaining appropriate levels of liquidity to exercise available options; appropriate managerial oversight of the performance of the variable-rate bond issues and their related swaps; diversification among counterparties and liquidity providers.

Credit Quality. Any swap transaction entered into by the Agency shall be with a swap provider whose long term debt obligations, or whose obligations under a swap are fully covered by a swap facility whose long term debt obligations are (1) rated at least "Aa3" in the case of Moody's Investors Service, "AA-" in the case of Standard & Poor's Corporation, or the equivalent thereto in the case of any other rating agency and sufficient to maintain any existing rating of the Agency's long term debt and/or (2) secured by a pledge of investment obligations with the ratings and in amounts sufficient to achieve the ratings levels described in this section.

Appropriate Review. Swap transactions will be submitted to the rating agencies for their review along with all appropriate supporting documents prior to the Agency entering into any agreements. There will be procedures established for the ongoing review and management of swap transactions including regular reporting to the Board. In addition to this general Plan, rating agencies will be provided with a summary of each swap transaction in accord with their respective policies.

1.09 Conduit Debt

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

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

- Bonding authority used for conduit issues does not cause a significant loss of authority available to operate priority programs, in the sole judgment of the Agency.
- The issuance is for preservation of affordable rental units the Agency determines are important units to preserve under its strategic plan.
- Significant barriers to issuance by a different government issuer exist, such as properties located in multiple jurisdictions, making public notice and authorization requirements difficult.
- The Agency has determined not to issue bonds secured by the Agency's general or limited obligation for the project to be financed.
- The Agency assumes no initial or continuing disclosure obligations in connection with the conduit issue.
- The Agency assumes no financial obligation in connection with the conduit issue.
- If publicly offered, the debt is expected to be rated in one of the two highest long-term rating categories by at least one nationally recognized rating agency acceptable to the Agency and, if applicable, the highest short-term rating category by at least one nationally recognized rating agency.
- If privately placed, repayment of the debt must, in the judgment of the Agency and based on information from the Agency's financial consultant, be financially feasible.
- The Agency's bond counsel must be utilized.
- All costs of issuance, maintenance and payment of the bond issue, including all Agency out-of-pocket expenses and fees and disbursements of bond counsel and the Agency's financial consultant, if any, must be paid by the borrower or, if available therefore, may be paid from proceeds of the bonds.
- Administrative fees to be paid to the Agency as issuer will not be less than, subject to arbitrage restrictions, the sum of (1) an upfront fee of 50 basis points times the original principal amount of the bonds, plus (2) an on-going fee payable semiannually equal to the greater of (a) one-half of 10 basis points applied to the then outstanding principal amount of the bonds or (b) a minimum amount to be established for the bond issue.

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

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

1.10 Policy on Request for Proposals

A request for proposal will be issued every four years for the Agency's financial advisor and investment bankers. Requests for proposal for financial advisor will be solicited in different years than those for investment bankers unless an early contract termination occurs.

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Minnesota Housing Finance Agency

Board Agenda Item: 8.A
Date: 3/23/2017

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

Staff Contact(s):
Mary Tingerthal, 651.296.5738, mary.tingerthal@state.mn.us

Request Type:

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

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

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

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

Attachment(s):
- Background
- Development Summary

Background

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

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

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

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

- Threshold Condition: "The issuance is for preservation of affordable rental units the Agency determines are important units to preserve under its strategic plan."
  This project proposes the adaptive reuse of historic buildings that have been vacant for an extended period of time. Therefore, because there is no federal rental assistance at risk if this project is not pursued, the project does not meet the criteria of being a preservation project.

- Threshold Condition: "Significant barriers to issuance by a different government issuer exist, such as properties located in multiple jurisdictions, making public notice and authorization requirements difficult."
  Staff knows of no reason that the developer could not request that Hennepin County submit application for an allocation of private activity bonds from the state housing pool at MMB. The project is located in an unincorporated area of Hennepin County. Because of the current

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

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

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

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

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

DEVELOPMENT SUMMARY

DEVELOPMENT:

D7976

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

MORTGAGOR:

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

DEVELOPMENT TEAM:

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

RENT GRID:

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

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

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

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

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

DEVELOPMENT COST SUMMARY (estimated):

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

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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.

John DeCramer
Chair

Special Board Agenda Item: 3
Date: 4/5/2017

Item: Debt Management Policy

Staff Contact(s):
Tom O'Hern, 651.296.9796, tom.o'hern@state.mn.us

Request Type:
☐ Approval
  ☐ Motion
  ☐ Resolution
☒ No Action Needed
  ☒ Discussion
  ☐ Information

Summary of Request:
Staff would like to discuss with the Board the requirements of the Agency's Debt Management Policy regarding the issuance of conduit bonds by the Agency.

Fiscal Impact:
None.

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

Attachment(s):
- Background

The overall purpose of the Agency's Debt Management Policy is stated on page one of that policy as follows:

> The goal of Minnesota Housing (the "Agency") is to raise capital for its programs at the lowest overall cost. The Agency will take into consideration desired mortgage rates and the need to maintain asset and debt management flexibility while carefully managing risk.
>
> To achieve this, the Agency will:
> 1. Establish long-range financial objectives as set forth in Section 1.01. These objectives may change in response to economic and other factors.
> 2. Establish an Affordable Housing Plan that sets forth specific financing objectives for a one to two year period. This plan may be adjusted due to economic and other factors.
> 3. Maintain a debt management policy that provides for optimum access to capital markets and broad distribution capabilities, both horizontally (geographically) and vertically (both institutional and retail investors).
>
> Agency staff will monitor these plans and the policy and recommend changes when appropriate based on results of the Risk Based Capital Study and other circumstances.

Under the Agency's Debt Management Policy, tax-exempt bonding authority is a valuable resource that should be used for conduit bond issuances only if certain conditions are met (emphasis added):

> <u>1.09 Conduit Debt</u>
> For purposes of this section, a "conduit bond issue" is a bond issue in which the obligation of the Agency as issuer to pay principal of and interest on the bonds is limited to the payments it receives from a private third-party borrower under a loan or lease agreement relating to revenues derived from the facilities financed or other assets of the third-party borrower.
>
> Tax-exempt bonding authority is a valuable means of producing revenue because it enables the Agency to operate lending programs of a size far in excess of its own resources. It is therefore acknowledged that the use of bonding authority for conduit debt issuance is generally not in the best financial interest of the Agency. From time to time and under certain conditions, use of tax-exempt bonding authority for conduit issuance may be desirable to meet state housing needs and may be considered. The following threshold conditions should be present in order for staff to recommend a conduit bond issue:
>
> - Bonding authority used for conduit issues does not cause a significant loss of authority available to operate priority programs, in the sole judgment of the Agency.
> - The issuance is for preservation of affordable rental units the Agency determines are important units to preserve under its strategic plan.
> - Significant barriers to issuance by a different government issuer exist, such as properties located in multiple jurisdictions, making public notice and authorization requirements difficult.
> - The Agency has determined not to issue bonds secured by the Agency's general or limited obligation for the project to be financed.

- The Agency assumes no initial or continuing disclosure obligations in connection with the conduit issue.
- The Agency assumes no financial obligation in connection with the conduit issue.
- If publicly offered, the debt is expected to be rated in one of the two highest long-term rating categories by at least one nationally recognized rating agency acceptable to the Agency and, if applicable, the highest short-term rating category by at least one nationally recognized rating agency.
- If privately placed, repayment of the debt must, in the judgment of the Agency and based on information from the Agency's financial consultant, be financially feasible.
- The Agency's bond counsel must be utilized.
- All costs of issuance, maintenance and payment of the bond issue, including all Agency out-of-pocket expenses and fees and disbursements of bond counsel and the Agency's financial consultant, if any, must be paid by the borrower or, if available therefore, may be paid from proceeds of the bonds.
- Administrative fees to be paid to the Agency as issuer will not be less than, subject to arbitrage restrictions, the sum of (1) an upfront fee of 50 basis points times the original principal amount of the bonds, plus (2) an on-going fee payable semiannually equal to the greater of (a) one-half of 10 basis points applied to the then outstanding principal amount of the bonds or (b) a minimum amount to be established for the bond issue.

As stated above, given that conduit debt issuance is generally not in the best financial interest of the Agency, the Debt Management Policy has limited its use by imposing certain threshold conditions, one of which is that the issuance is for affordable rental units determined to be important units to preserve under the Agency's strategic plan. This requirement reflects the directive of Minn. Stat. section 462A.05, subd. 13 that the Agency "shall prefer those housing projects which are federally subsidized and those loans which are federally insured or guaranteed, to the extent that the agency finds such projects and loans to be available at the times and in the amounts needed to meet the shortage of residential housing for persons and families of low and moderate income."

