This package includes a revised Board Report (7F)

MEETINGS SCHEDULED FOR DECEMBER

Minnesota Housing
400 Wabasha Street N. Suite 400
St. Paul, MN 55102

THURSDAY, DECEMBER 21, 2017

Regular Board Meeting
Lake Superior Conference Room- Fourth 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, December 21, 2017.

Items requiring approval are neither effective nor final until voted on and approved by the Minnesota Housing Board.

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 are met. In accordance with Minn. Stat. §462A.041, the Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.

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MINNESOTA HOUSING

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AGENDA
Minnesota Housing Board Meeting
Thursday December 21, 2017
1:00 p.m.

1. **Call to Order**
2. **Roll Call**
3. **(page 3) Agenda Review**
4. **(page 5) Approval of Minutes**
   A. Regular Meeting of November 16, 2017
5. **Reports**
   A. **Chair**
   B. **Commissioner**
   C. **Committee**
6. **Consent Agenda**
   A. (page 11) Commitment, Limited Partnership Buy-Out Loan – Cedarview Commons, N. St. Paul (D3589)
7. **Action Items**
   A. (page 13) Selection and Commitment, Low and Moderate Income Rental (LMIR) – Murphy's Creek Townhomes, Austin (D2924)
   B. (page 21) Selection and Commitment, Low and Moderate Income Rental (LMIR) – Fox Pointe Townhomes, Austin (D7888)
   C. (page 27) Approval, Homework Starts With Home (HSWH) Pilot Program Concept
   D. (page 45) Loan Modification, Preservation Affordable Rental Investment Fund (PARIF) loan – Jordan Towers II, Red Wing (D1194)
   E. (page 49) Loan Modification, Economic Development and Housing Challenge (EDHC) loan – New Vision fka Indian Neighborhood Club Expansion, Minneapolis (D7746)
   F. (page 53) Approval, Selection of firms to serve on the Investment Banking/Underwriting Team for years 2018-2021; Selection of firms for Selling Group for years 2018-2021
8. **Discussion Items**
   A. (page 55) Quarterly Financial Reporting Package
9. **Information Items**
   A. (page 63) Post-sale Report, Homeownership Finance Bonds (HFB) 2017 Series IJ
   B. (page 73) Semiannual Status Report, Enhanced Financial Capacity Homeownership Initiative (Homeownership Capacity)
   C. (page 75) Reports of Complaints Received by Agency or Chief Risk Officer
10. **Other Business**
    None.
11. **Adjournment**

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Draft MINUTES

Minnesota Housing Finance Agency Board Meeting
Thursday November 16, 2017
1:00 pm
400 Wabasha Street N, St. Paul, MN 55102

1. **Call to Order.**
Chair John DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance Agency at 1:04 p.m. Chair DeCramer mentioned that Terri Thao is traveling and unable to attend today's meeting, however she did want to notify the board that at the October 19 board meeting, she inadvertently partook in a vote pertaining to an organization for which she had a conflict of interest. Ms. Thao brought the conflict to the attention of Chair DeCramer, Tom O'Hern, General Counsel and Commissioner Mary Tingerthal. Her vote had no effect on the outcome of the voting and her notification to the board is noted in the November 16 meeting minutes.

2. **Roll Call.**
Members Present: John DeCramer, Joe Johnson, Craig Klausing, Rebecca Otto and Stephanie Klinzing.
Minnesota Housing staff present: Tal Anderson, Ryan Baumtrog, Dan Boomhower, Wes Butler, Kevin Carpenter, Mary Catherine, Jessica Deegan, Matthew Dieveney, Michael Eaton, Shannon Eckman, Allison Ehlert, Vicki Farden, Rachel Franco, Shannon Gerving, Lori Gooden, Anne Heitlinger, Shawn James, Kasey Kier, Ben Landwehr, Tresa Larkin, Debbi Larson, Diana Lund, Paul Marzynski, Eric Mattson, Judi Mortenson, Tom O'Hern, Ashley Oliver, John Patterson, Tony Peleska, Paula Rindels, Joel Salzer, Terry Schwartz, Barb Sporlein, Emily Strong, Kim Stuart, Will Thompson, Mary Tingerthal, Elaine Vollbrecht, and Darlene Zangara.
Others Present: Ramona Advani, Minnesota Office of the State Auditor; Kurt Apfelbacher, Dougherty & Company; Cory Hoeppner, RBC Capital Markets; Laura Janke, RBC Capital Markets; Melanie Lien, Piper Jaffray; Anne Mavity, Minnesota Housing Partnership; Paul Rebholz, Wells Fargo;
Via Phone: Michelle Adams, Kutak Rock

3. **Agenda Review.**
Chair DeCramer indicated that there were no changes to the agenda.
4. **Approval of the Minutes.**
A. Regular Meeting of October 19, 2017
Motion: Auditor Otto moved the approval of the minutes. Seconded by Joe Johnson. Motion carries 5-0.
5. **Reports.**

A. Chair

None.