This requirement also echoes the preference for preservation projects set forth in the bonding allocation statute (Minn. Stat. sec. 474A.061, subd. 2a). That statute requires Minnesota Management and Budget (MMB) to give first priority to awards of bonding authority from the Housing Pool for eligible residential rental projects to projects that preserve existing federally subsidized housing.

As Commissioner Tingerthal informed the Board at its December 2016 board meeting, it was possible that non-preservation projects applying for bonding authority from MMB in 2017 would not receive sufficient bonding authority to enable them to move forward. Because of that possibility, and given the Agency's mission to help meet the need for affordable housing, the Commissioner asked the Board if it would be willing to consider using a portion of the Agency's annual entitlement allocation of private activity bonding authority for issuance by the Agency of conduit bonds. The Board indicated it would be willing to consider the matter.

Commissioner Tingerthal's prediction was correct. In the first round of applications for bonding authority from the Housing Pool by MMB in January 2017, the total request for non-preservation projects was for $157,000,000. After allocation of $48,400,000 of bonding authority to preservation projects (pursuant to statutory requirements) only $77,602,000 remained available for allocation to non-preservation projects. Given the inadequacy of the remaining amount to fulfill all requests, MMB ultimately allocated a pro-rata portion to each of the five applicants, so that each project received 49.43% of the amount requested. Those partial allocations appear to be insufficient to qualify one or more of those projects for the 4% low income housing tax credits necessary for the projects to be financially feasible and rendering the projects unable to move forward.

Before developing a process and criteria for evaluating whether any of those non-preservation projects should be recommended to the Board for Agency funding with conduit bonds, staff concluded it was prudent to engage the Board in a discussion of the requirements of the Agency's Debt Management Policy regarding the issuance of conduit bonds.

This discussion will assist staff in deciding whether to evaluate that would benefit from the issuance of conduit bonds by the Agency even though those projects do not meet the threshold condition of the preservation of affordable rental units.

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.

John DeCramer
Chair

STATE OF MINNESOTA

Office of Governor Mark Dayton

130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

July 12, 2017

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

Commissioner Mary Tingerthal
Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul, MN 55101

Dear Chair DeCramer and Commissioner Tingerthal:

I understand that the Minnesota Housing Finance Agency Board of Directors will meet this month to consider, among other agenda items, an application submitted by Dominium to secure financing needed to redevelop 26 historic buildings at Fort Snelling into affordable housing units. I respectfully urge the Board to reserve $58 million in tax-exempt bonding authority for this project, and to grant the waivers necessary to approve this allocation.

Dominium's proposal offers the only hope to save the historic buildings at Fort Snelling's Upper Post and put them on a permanently sustainable path. All of us share the responsibility to preserve this iconic Minnesota landmark. I am told that Dominium's proposal includes redevelopment of all the buildings, and that it will include complete preservation to ensure the buildings are maintained at National Register levels.

I realize that it is extremely difficult for you to commit such a large amount of your entitlement allocation to a single project. However, this redevelopment presents our only existing opportunity to save this priceless state asset and to build units of affordable housing there.

A do-nothing alternative for the site is not a cost-free option. One major building has already collapsed, and emergency stabilization funding will likely be needed to prevent the loss of more buildings. Finding another developer for the site could take years and would likely then be even more costly.

While I respect that there are concerns about the per-unit costs of this redevelopment, it is also understandable that redevelopment for historic buildings, which have been vacant and deteriorating for over 30 years, would be costly. Dominium states that, when comparing construction costs on a square foot basis, the Upper Post Flats redevelopment has equal or lower costs than the Common Bond project, which the MHFA Board approved in 2014. I believe that, as part of the agreement, Dominium should be asked to commit to keep rents affordable for at least twenty years. Furthermore, the allocation could occur over two years instead of a single year, if necessary.

Voice: (651) 201-3400 or (800) 657-3717 Fax: (651) 797-1850 MN Relay (800) 627-3529
Website: http://governor.state.mn.us An Equal Opportunity Employer

As you know, Dominium's proposal has the support of Hennepin County and the Minnesota Department of Natural Resources, along with other state and local partners. A tax-exempt bond allocation would enable the project to secure federal and state historic tax credits and leverage low-income housing tax credits. By receiving a commitment of tax-exempt bonding authority, Dominium would be able to complete a historic preservation assessment, archaeological studies, structural reports, and environmental studies.

I believe it would be tragic to miss this opportunity to provide approximately 180 affordable housing units with a preference for veterans and their families. Please act affirmatively to save our State's only designated National Treasure.

Sincerely,

Mark Dayton
Governor

cc: Damaris Hollingsworth, MHFA Board Member
Joe Johnson, MHFA Board Member
Craig Klausing, MHFA Board Member
Stephanie Klinzing, MHFA Board Member
Terri Thao, MHFA Board Member
The Honorable Rebecca Otto, State Auditor and MHFA Board Member

Board Agenda Item: 9.A
Date: 7/27/2017

Item: Post-Sale Report, Residential Housing Finance Bonds (RHFB) 2017 Series ABC

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☐ Discussion
- ☒ Information

Summary of Request:
The Agency sold $120,845,000 of Residential Housing Finance Bonds on June 20, 2017 with a closing on July 19, 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

CSG | advisors

MEMORANDUM

Date: July 13, 2017

To: Minnesota Housing Finance Agency

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

Re: Post-Sale Report
$120,845,000 Residential Housing Finance Bonds (RHFB)
2017 Series ABC

KEY RESULTS FOR MINNESOTA HOUSING

Opportunity. This bond issue took advantage of the opportunity to economically refund several issues of outstanding bonds under the Residential Housing Finance Bond indenture ("RHFB") and to finance approximately $60 million of new mortgages.

Overall Purpose. Series ABC accomplished the following major objectives:

1. Enabled Minnesota Housing to profitably keep almost all tax-exempt eligible production on the balance sheet. This helps Minnesota Housing to earn net annual income over future years.

2. Generated significant savings by refunding old bonds at today's lower interest rates.

3. Achieved full spread, financing new loans without using any of Minnesota Housing's existing zero participations and created approx. $14 million of additional zero participations to help assure a full spread on future issues.

Key Measurable Objectives and Accomplishments. The results of the issue were very successful:

Objective	*Result*
Finance new production on balance sheet	$60 million of new loans, primarily at low rates in 3% coupon pass-through MBS securities
Provide at least a similar return to the Agency as selling new loans on the secondary market	Higher return from including loans in the new issue (based on average prepayment speeds the Agency has recently experienced on similar loans).
Refund bonds at lower interest rates	Reduced average yield on old bonds from approx. 4.73% to 2.75% (average yield on entire new issue). The refunding savings are thus over $2 million per year. These savings allow new loans to be financed at full spread.
Strengthen the RHFB indenture going forward	Increases the expected net present value to the Agency.
Achieve full spread on the overall transaction	Agency will earn the maximum spread permitted by the IRS
Minimize use of any existing zero participations	None were needed
Increase zero participations for future issues	Increases the Agency's zero participations from approx. $24 million to $39 million

Variable Rate Debt. An important design decision was to include a variable rate series with an interest rate swap. This was Series C for $40 million. The swap is a forward-starting swap commencing on January 1, 2019 when an existing swap of the Agency's is terminable at par.

The benefit of including this forward-starting swap is to lower the average all-in cost to Minnesota Housing and thus maximize the zeros created by the transaction for financing future production. This variable rate series was designed in accordance with the criteria that have been provided to the Board, including:

- having the swap match the term of the variable rate bonds,
- obtaining a highly rated liquidity facility, in this case from the AAA-rated Federal Home Loan Bank of Des Moines, and
- having that liquidity facility extend for the entire period until the swap is first optionally terminable at par by Minnesota Housing (in this case 7 years, eg July 1, 2024).

Because of the significant pay down of past variable rate series, the amount of Minnesota Housing's variable rate debt is very reasonable from a rating agency perspective, compared to other HFAs that use such debt.

This was Minnesota Housing's first swap with Wells Fargo, helping to balance its exposure to counterparties. The swap, which extends to 2038, was at a rate of 2.18%. This indicates the benefit of low swap rates in today's market and the modest cost of assuring flexibility for the housing finance agency to terminate the swap at par in 2024.