B. Commissioner

Commissioner Tingerthal shared the following with the board:

- The Agency has had a relatively tumultuous couple of weeks since the US House of Representatives released their tax reform plan. The tax reform plan includes an elimination of Private Activity Bonds (PAB). Within PAB are included volume limited bonds which can be used for housing. Commissioner Tingerthal shared some examples of what impact the elimination of the PAB for housing could have on the Agency and housing in Minnesota. Staff has been very active working with the Governor's office and with National Council of State Housing Agencies. Staff is working very closely with people from Minnesota to prevent the loss of this important tool for housing in Minnesota. We are communicating with developers and working with organizations like Minnesota Housing Partnership. Staff will keep board members informed..
- It is a busy time of year for the Agency. We recently closed on a Single Family pass thru transaction and three Multifamily transactions are to be scheduled by the end of year.

Staff Introductions:

- Tony Peleska introduced Michael Eaton, Contractor for the BOSS Project, Business Technology Systems (BTS).
- Diana Lund introduced Allison Ehlert, Loan Processor, Multifamily Division.
- Darlene Zangara introduced Shannon Eckman, Communications and Community Engagement Specialist, Olmstead Implementation Office.
- Judi Mortenson introduced Hillary Volkman, Office and Administrative Assistant, Single Family Division.
- Emily Strong introduced Shawn James, Partner Solutions Team, Single Family Division.

C. Committee.

The Finance and Audit Committee met prior to today's board meeting. The purpose of the meeting was to recruit two board members to participate in the selection of external bond underwriters and recruit two board members to participate in the selection of the auditor. Ramona Advani and Craig Klausing will participate in the underwriter selection and Auditor Rebecca Otto and Stephanie Klinzing will participate in the selection of the auditor. The board members will work with staff to develop recommendations for action by the entire board. Underwriter recommendations will be presented to the board in December and the auditor recommendation will be presented to the board in January. Chair DeCramer and Joe Johnson will serve as back-ups if necessary. Stephanie Klinzing moved approval of the Finance and Audit Committee Report. Seconded by Joe Johnson. Motion carries 5-0.

6. Consent Agenda

A. Community Fix Up Loan (CFUL) Program, Center for Energy & Environment

B. Increase in Housing Trust Fund Operating Subsidy Grant - Grotto Place, St Paul D#3052

C. Increase Funding and Extend Housing Trust Fund Rental Assistance Grant Period for Hearth Connection

D. 2018 Meeting Schedule

Motion: Craig Klausing moved the approval of items on the Consent Agenda. Seconded by Auditor Otto. Motion carries 5-0.

7. **Action Items**

   A. Resolution Authorizing the Issuance and Sale of conduit Multifamily Revenue Bonds, Series 2017A, and a conduit Multifamily Revenue Note, Series 2017B, for a multifamily housing preservation project in Robbinsdale and New Hope, Minnesota (Reprise/Amorce II project)

Kevin Carpenter presented to the board the request for authorization to issue and publically offer for sale a long-term conduit tax-exempt revenue bond, in an amount not to exceed $5,400,000 and to issue, and privately place, a conduit short term tax-exempt revenue note, in an amount not to exceed $2,800,000, to finance the acquisition, rehabilitation and equipping of two multifamily rental housing development projects that will preserve units with federal rental assistance: 45 units located at the Bridgeway project in Robbinsdale, Minnesota, and 41 units at the Park Acres project in New Hope, Minnesota.

Michelle Adams, Kutak Rock, joined the meeting by phone. Ms. Adams provided the board with an in depth review of the board materials.

Chair DeCramer opened up the discussion. There were no questions from the board.

Motion: Craig Klausing moved the approval of the Resolution Authorizing the Issuance and Sale of conduit Multifamily Revenue Bonds, Series 2017A, and a conduit Multifamily Revenue Note, Series 2017B, for a multifamily housing preservation project in Robbinsdale and New Hope, Minnesota (Reprise/Amorce II project). Seconded by Joe Johnson. Motion carries 5-0.

   B. Approval, two resolutions authorizing Residential Housing Finance Bonds, 2017 Series DEF

Kevin Carpenter presented to the board the request for approving the resolution authorizing the issuance and sale of Residential Housing Finance Bonds.

There are two resolutions before the board. The first bond resolution, which will cover the issuance of 2017 Series D and E, is a fixed rate resolution and provides the authority for the Agency to issue up to $250 million in fixed rate bonds over time under the RHFB indenture. The second resolution, which covers 2017 Series F, provides the authority for $40 million in variable rate bonds. In addition, this resolution selects RBC Capital Markets as the liquidity provider for 2017 Series F, and selects RBC as the remarketing agent. This resolution also authorizes the Agency to enter into an interest rate swap agreement with Wells Fargo to convert the variable rate interest payments into a fixed rate obligation. The RHFB 2017 Series DEF bond issue is expected to be approximately $125 million in total size.