Relationship to Recent and Future Issues and Loan Pipeline. In 2017 to date, Minnesota Housing issued three successful new pass-through bond issues under its newer, Aaa-rated Homeownership Finance Revenue Bond indenture. It is desirable, however, to take advantage of the ability to refund and replace old higher rate bonds in the RHFB indenture together with efficiently financing new production. Blending the old and new loans in the same transaction creates financial efficiencies and future savings.

2017 Issues. A summary of the Agency's single-family financings since Jan. 1, 2017 indicates the Agency financed $ 216.3 million of new production on balance sheet. In addition, the Agency refunded $60.3 million of old bonds. The average cost of debt for all the issues was approximately 2.95%.

Indenture	Sale Date	$ from Taxable Bonds	New Volume Cap Needed	Total $ New Production	$ of Refunding	Total Issue Size	Ave. Bond Yield	Net Change in Zeros
HFB								
2017 A & B	Feb. 19	25.0 mill.	4.0 mill.	$49.9 mill.	n.a.	$49.9 mill.	3.10%	- 11.0 mill.
2017 C & D	Mar. 13	23.9 mill.	6.2 mill.	47.8 mill.	n.a.	47.8	3.26%	- 10.3
2017 E & F	May 10	19.3 mill.	18.5 mill.	58.6 mill.	n.a.	58.6	2.97%	-5.0
Subtotal		68.2 mill.	28.7 mill.	156.3 mill.	n.a.	156.3 mill.	3.10%	-26.3 mill.
RHFB								
2017 ABC	June 20	0.0 mill.	19.0 mill.	$60.0 mill.	$60.8 mill.	120.8 mill.	2.75%	14.0 mill.
2017 To Date		$68.2 mill.	$47.7 mill.	$216.3 mill.	$60.8 mill.	$277.1 mill.	2.95%	-12.3 mill.

Future Issues. The Agency is in a good position to continue its single-family program. It has increased the number of investors purchasing the Agency's HFB monthly pass-through bonds while continuing to effectively market traditionally structured RHFB bonds. Minnesota Housing has a balance of approximately $34 million of zero participations to help ensure it earns full spread on its future bond issues.

The major challenge in future years is likely to be new private activity bond volume cap. There is increasing demand for such volume cap for multi-family 4% tax credit projects (both by the Agency and local issuers), even as the volume of new single-family originations continues to be very high. To help deal with this demand, the Agency has three resources that can help it leverage new volume cap:

- The Agency still has some single-family carryforward volume cap from several years ago that is gradually being depleted.
- The Agency last year established a volume cap recycling line of credit with RBC that allows it to retain bond authority from old bonds being redeemed each month. This has proven very effectively in preserving old volume cap.

- Finally, the Agency's zero participations can help the Agency issue some amount of taxable bonds in conjunction with tax-exempt debt to partly reduce the amount of new volume cap needed.

Relationship to Pipeline. The new loans were hedged in the TBA market until the bond pricing was complete to protect the Agency from interest rate risk on its new lending.

TIMING AND STRUCTURE

Timing. The fixed rate bonds were priced on Tuesday June 20th. The bonds are scheduled to close on Wednesday, July 19.

Sizing. The issue was sized at $120.845 million, including $60.8 million to refund old bonds plus $60.0 million for new lending.

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

- Use available RHFB cash to redeem old bonds and help reduce the size of the refunding,
- Include a variable rate series of bonds that is efficiently sized, with a liquidity facility of 7 years to match the 7-year date on which the interest rate swap can be terminated at par. This approach is consistent with the criteria for such issues presented to the Board over the years.
- Structure the AMT bonds, 69% of the total financing, as the shorter fixed rate bonds (Series A) and the variable rate bonds (Series C). This incurs the least additional cost from AMT on overall bond yield.
- Utilize the non-AMT bonds (Series B) as the longest term bonds, including a small 2038 term bond for 4% of the entire issue and a PAC bond at the end of the maturity structure for 27% of the entire issue.

Rating. Bonds under the RHFB indenture are rated Aa1 by Moody's and AA+ by S & P.

BOND SALE RESULTS

Key highlights were:

1. *Retail Interest*. This issue had relatively few bonds that were likely to be purchased by retail investors. There were only $3.73 million of non-AMT bonds available to retail investors (after excluding the PAC bonds). These 2038 bonds (relatively long for retail) received $0.4 million of Minnesota retail orders. AMT bonds are less attractive to retail investors; of the $32.8 million retail-eligible maturities (from 2018 to 2037), there were $7.140 million of in-state retail orders. This was impressive for AMT bonds.

2. *Institutional Interest*. The PAC bonds, as usual, received an extraordinary amount of institutional interest. This included $166.9 million of orders on the PAC bonds, which were oversubscribed by almost 5 times. The bonds were repriced down by 3 basis points as a result.

   There was much less interest in the AMT bonds. The bonds were increased in yield 5 basis points after the retail order period, and most maturities had to be increased by another 5 basis points. With this increase, a key order of $14 million was received from Wells Fargo Capital Management, and the managers underwrote approximately $6 million of unsold bonds.

3. *Timing.* The bonds were sold during the week of June 19-23, which had a high volume of municipal issues, although both Treasuries and municipal indices remained flat during the sale.

4. *Successful Sale.* The sale was successful. Although Minnesota Housing had to increase yields on many shorter AMT maturities, it was able to lower the yield on the PAC bond by 3 basis points.

5. *Comparable Transactions.* MHFA offered several types of fixed rate bonds:

   Series A (AMT) serial bonds from 2018 through 2027: totaling $32.765 million.
   Series A (AMT) term bond due in 2031: totaling $10.69 million.
   Series B (Non-AMT) term bond due in 2038: $3.73 million.
   Series B (Non-AMT) PAC bond due in 2047 with 4.35 year average life: $33.66 million.
   Series C (AMT) variable rate bond due in 2038, with an interest rate swap: $40.0 million.

   AMT Bonds. The most comparable AMT issue was SONYMA that went out to retail one day before Minnesota. (There were some less relevant comparables from North Carolina and South Dakota for early AMT serials from about a month before.) SONYMA also had problems selling the AMT bonds and cheapened them by approximately the same amount as Minnesota.

   Non-AMT Non-PAC Bonds. The non-AMT maturities most comparable to Minnesota's 2038 maturity were Maine's and North Carolina's in late May. Both had a 2037 maturity, while Tennessee and South Dakota had a 2036 maturity. Minnesota's spread to MMD was much tighter than the other states: 82 basis points to MMD, compared to 90 to 106 basis points.

   Non-AMT PAC Bonds. Minnesota's PAC bond was priced at 76 basis points above the interpolated 4.35-year Municipal Market Data index. This was similar to Maine and Tennessee.

UNDERWRITING

Underwriters. RBC was the senior manager; regular co-managers were Piper Jaffray and Wells Fargo. Raymond James was the rotating, third co-manager.

Retail Sales. As indicated above, this RHFB issue was not particularly suited to retail investors. Piper Jaffray, as a co-manager brought in over $4.2 million of in-state retail orders. This was followed among regular co-managers by Wells. (Wells Capital Management also provided the $14 million institutional order through RBC as the senior manager).

Fidelity Capital Markets provided $1.13 million of in-state retail orders and will be included as the rotating co-manager on the next transaction with bonds for retail investors. This table shows the in-state retail orders.

Member	Role	Minnesota Retail Orders	Minnesota Retail Allotments
RBC	Senior Manager	150,000	150,000
Piper Jaffray	Co-Manager	4,175,000	4,175,000
Wells Fargo	Co-Manager	1,000,000	1,000,000
Raymond James	Co-Manager added	25,000	25,000
Subtotal for managers		5,325,000	5,325,000
Fidelity Capital Markets	Selling Group	1,130,000	1,130,000
Dougherty	Selling Group	1,000,000	1,000,000
Morgan Stanley	Selling Group	100,000	100,000
Northland Securities	Selling Group	30,000	30,000
Robert W. Baird	Selling Group	0	0
Bank of America Merrill	Selling Group	0	0
Barclays	Selling Group	0	0
George K. Baum	Selling Group	0	0
City Securities	Selling Group	0	0
Edward Jones	Selling Group	0	0
UBS	Selling Group	0	0
Subtotal selling group		2,260,000	2,260,000
Total		7,585,000	7,585,000
As % of all bonds for retail order period		21%	21%

Selling group performance varied significantly among firms, indicating:

- The benefit of continuing the use of a large and active selling group, rather than relying on only a few firms, especially given the variability from one issue to the next, and
- The value of rewarding a selling group member with the most orders by including them as a co-manager on the next issue.
- Several firms have not brought in any retail sales on the last few sales, and it may be worthwhile now or after the next transaction to trim the membership in the selling group

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: RHFB 2017 Series ABC
Pricing for fixed rate (Series A & B): Tuesday, June 20, 2017
Closing Date: Wednesday, July 19, 2017.

Economic Calendar. In the week prior to the sale, the core Producer Price Index came in slightly higher than expected (0.3% compared to market expectation of 0.2%), retail sales came in weaker than expected (-0.3% versus 0.2% expected) and housing starts came in slightly weaker than expected (annualized 1,092,000 versus 1,227,000 expected). The Federal Reserve made their second interest rate hike of the year as expected (to a Federal funds rate of 1.125%). No significant economic events occurred on the Monday before or the Tuesday of bond pricing.

Treasuries. The 10-year Treasury started the year at 2.45%, after having risen about 50 basis points following the Presidential election. Rates have fluctuated this year, reaching a high of 2.62% in mid-March and then dropping to a low of 2.14% in early April with a flight to quality due partly to international tensions. The 10 year Treasury was at 2.41% when HFB 2017 EF was priced on May 20. It has since dropped by 25 basis points to close at 2.16% at the end of the day Friday June 16. The major reason for the drop has been the political volatility affecting the Administration and potential investigations.

Municipals. While municipal bond yields closely track the movements in Treasury yields, the relationship has been distorted by high profile municipal credit events (Puerto Rico's problems, most recently).

Municipal bonds have rallied more strongly than Treasuries over the last several months. Since HFB C/D was priced, for example, 10 year MMD has dropped by 61 basis points, while the 10 year Treasury declined by 46 basis points. Flows into municipal bond funds have been positive over the last several months. The MMD/Treasury ratio has dropped significantly this year, especially for 10 year bonds.

Issue	Date	10-Year Treasury	10-Year MMD	MMD/ Treasury Ratio	30-Year Treasury	30-Year MMD	MMD/ Treasury Ratio
2015 HFB A	1/12/15	1.92%	1.84%	95.8%	2.49%	2.63%	105.6%
2015 HFB B	3/10/15	2.14%	2.18%	102.0%	2.73%	3.0%	110.0%
2015 HFB C	5/13/15	2.28%	2.24%	98.2%	3.02%	3.21%	106.3%
2015 RHFB ABCD	7/30/15	2.28%	2.23%	97.8%	2.96%	3.14%	106.1%
2015 HFB D	10/08/15	2.12%	2.04%	96.2%	2.96%	3.09%	104.4%
2015 RHFB EFG	11/24/15	2.24%	2.04%	91.1%	3.00%	2.98%	99.3%
2016 A	1/12/16	2.12%	1.78%	84.0%	2.89%	2.73%	94.5%
2016 B	3/10/16	1.93%	1.88%	97.4%	2.70%	2.86%	105.9%
2016 RHFB ABC	5/25/16	1.87%	1.66%	88.8%	2.67%	2.45%	91.8%
2016 E/F	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%	95.0%	3.20%	3.25%	101.6%
2017 HFB E/F	5/20/17	2.41%	2.17%	90.0%	3.03%	3.01%	99.3%
2017 *RHFB ABC*	6/20/17	2.16%	1.86%	86.1%	2.74%	2.70%	98.5%
Change from 2017 HFB E/F		- 25 bp	- 31 bp	- 3.9%	-29 bp	- 31 bp	- 0.8 %

AMT SINGLE FAMILY HOUSING BOND PRICING COMPARABLES, 2017 TO DATE PLUS MHFA 2016

Pricing Date		6/20/17		6/20/17		5/18/17		5/17/17		5/16/17		5/15/17	
Amount		$43,455,000		$19,185,000		$14,355,000		$23,110,000		$17,725,000		$30,255,000	
Issuer		Minnesota HFA		SONYMA		MIssissippi HC		Tennessee HDA		North Carolina HFA		South Dakota HDA	
Series		2017 Series A		Series 204		Series 2017C		Issue 2017-2A		Series 38-A		2017 Series C	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aa1 / AA+ / -		Aa1 / - / -		Aaa / - / -		Aa1 / AA+ / -		Aa2 / AA / -		Aaa / AAA / -	
Tax Status		AMT		AMT		AMT		AMT		AMT		AMT	
Year	Maturity ('17 pricings)	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
0	2017					1.000						1.150	
1	2018	1.00 / 1.10	+21 / +26	1.10 / 1.20	+29 / +33	1.100	+26			1.20 / 1.30	+38 / +42	1.05 / 1.20	+20 / +30
2	2019	1.35 / 1.40	+44 / +43	1.30 / 1.40	+36 / +41					1.40 / 1.50	+48 / +52	1.35 / 1.45	+39 / +44
3	2020	1.50 / 1.55	+50 / +50	1.55 / 1.60	+53 / +53					1.60 / 1.70	+57 / +59	1.50 / 1.65	+41 / +50
4	2021	1.70 / 1.75	+62 / +61	1.75 / 1.80	+64 / +64					1.80 / 1.90	+64 / +66	1.80 / 1.90	+57 / +59
5	2022	1.90 / 1.95	+72 / +70	1.90 / 2.00	+68 / +72					2.000	+68	2.00 / 2.10	+62 / +65
6	2023	2.10 / 2.15	+79 / +78	2.05 / 2.15	+71 / +76								
7	2024	2.25 / 2.30	+84 / +83	2.25 / 2.30	+81 / +79								
8	2025	2.45 / 2.50	+92 / +89	2.400	+83								
9	2026	2.65 / 2.70	+95 / +93										
10	2027	2.80 / 2.85	+98 / +98										
11	2028												
12	2029												
13	2030	3.200	+104										
14	2031												
15	2032												
16	2033												
17	2034												
18	2035												
19	2036												
20	2037												
21	2038												
22	2039												
23	2040												
24	2041												
25	2042												
26	2043												
27	2044												
28	2045												
29	2046												
30	2047												
PAC 1						4.00C/2.16Y	+93 to 4.5yr	4.00C/2.19Y	+88 to 5yr			4.00C/2.23Y	+85 to 5yr
Notes						12/1/46 PAC bond has 4% coupon priced at 107.696 to yield 2.16% and has an average life of 4.5 years from 100-500% PSA		1/1/42 PAC bond has 4% coupon priced at 108.410 to yield 2.19% and has an average life of 5 years from 100-400% PSA				5/1/39 PAC bond has 4.00% coupon priced at 108.235 to yield 2.23% and has an average life of 5 years from 100-400% PSA	
Maturity Dates		1/1 and 7/1		4/1 and 10/1		12/1 and 6/1		1/1		1/1 and 7/1		11/1 and 5/1	
Call Provisions		1/1/27 at par		None		12/1/26 at par		7/1/26 at par		None		11/1/26 at par	
Mkt Index		BBI / RBI 3.53% / 3.70%		BBI / RBI 3.53% / 3.70%		BBI / RBI 3.73% / 3.92%		BBI / RBI 3.73% / 3.92%		BBI / RBI 3.81% / 4.01%		BBI / RBI 3.81% / 4.01%	
Sr Manager		RBC Capital Markets		Citigroup		Raymond James		Citigroup		RBC Capital Markets		Citigroup	