Ms. Adams provided the board with an in depth review of the resolutions.

Chair DeCramer opened up the discussion. There were no questions from the board.

Motion: Joe Johnson moved approval of Resolution #1, authorizing the issuance of 2017 Series D and E, which is a fixed rate resolution and provides the authority for the Agency to issue up to $250 million in fixed rate bonds over time under the RHFB indenture . Seconded by Stephanie Klinzing. Motion carries 5-0.

Motion: Craig Klausing moved approval of Resolution #2, authorizing 2017 Series F, provides the authority for $40 million in variable rate bonds. In addition, this resolution selects RBC Capital Markets as the liquidity provider for 2017 Series F, and selects RBC as the remarketing agent. This resolution also authorizes the Agency to enter into an interest rate swap agreement with Wells Fargo to convert the variable rate interest payments into a fixed rate obligation. The RHFB 2017 Series DEF bond issue is expected to be approximately $125 million in total size. Seconded by Auditor Otto. Motion carries 5-0.

C. Approval, Single Family Mortgage Program Servicing Manual Amendments

Ben Landwehr presented to the board the request for approval of the single family mortgage program servicing manual amendments.

Chair DeCramer opened the discussion. Joe Johnson inquired about the 70% success rate for borrowers whose loans have been modified. Mr. Landwehr indicated that, of the loans we have modified for delinquent borrowers since 2008, 70% of the delinquent loans are either paid off or remain current. This is above industry standards, which is at a 50% success rate. Joe Johnson also inquired about the requirement that there be twelve months of consecutive payments since origination of the loan before a modification can be considered. Mr. Landwehr indicated that the borrower needs to make twelve payments within one year, so theoretically a borrower could get a loan modification once every thirteen months.

Motion: Joe Johnson moved the approval of Single Family Mortgage Program Servicing Manual Amendments. Seconded by Craig Klausing. Motion carries 5-0.

8. Discussion Items

A. The Margaret A. Cargill Philanthropies (MACP) Building Systems to Prevent and End Youth Homelessness Project Concept

Joel Salzer shared with the board the Margaret A. Cargill Philanthropies (MACP) Building Systems to Prevent and End Youth Homelessness Project Concept. This grant, if awarded by MACP, would provide $2 million over a three-year grant period to help to end youth homelessness in northwest Minnesota and to develop a school-based host home pilot for unaccompanied homeless youth in up to three rural communities.

Commissioner Tingerthal shared with the board that this is the first time we have been in a situation that the Agency itself may be a recipient of a major financial grant from a philanthropic organization. Due to the size and complexity of the grant, MACP was insistent that they enter into a grant agreement with an organization that had a substantial management track record of managing sub-grantees. We expect to be notified late November, early December if we are awarded the grant.

B. HUD RFP for Performance Based Contract Administration of Section 8 Project Based Rental Contracts.

Tom O'Hern and Anne Smetak reviewed with the board information regarding an anticipated HUD RFP for Performance Based Contract Administration (PBCA) of Section 8 project-based rental contracts and the potential impact on the Agency. Commissioner Tingerthal thanked Tom O'Hern, Anne Smetak and Ashley Oliver for all their work in preparing for changes anticipated in the RFP.

C. 2017 Affordable Housing Plan and 2016-19 Strategic Plan: Fourth Quarter Progress Report

John Patterson provided the board with an update on the 2017 Affordable Housing Plan and the 2016-2019 Strategic Plan. Commissioner Tingerthal shared her appreciation for all of the hard work that the staff accomplished in the last year. She thanked the board for their willingness to allocate more resources. Chair DeCramer thanked the staff for all of their hard work and flexibility.

9. Information Items

A. Post-Sale Report, State Appropriation Bonds (Housing Infrastructure) 2017 Series A

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 2:10 p.m.

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John DeCramer
Chair

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MINNESOTA HOUSING

Board Agenda Item: 6.A
Date: 12/21/2017

Item: Commitment, Limited Partnership Buy-Out Loan
- Cedarview Commons, N. St. Paul (D3589)

Staff Contact(s):

Tresa Larkin, 651.294.3177, tresa.larkin@state.mn.us
Kim McAfee, 651.296.8207, kim.mcafee@state.mn.us

Request Type:

☒ Approval
  ☒ Motion
  ☐ Resolution

☐ No Action Needed
  ☐ Discussion
  ☐ Information

Summary of Request:

Staff recommends approval of a Limited Partnership Buy-Out Loan in the amount of $4,700,000 for Cedarview Commons. The loan has been underwritten in accordance with the parameters previously approved by the Board.