AMT SINGLE FAMILY HOUSING BOND PRICING COMPARABLES, 2017 TO DATE PLUS MHFA 2016

Pricing Date		5/11/17		5/10/17		5/2/17		4/25/17		4/25/17		4/19/17	
Amount		$14,400,000		$89,450,000		$5,050,000		$16,055,000		$24,325,000		$11,300,000	
Issuer		Missouri HDC		Pennsylvania HFA		Oregon HCSD		Connecticut HFA		Wyoming CDA		Montgomery Co. HOC, MD	
Series		2017 Series A-1		Series 2017-123A		2017 Series B		2017 Series C-2		2017 Series 1		2017 Series B	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		- / AA+ / -		Aa2 / AA+ / -		Aa2 / - / -		Aaa / AAA / -		Aa1 / AA+ / -		Aa2 / - / -	
Tax Status		AMT		AMT		AMT		AMT		AMT		AMT	
Year	Maturity ('17 pricings)	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
0	2017							0.950		1.200			
1	2018			1.20 / 1.30	+35 / +39			1.15 / 1.30	+27 / +37	1.30 / 1.35	+41 / +41	1.25 / 1.30	+44 / +42
2	2019			1.35 / 1.50	+37 / +47	1.40 / 1.50	+45 / +49	1.45 / 1.55	+46 / +49	1.55 / 1.65	+55 / +58	1.40 / 1.50	+48 / +52
3	2020			1.70 / 1.80	+60 / +64	1.650	+58	1.70 / 1.75	+57 / +56	1.75 / 1.85	+61 / +65	1.625 / 1.70	+59 / +58
4	2021			1.90 / 2.00	+66 / +69			1.80 / 1.90	+53 / +54	1.95 / 2.05	+67 / +68	1.85 / 1.95	+68 / +69
5	2022			2.125 / 2.25	+73 / +78					2.15 / 2.25	+71 / +73	2.10 / 2.20	+76 / +79
6	2023			2.35 / 2.45	+80 / +83					2.35 / 2.45	+77 / +80	2.35 / 2.40	+87 / +85
7	2024			2.55 / 2.65	+86 / +88					2.55 / 2.65	+83 / +84	2.55 / 2.60	+93 / +92
8	2025			2.80 / 2.90	+91 / +95					2.75 / 2.85	+84 / +88	2.75 / 2.80	+97 / +97
9	2026			3.00 / 3.05	+95 / +96					2.95 / 3.05	+90 / +96	2.90 / 3.00	+99 / +104
10	2027			3.150	+99					3.10 / 3.15	+96 / +97	3.05 / 3.10	+104 / +105
11	2028											3.125	+103 / +99
12	2029												
13	2030											3.550	+123
14	2031												
15	2032												
16	2033												
17	2034												
18	2035												
19	2036												
20	2037												
21	2038												
22	2039												
23	2040												
24	2041												
25	2042												
26	2043												
27	2044												
28	2045												
29	2046												
30	2047												
PAC 1		4.00C/2.28Y	+87 to 5yr	4.00C/2.12Y	+87 to 4yr								
Notes		5/1/42 PAC bond has 4.00% coupon priced at 107.981 to yield 2.28% and has an average life of 5 years from 100-300% PSA		4/1/39 PAC bond has 4.00% coupon priced to yield 2.12% and has an average life of 4 years from 100-500% PSA									
Maturity Dates		5/1		4/1 and 10/1		1/1 and 7/1		11/15 and 5/15		12/1 and 6/1		1/1 and 7/1	
Call Provisions		11/1/26 at par		10/1/26 at par		N/A		11/15/26 at par		6/1/26 at par		7/1/26 at par	
Mkt Index		BBI / RBI 3.81% / 4.01%		BBI / RBI 3.82% / 4.03%		BBI / RBI 3.82% / 4.02%		BBI / RBI 3.71% / 3.91%		BBI / RBI 3.71% / 3.91%		BBI / RBI 3.77% / 3.95%	
Sr Manager		Stifel		Jefferies		J.P. Morgan		J.P. Morgan		BofA Merrill		BofA Merrill	

AMT SINGLE FAMILY HOUSING BOND PRICING COMPARABLES, 2017 TO DATE PLUS MHFA 2016

Pricing Date		3/22/17		3/13/17		3/9/17		3/9/17		3/6/17		2/15/17	
Amount		$13,315,000		$13,665,000		$11,435,000		$14,505,000		$22,375,000		$41,455,000	
Issuer		Washington SHFC		Ohio HFA		Vermont HFA		West Virginia HDF		SONYMA		Connecticut HFA	
Series		2017 Series 1A-R		2017 Series B		2017 Series A		2017 Series A		Fifty-Fifth Series		2017 Series A-2	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aaa / - / -		Aaa / - / -		Aa2 / - / AA		Aaa / AAA / -		Aaa / - / -		Aaa / AAA / AAA	
Tax Status		AMT		AMT		AMT		AMT		AMT		AMT	
Year	Maturity ('17 pricings)	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
0	2017	1.090								0.850		1.000	
1	2018	1.20 / 1.35	+30 / +35			1.10 / 1.25	+28 / +32	1.05 / 1.25	+23 / +32	1.00 / 1.25	+18 / +33	1.20 / 1.30	+29 / +31
2	2019	1.60 / 1.70	+52 / +53			1.50 / 1.65	+43 / +49	1.50 / 1.65	+43 / +49	1.50 / 1.65	+47 / +55	1.50 / 1.60	+41 / +43
3	2020	1.90 / 2.00	+62 / +63					1.80 / 1.90	+54 / +55	1.75 / 1.80	+55 / +52	1.80 / 1.875	+52 / +52
4	2021	2.10 / 2.20	+65 / +65					2.05 / 2.15	+61 / +62	1.95 / 2.05	+58 / +59	2.00 / 2.125	+54 / +58
5	2022	2.35 / 2.45	+70 / +71					2.30 / 2.40	+64 / +65	2.25 / 2.35	+66 / +67	2.30 / 2.40	+64 / +67
6	2023	2.60 / 2.70	+77 / +78					2.60 / 2.70	+71 / +72	2.55 / 2.65	+73 / +74	2.60 / 2.65	+74 / +72
7	2024	2.85 / 2.90	+86 / +84					2.85 / 2.95	+75 / +78	2.800	+76	2.80 / 2.90	+75 / +79
8	2025							3.10 / 3.15	+84 / +83			3.05 / 3.125	+84 / +86
9	2026											3.20 / 3.25	+85 / +86
10	2027											3.35 / 3.40	+90 / +92
11	2028												
12	2029												
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27	2044												
28	2045												
29	2046												
30	2047												
PAC 1		4.00C/2.41Y	+91 to 4.5yr	4.50C/2.56Y	+90 to 4.9yr	4.00C/2.53Y	+91 to 4.9yr						
Notes		6/1/39 PAC bond has 4.00% coupon priced at 106.654 to yield 2.41% and has an average life of 4.5 years from 100-500% PSA		3/1/47 PAC bond has 4.50% coupon priced at 108.672 to yield 2.56% and has an average life of 4.9 years from 100-500% PSA		11/1/47 PAC bond has 4% coupon priced at 106.576 to yield 2.53% and has an average life of 4.9 years from 100-400% PSA							
Maturity Dates		12/1 and 6/1		3/1		5/1 and 11/1		5/1 and 11/1		10/1 and 4/1		11/15 and 5/15	
Call Provisions		12/1/26 at par		9/1/26 at par		11/1/26 at par		Non-callable		10/1/26 at par		11/15/26 at par	
Mkt Index		BBI / RBI 4.02% / 4.17%		BBI / RBI 4.02% / 4.17%		BBI / RBI 4.02% / 4.17%		BBI / RBI 4.02% / 4.17%		BBI / RBI 3.95% / 4.11%		BBI / RBI 3.88% / 4.03%	
Sr Manager		RBC Capital Markets		George K. Baum		Raymond James		Raymond James		BofA Merrill		BofA Merrill	

AMT SINGLE FAMILY HOUSING BOND PRICING COMPARABLES, 2017 TO DATE PLUS MHFA 2016

Pricing Date		2/14/17		1/10/17		12/13/16		5/25/16	
Amount		$11,400,000		$14,070,000		$11,340,000		$63,135,000	
Issuer		Montana BOH		Indiana HCD		Minnesota HFA		Minnesota HFA	
Series		2017 Series A-1		2017 Series A-2		2016 Series D		2016 Series A	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aa1 / AA+ / -		Aaa / - / AAA		Aa1 / AA+ / -		Aa1 / AA+ / -	
Tax Status		AMT		AMT		AMT		AMT	
Year	Maturity ('17 pricings)	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
0	2017								
1	2018					1.300	+49	0.85 / 0.95	+33 / +36
2	2019					1.40 / 1.50	+45 / +43	1.05 / 1.10	+37 / +37
3	2020					1.80 / 1.90	+57 / +57	1.25 / 1.30	+45 / +45
4	2021					2.05 / 2.15	+62 / +63	1.50 / 1.55	+58 / +58
5	2022					2.300	+67	1.70 / 1.75	+66 / +67
6	2023							1.95 / 2.00	+81 / +80
7	2024							2.10 / 2.15	+84 / +84
8	2025							2.25 / 2.30	+88 / +88
9	2026							2.45 / 2.50	+96 / +95
10	2027							2.65 / 2.70	+103 / +103
11	2028								
12	2029								
13	2030								
14	2031								
15	2032							3.100	+110
16	2033								
17	2034							3.200	+110
18	2035								
19	2036								
20	2037								
21	2038								
22	2039								
23	2040								
24	2041								
25	2042								
26	2043								
27	2044								
28	2045								
29	2046								
30	2047								
PAC 1		4.00C/2.35Y	+93 to 4.2yr	4.00C/2.45Y	+94 to 4yr				
Notes		12/1/47 PAC bond has 4% coupon priced at 106.559 to yield 2.35% and has an average life of 4.2 years from 100-500% PSA		1/1/39 PAC bond has 4% coupon priced at 105.864 to yield 2.45% and has an average life of 4 years from 100-500% PSA					
Maturity Dates		12/1		1/1		7/1 and 1/1		1/1 and 7/1	
Call Provisions		12/1/26 at par		1/1/26 at par		N/A		7/1/25 at par	
Mkt Index		BBI / RBI 3.88% / 4.03%		BBI / RBI 3.78% / 3.90%		BBI / RBI 3.78% / 3.87%		BBI / RBI 3.26% / 3.48%	
Sr Manager		RBC Capital Markets		J.P. Morgan		RBC Capital Markets		RBC Capital Markets	

NON-AMT SINGLE FAMILY HOUSING BOND PRICING COMPARABLES, 2017 TO DATE PLUS MHFA 2016

Pricing Date		6/20/17		6/20/17		5/31/17		5/18/17		5/17/17		5/16/17	
Amount		$37,390,000		$102,190,000		$35,000,000		$29,635,000		$151,890,000		$237,835,000	
Issuer		Minnesota HFA		SONYMA		Maine SHA		MIssissippi HC		Tennessee HDA		North Carolina HFA	
Series		2017 Series B		Series 203		2017 Series B		Series 2017A,B		Issue 2017-2B		Series 38-B	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aa1 / AA+ / -		Aa1 / - / -		Aa1 / AA+ / -		Aaa / - / -		Aa1 / AA+ / -		Aa2 / AA / -	
Tax Status		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT	
Year	Maturity ('17 pricings)	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
0	2017												
1	2018							1.00 / 1.10	+16 / +23	0.90 / 1.00	+10 / +15		
2	2019							1.15 / 1.25	+22 / +27	1.10 / 1.15	+22 / +21		
3	2020					1.250	+23	1.35 / 1.45	+30 / +35	1.25 / 1.35	+27 / +29		
4	2021					1.500	+35	1.55 / 1.65	+38 / +41	1.45 / 1.55	+35 / +37		
5	2022					1.650	+37	1.70 / 1.80	+39 / +43	1.65 / 1.75	+39 / +42	1.75 / 1.85	+43 / +46
6	2023					1.900	+49	1.90 / 2.00	+46 / +49	1.85 / 1.90	+46 / +44	1.95 / 2.00	+50 / +48
7	2024					2.050	+51	2.10 / 2.20	+52 / +54	2.05 / 2.15	+51 / +55	2.10 / 2.20	+50 / +53
8	2025			2.000	+35	2.250	+56	2.35 / 2.45	+60 / +64	2.25 / 2.40	+56 / +63	2.375 / 2.45	+62 / +61
9	2026			2.20 / 2.25	+46 / +46	2.500	+67	2.60 / 2.70	+69 / +75	2.55 / 2.60	+68 / +67	2.65 / 2.70	+71 / +70
10	2027			2.35 / 2.40	+51 / +51	2.600	+67	2.75 / 2.80	+74 / +75	2.70 / 2.80	+72 / +77	2.80 / 2.85	+75 / +75
11	2028			2.50 / 2.55	+55 / +56	2.750	+72	2.85 / 2.95	+74 / +81	2.85 / 2.95	+75 / +81	2.95	+78 / +74
12	2029			2.65 / 2.70	+60 / +61	2.900	+77			3.00 / 3.05	+79 / +80		
13	2030					3.000	+80			3.150	+83		
14	2031												
15	2032			3.100	+79	3.250	+92	3.400	+94	3.350	+87	3.400	+85
16	2033												
17	2034							3.550	+96				
18	2035							3.650	+101				
19	2036									3.700	+100		
20	2037					3.650	+106					3.850	+103
21	2038	3.400	+82	3.400	+82								
22	2039												
23	2040												
24	2041			3.500	+87							3.950	+105
25	2042												
26	2043												
27	2044					3.750	+104						
28	2045												
29	2046												
30	2047												
PAC 1		4.00C/1.90Y	+73 to 4.4yr	3.50C/2.00Y	+76 to 5yr	4.00C/2.00Y	+76 to 5yr			4.00C/2.07Y	+76 to 5yr	4.00C/2.15Y	+78 to 5yr
Notes		7/1/47 PAC bond has 4% coupon priced at 108.747 to yield 1.90% and has an average life of 4.41 years from 100-500% PSA		10/1/47 PAC bond has 3.50% coupon priced at 106.983 to yield 2.00% and has an average life of 5 years from 100-500% PSA		11/15/47 PAC bond has 4% coupon priced at 109.405 to yield 2.00% and has an average life of 5 years from 75-500% PSA				1/1/42 PAC bond has 4% coupon priced at 109.009 to yield 2.07% and has an average life of 5 years from 100-400% PSA		7/1/47 PAC bond has 4% coupon priced at 108.624 to yield 2.15% and has an average life of 5 years from 100-500% PSA	
Maturity Dates		7/1		10/1 and 4/1		11/15		6/1 and 12/1		1/1 and 7/1		1/1 and 7/1	
Call Provisions		1/1/27 at par		4/1/26 at par		11/15/26 at par		12/1/26 at par		7/1/26 at par		1/1/27 at par	
Mkt Index		BBI / RBI 3.53% / 3.70%		BBI / RBI 3.53% / 3.70%		BBI / RBI 3.69% / 3.87%		BBI / RBI 3.73% / 3.92%		BBI / RBI 3.73% / 3.92%		BBI / RBI 3.81% / 4.01%	
Sr Manager		RBC Capital Markets		Citigroup		Citigroup		Raymond James		Citigroup		RBC Capital Markets	

NON-AMT SINGLE FAMILY HOUSING BOND PRICING COMPARABLES, 2017 TO DATE PLUS MHFA 2016

Pricing Date		5/15/17		5/11/17		5/10/17		5/2/17		4/25/17		4/25/17	
Amount		$110,500,000		$50,000,000		$100,000,000		$81,510,000		$108,945,000		$40,945,000	
Issuer		South Dakota HDA		Missouri HDC		Pennsylvania HFA		Oregon HCSD		Connecticut HFA		Wyoming CDA	
Series		2017 Series B		2017 Series A-2		Series 2017-123B		2017 Series A		2017 Series C-1		2017 Series 2,3	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aaa / AAA / -		- / AA+ / -		Aa2 / AA+ / -		Aa2 / - / -		Aaa / AAA / -		Aa1 / AA+ / -	
Tax Status		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT	
Year	Maturity ('17 pricings)	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
0	2017			0.800									
1	2018			1.00 / 1.05	+14 / +13			0.94 / 1.10	+11 / +21				
2	2019			1.10 / 1.20	+11 / +16								
3	2020			1.30 / 1.40	+19 / +23			1.30 / 1.40	+23 / +25				
4	2021			1.50 / 1.60	+25 / +27			1.55 / 1.60	+34 / +30	1.600	+24		
5	2022	1.750	+30	1.70 / 1.80	+29 / +32			1.70 / 1.75	+32 / +30	1.75 / 1.85	+32 / +34	1.85 / 1.95	+41 / +43
6	2023	1.85 / 1.95	+33 / +36	1.90 / 2.00	+35 / +38			1.90 / 2.00	+38 / +41	1.95 / 2.00	+38 / +36	2.05 / 2.15	+47 / +50
7	2024	2.10 / 2.20	+44 / +45	2.10 / 2.20	+41 / +42			2.10 / 2.25	+42 / +50	2.10 / 2.20	+39 / +40	2.25 / 2.35	+53 / +54
8	2025	2.30 / 2.45	+45 / +55	2.35 / 2.50	+46 / +56					2.40 / 2.50	+49 / +54	2.45 / 2.55	+54 / +58
9	2026	2.55 / 2.65	+54 / +61	2.65 / 2.70	+60 / +62					2.60 / 2.65	+55 / +57	2.65 / 2.75	+60 / +66
10	2027	2.75 / 2.80	+64 / +66	2.80 / 2.85	+64 / +66	2.90 / 2.95	+74 / +75			2.75 / 2.80	+61 / +63	2.80 / 2.85	+66 / +67
11	2028	2.85 / 2.95	+63 / +70	2.90 / 3.00	+64 / +71	3.00 / 3.05	+74 / +76			2.85 / 2.90	+61 / +63	2.90 / 2.95	+66 / +68
12	2029			3.05 / 3.10	+68 / +70								
13	2030												
14	2031												
15	2032	3.400	+83	3.400	+79	3.450	+84	3.500	+87	3.400	+81	3.45 / 3.75	+86 / +86
16	2033												
17	2034												
18	2035							3.750	+92				
19	2036	3.700	+90										
20	2037			3.800	+92	3.900	+102			3.650	+79		
21	2038											3.750	+86
22	2039												
23	2040	3.900	+99							3.800	+87		
24	2041												
25	2042			3.900	+94	4.000	+104						
26	2043												
27	2044												
28	2045												
29	2046												
30	2047												
PAC 1		4.00C/2.11Y	+73 to 5yr	4.00C/2.16Y	+75 to 5yr			4.00C/2.20Y	+77 to 5yr	4.00C/2.15Y	+76 to 4.8yr		
Notes		11/1/47 PAC bond has 4% coupon priced at 108.827 to yield 2.11% and has an average life of 5 years from 100-400% PSA		5/1/42 PAC bond has 4% coupon priced at 108.569 to yield 2.16% and has an average life of 5 years from 100-300% PSA				7/1/47 PAC bond has 4% coupon priced at 108.375 to yield 2.2% and has an average life of 5 years from 100-400% PSA		11/15/47 PAC bond has 4.00% coupon priced at 108.299 to yield 2.15% and has an average life of 4.8 years from 75-500% PSA			
Maturity Dates		11/1 and 5/1		11/1 and 5/1		4/1 and 10/1		1/1 and 7/1		11/15 and 5/15		6/1 and 12/1	
Call Provisions		11/1/26 at par		11/1/26 at par		10/1/26 at par		7/1/26 at par		11/15/26 at par		6/1/26 at par	
Mkt Index		BBI / RBI 3.81% / 4.01%		BBI / RBI 3.81% / 4.01%		BBI / RBI 3.82% / 4.03%		BBI / RBI 3.82% / 4.02%		BBI / RBI 3.71% / 3.91%		BBI / RBI 3.71% / 3.91%	
Sr Manager		Citigroup		Stifel		Jefferies		J.P. Morgan		J.P. Morgan		BofA Merrill	

NON-AMT SINGLE FAMILY HOUSING BOND PRICING COMPARABLES, 2017 TO DATE PLUS MHFA 2016

Pricing Date		4/19/17		4/4/17		4/4/17		3/22/17		3/13/17		3/9/17	
Amount		$22,000,000		$40,500,000		$80,000,000		$54,055,000		$100,000,000		$15,800,000	
Issuer		Montgomery Co. HOC, MD		Iowa FA		North Dakota HFA		Washington SHFC		Ohio HFA		Vermont HFA	
Series		2017 Series A		2017 Series A		2017 Series A		2017 Series 1N		2017 Series A		2017 Series B	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aa2 / - / -		Aaa / AAA / -		Aa1 / - / -		Aaa / - / -		Aaa / - / -		Aa2 / - / AA	
Tax Status		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT	
Year	Maturity ('17 pricings)	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
0	2017							0.950		0.850			
1	2018			1.00 / 1.05	+17 / +15	1.10	+27 / +20	1.00 / 1.15	+10 / +15	0.93 / 1.00	+13 / +10		
2	2019			1.25 / 1.35	+26 / +28	1.30 / 1.40	+31 / +33	1.35 / 1.45	+27 / +28	1.25 / 1.35	+18 / +20		
3	2020			1.50 / 1.55	+34 / +31	1.55 / 1.65	+39 / +41	1.60 / 1.70	+32 / +33	1.50 / 1.60	+22 / +23	1.55 / 1.65	+29 / +30
4	2021			1.70 / 1.80	+39 / +40	1.75 / 1.85	+44 / +45	1.80 / 1.90	+35 / +35	1.75 / 1.85	+30 / +31	1.80 / 1.90	+36 / +37
5	2022			2.00	+48 / +41	2.00 / 2.05	+48 / +46	2.05 / 2.125	+40 / +39	2.00 / 2.10	+33 / +34	2.05 / 2.15	+39 / +40
6	2023			2.15 / 2.25	+47 / +50	2.20 / 2.30	+52 / +55	2.30 / 2.375	+47 / +46	2.25 / 2.35	+36 / +37	2.35 / 2.45	+46 / +47
7	2024			2.40 / 2.45	+56 / +55	2.45 / 2.50	+61 / +60	2.50 / 2.60	+51 / +54	2.55 / 2.60	+45 / +43	2.60 / 2.70	+50 / +53
8	2025			2.55 / 2.60	+57 / +57	2.60 / 2.625	+62 / +60	2.65 / 2.70	+53 / +52	2.75 / 2.80	+48 / +48	2.85 / 2.90	+59 / +58
9	2026			2.75 / 2.80	+65 / +65	2.80 / 2.85	+70 / +70	2.85 / 2.90	+62 / +63	2.95 / 3.00	+56 / +57	3.00	+62 / +58
10	2027			2.90	+70 / +66	2.95	+75 / +71	2.95 / 3.00	+64 / +65	3.05 / 3.10	+56 / +58	3.10	+62 / +59
11	2028					3.00 / 3.05	+71 / +72	3.10 / 3.15	+70 / +72	3.20 / 3.25	+62 / +64	3.25	+68 / +65
12	2029												
13	2030												
14	2031												
15	2032	3.375	+90	3.550	+89	3.550	+89	3.600	+86	3.700	+79	3.750	+86
16	2033												
17	2034					3.700	+92						
18	2035												
19	2036												
20	2037	3.650	+93							4.050	+90	4.050	+91
21	2038												
22	2039												
23	2040												
24	2041												
25	2042									4.100	+90		
26	2043												
27	2044												
28	2045												
29	2046												
30	2047												
PAC 1		4.00C/2.20Y	+83 to 5yr	4.00C/2.28Y	+73 to 5yr	4.00C/2.27Y	+72 to 5yr	4.00C/2.25Y	+75 to 4.5yr	4.50C/2.36Y	+70 to 4.9yr		
Notes		7/1/48 PAC bond has 4% coupon priced at 108.363 to yield 2.2% and has an average life of 5 years from 100-400% PSA		7/1/47 PAC bond has 4.00% coupon priced at 108.005 to yield 2.28% and has an average life of 5 years from 100-500% PSA		7/1/47 PAC bond has 4.00% coupon priced at 108.038 to yield 2.27% and has an average life of 5 years from 100-400% PSA		12/1/47 PAC bond has 4.00% coupon priced at 107.359 to yield 2.25% and has an average life of 4.5 years from 100-500% PSA		3/1/47 PAC bond has 4.50% coupon priced at 109.638 to yield 2.36% and has an average life of 4.9 years from 100-500% PSA			
Maturity Dates		7/1		1/1 and 7/1		1/1 and 7/1		12/1 and 6/1		9/1 and 3/1		5/1 and 11/1	
Call Provisions		7/1/26 at par		7/1/26 at par		7/1/26 at par		12/1/26 at par		9/1/26 at par		11/1/26 at par	
Mkt Index		BBI / RBI 3.77% / 3.95%		BBI / RBI 3.86% / 4.03%		BBI / RBI 3.86% / 4.03%		BBI / RBI 4.02% / 4.17%		BBI / RBI 4.02% / 4.17%		BBI / RBI 4.02% / 4.17%	
Sr Manager		BofA Merrill		Morgan Stanley		RBC Capital Markets		RBC Capital Markets		George K. Baum		Raymond James	

NON-AMT SINGLE FAMILY HOUSING BOND PRICING COMPARABLES, 2017 TO DATE PLUS MHFA 2016

Pricing Date		3/9/17		3/6/17		2/22/17		2/22/17		2/15/17		2/15/17	
Amount		$25,000,000		$80,070,000		$30,000,000		$100,000,000		$186,775,000		$80,000,000	
Issuer		West Virginia HDF		SONYMA		Maine SHA		Tennessee HDA		Connecticut HFA		Georgia HFA	
Series		2017 Series B		Fifty-Fourth Series		2017 Series A		Issue 2017-1		2017 Series A-1,4,5		2017 Series A	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aaa / AAA / -		Aaa / - / -		Aa1 / AA+ / -		Aa1 / AA+ / -		Aaa / AAA / AAA		- / AAA / -	
Tax Status		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT	
Year	Maturity ('17 pricings)	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
0	2017									0.85 / 0.90		0.940	
1	2018							0.95 / 1.05	+12 / +14	1.05 / 1.125	+14 / +14	1.00 / 1.10	+8 / +10
2	2019							1.25 / 1.35	+25 / +28	1.30 / 1.40	+21 / +23	1.25 / 1.35	+15 / +17
3	2020					1.550	+25	1.45 / 1.55	+29 / +31	1.55 / 1.60	+27 / +24	1.55 / 1.65	+26 / +28
4	2021					1.800	+32	1.70 / 1.80	+37 / +38	1.75 / 1.85	+29 / +30	1.80 / 1.85	+33 / +29
5	2022					2.000	+34	1.95 / 2.00	+41 / +39	2.00 / 2.10	+34 / +37	2.00 / 2.05	+33 / +31
6	2023					2.300	+43	2.25 / 2.30	+50 / +48	2.20 / 2.25	+34 / +32	2.30 / 2.35	+43 / +41
7	2024			2.45 / 2.55	+41 / +44	2.500	+45	2.45 / 2.50	+50 / +49	2.45 / 2.55	+40 / +44	2.50 / 2.55	+44 / +43
8	2025	2.750	+43	2.65 / 2.70	+44 / +44	2.800	+59	2.75 / 2.80	+63 / +63	2.70 / 2.80	+49 / +53	2.75 / 2.80	+53 / +52
9	2026	2.90 / 3.00	+52 / +58	2.85 / 2.90	+52 / +53	3.000	+67	2.95	+69 / +64	2.875 / 2.90	+53 / +51	3.00	+64 / +60
10	2027	3.05 / 3.10	+57 / +59	3.00	+58 / +54	3.050	+63	3.05	+69 / +65	3.00 / 3.05	+55 / +57	3.05 / 3.10	+60 / +61
11	2028	3.25	+68 / +65	3.15	+64 / +61	3.150	+65	3.15	+71 / +67	3.10 / 3.15	+57 / +59	3.15 / 3.20	+62 / +64
12	2029												
13	2030												
14	2031												
15	2032	3.700	+81	3.650	+82	3.650	+88	3.625	+86	3.650	+82	3.650	+82
16	2033												
17	2034									3.850	+90		
18	2035									3.875	+88		
19	2036												
20	2037	4.000	+86	3.950	+87	4.000	+99						
21	2038												
22	2039							4.000	+97			4.000	+91
23	2040												
24	2041												
25	2042	4.050	+86			4.050	+99					4.050	+93
26	2043												
27	2044											4.100	+96
28	2045												
29	2046												
30	2047	4.125	+89										
PAC 1				4.00C/2.32Y	+74 to 5yr	4.00C/2.35Y	+80 to 5yr	4.00C/2.33Y	+78 to 5yr	4.00C/2.37Y	+76 to 4.9yr	4.00C/2.35Y	+73 to 5yr
Notes				4/1/47 PAC bond has 4% coupon priced at 107.803 to yield 2.32% and has an average life of 5 years from 100-500% PSA		11/15/47 PAC bond has 4% coupon priced at 107.668 to yield 2.35% and has an average life of 5 years from 75-500% PSA		7/1/42 PAC bond has 4% coupon priced at 107.727 to yield 2.33% and has an average life of 5 years from 100-400% PSA		11/15/47 PAC bond has 4% coupon priced at 107.390 to yield 2.37% and has an average life of 4.9 years from 75-500% PSA		12/1/47 PAC bond has 4% coupon priced at 107.664 to yield 2.35% and has an average life of 5 years from 75-500% PSA	
Maturity Dates		11/1 and 5/1		4/1 and 10/1		11/15		1/1 and 7/1		11/15 and 5/15		12/1 and 6/1	
Call Provisions		5/1/26 at par		10/1/26 at par		5/15/26 at par		7/1/26 at par		11/15/26 at par		6/1/26 at par	
Mkt Index		BBI / RBI 4.02% / 4.17%		BBI / RBI 3.95% / 4.11%		BBI / RBI 3.94% / 4.11%		BBI / RBI 3.94% / 4.11%		BBI / RBI 3.88% / 4.03%		BBI / RBI 3.88% / 4.03%	
Sr Manager		Raymond James		BofA Merrill		Citigroup		RBC Capital Markets		BofA Merrill		Citigroup	

NON-AMT SINGLE FAMILY HOUSING BOND PRICING COMPARABLES, 2017 TO DATE PLUS MHFA 2016

Pricing Date		2/14/17		1/11/17		1/10/17		1/10/17		12/13/16		5/25/16	
Amount		$30,500,000		$50,000,000		$30,000,000		$239,645,000		$75,005,000		$74,985,000	
Issuer		Montana BOH		South Carolina SHFDA		Indiana HCD		Pennsylvania HFA		Minnesota HFA		Minnesota HFA	
Series		2017 Series A-2		Series 2017A		2017 Series A-1		Series 2017-122		2016 Series E		2016 Series B	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aa1 / AA+ / -		Aaa / - / -		Aaa / - / AAA		Aa2 / AA+ / -		Aa1 / AA+ / -		Aa1 / AA+ / -	
Tax Status		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT	
Year	Maturity ('17 pricings)	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
0	2017	1.000				0.970							
1	2018	1.05 / 1.15	+13 / +15	1.200	+18	1.05 / 1.20	+10 / +16						
2	2019	1.30 / 1.40	+20 / +22	1.35 / 1.50	+23 / +27	1.40 / 1.55	+25 / +29						
3	2020	1.55 / 1.65	+27 / +29	1.65 / 1.75	+33 / +36	1.70 / 1.80	+34 / +37						
4	2021	1.75 / 1.85	+30 / +32	1.90 / 2.00	+43 / +46	1.95 / 2.05	+44 / +46	2.050	+42				
5	2022	2.00 / 2.10	+36 / +40	2.15 / 2.20	+52 / +51			2.25 / 2.30	+54 / +54	2.00 / 2.10	+37 / +38		
6	2023	2.25 / 2.35	+44 / +47	2.30 / 2.35	+55 / +54			2.40 / 2.45	+58 / +57	2.30 / 2.40	+52 / +54		
7	2024	2.50 / 2.60	+50 / +54	2.50 / 2.55	+61 / +60			2.60 / 2.65	+65 / +65	2.50 / 2.60	+58 / +60		
8	2025	2.70 / 2.75	+54 / +53	2.70 / 2.75	+71 / +71			2.80 / 2.85	+76 / +75	2.70 / 2.80	+65 / +68		
9	2026	2.90 / 2.95	+60 / +61	2.85 / 2.90	+75 / +75	2.600	+42	2.95 / 3.00	+80 / +80	2.90 / 2.95	+74 / +73		
10	2027	3.05 / 3.10	+66 / +67	3.00 / 3.05	+81 / +82	3.00 / 3.05	+78 / +79	3.10 / 3.125	+86 / +85	3.05 / 3.10	+76 / +76		
11	2028	3.15 / 3.20	+67 / +69			3.10 / 3.15	+79 / +81	3.15 / 3.25	+83 / +89	3.20 / 3.25	+81 / +82		
12	2029												
13	2030												
14	2031												
15	2032	3.600	+82	3.550	+99	3.600	+100	3.650	+105	3.700	+97		
16	2033												
17	2034												
18	2035					3.850	+108						
19	2036							3.900	+109			3.100	+90
20	2037	3.950	+93										
21	2038			3.850	+103							3.150	+85
22	2039												
23	2040												
24	2041												
25	2042			3.950	+108								
26	2043												
27	2044												
28	2045	4.000	+90										
29	2046												
30	2047			4.000	+108								
PAC 1				4.00C/2.38Y	+78 to 4.9yr			4.00C/2.47Y	+88 to 4.5yr	4.00C/2.47Y	+82 to 4.16yr	3.50C/1.82Y	+82 to 4.4yr
Notes				1/1/47 PAC bond has 4% coupon priced at 107.332 to yield 2.38% and has an average life of 4.9 years from 100-400% PSA				10/1/46 PAC bond has 4% coupon priced at 106.381 to yield 2.47% and has an average life of 4.5 years from 100-500% PSA		1/1/47 PAC bond has 4% coupon priced at 105.928 to yield 2.47% and has an average life of 4.16 years from 100-500% PSA		7/1/46 PAC bond has 3.5% coupon priced at 106.987 to yield 1.82% and has an average life of 4.41 years from 100-400% PSA	
Maturity Dates		12/1 and 6/1		7/1 and 1/1		7/1 and 1/1		10/1 and 4/1		1/1 and 7/1		7/1 and 1/1	
Call Provisions		12/1/26 at par		7/1/26 at par		1/1/26 at par		4/1/26 at par		1/1/26 at par		7/1/25 at par	
Mkt Index		BBI / RBI 3.88% / 4.03%		BBI / RBI 3.78% / 3.90%		BBI / RBI 3.78% / 3.90%		BBI / RBI 3.78% / 3.90%		BBI / RBI 3.78% / 3.87%		BBI / RBI 3.26% / 3.48%	
Sr Manager		RBC Capital Markets		Citigroup		J.P. Morgan		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	