Fiscal Impact:

Housing Investment Fund – Pool 2 funds will be used for this short-term, interest only, secured loan. This loan will generate approximately $47,000 in fee income (origination fee) as well as interest earnings, which will help offset Agency operating costs.

Meeting Agency Priorities:

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

Attachment(s):

- Background and Development Summary

Background:
Cedarview Commons, LLC has requested a Limited Partner Buy-Out Loan in the amount of $4,700,000 in order to facilitate the buyout of the current tax credit investor limited partner. Cedarview Commons is an existing 204-unit low-income housing tax credit project located in North St. Paul which currently has a Minnesota Housing first mortgage. The project contains 201 Housing Tax Credit (HTC) units and includes 14 units reserved for family households who have experienced long-term homelessness (LTH).

At the October 2017 meeting, the Minnesota Housing Board approved a loan product to be used for buying out exiting investor limited partners in projects with low-income housing tax credits that also have an existing Minnesota Housing first mortgage. This is the first transaction to utilize this loan product.

Development Summary:

				D3589	
Name:	Cedarview Commons			App#:	M20048
Address:	2376 Ariel Street (multiple buildings)				
City:	North St. Paul	County:	Ramsey		

Mortgagor:

Ownership Entity:	Cedarview Commons, LLC
General Partner/Principals:	Cedarview Commons, LLC, whose managing member is Colleen M. Carey

Development Team:

Attorney:	Winthrop & Weinstine, Minneapolis
Management Company:	TCG Management, Minneapolis
Service Provider:	Lutheran Social Services, St. Paul

Current Funding Request/ Program and Terms:

$4,700,000	LP Buy out loan	
	Funding Source:	Housing Invest Fund (Pool 2)
	Interest Rate:	4.50%
	Repayment:	Monthly payments interest only; balloon at end of term
	Term (Years):	2
	Guaranty:	100% by Colleen M. Carey

MINNESOTA HOUSING

Board Agenda Item: 7.A
Date: 12/21/2017

Item: Selection and Commitment, Low and Moderate Income Rental (LMIR)
- Murphy's Creek Townhomes, Austin (D2924)

Staff Contact(s):
Ted Tulashie, 651.297.3119, ted.tulashie@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Agency staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of up to $5,394,000, subject to the terms and conditions of the Minnesota Housing term letter.

Fiscal Impact:
LMIR loans are funded out of pool 2 and as such, the Agency will earn interest income on the loan without incurring financing expense.. Additionally, this loan should generate approximately $100,000 in fee income (origination fee).

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:
Minnesota Housing staff received a refinancing request submitted as a pipeline application in May 2017.

Murphy's Creek Townhomes was originally financed with a LMIR first mortgage in the amount of $2,722,096 as well as housing tax credits. The development has reached the end of the tax credit compliance period, and the developer is seeking to refinance the LMIR mortgage and acquire the interests of the limited partner. The development meets the strategic priorities of: Addresses Specific and Critical Local Housing Needs and Greater Minnesota Workforce Housing.

Staff is requesting approval of a new $5,394,000 LMIR first mortgage loan. Proceeds from the LMIR loan will pay off the existing Agency LMIR first mortgage, the Greater Minnesota Housing Fund (GMHF) deferred loan, accrued interest on all of the deferred loans and fund the buy-out of the limited partner interests. In addition, over $1.9 million in repairs will be made to the development within twelve months of closing.

There are two existing deferred loans on the project that will remain in place. The city of Austin loan and a Minnesota Housing Economic Development and Housing Challenge (EDHC) loan, both of which will be extended to 30 years. In addition, the EDHC loan will be modified to reduce the interest rate to 0% (currently 1%) and will include the Agency's standard cash flow provisions. The collateral for the loan will remain unchanged.

DEVELOPMENT SUMMARY:

DEVELOPMENT:

					D2924
Name:	Murphy's Creek Townhomes			App#:	M17616
Address:	500 25th Avenue NW				
City:	Austin	County:	Mower	Region:	SEMIF

MORTGAGOR:

Ownership Entity:	Murphy's Creek Townhomes of Austin, LLC
General Partner/Principals:	Podawiltz Development Properties I, Inc., Barbara J. Brandes, Ted R. Schmid

DEVELOPMENT TEAM:

General Contractor:	Lumber One Avon, Inc., Avon
Architect:	PBA Architects, Longville
Attorney:	Rinke Noonan, St. Cloud
Management Company:	Essence Property Management Inc., St. Cloud
Service Provider:	N/A

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 5,394,000	Minnesota Housing First Mortgage	
	Funding Source:	Hsg Investment Fund (Pool 2)
	Interest Rate:	4.08%
	Term (Years):	30

RENT GRID:

UNIT TYPE	**NUMBER**	**UNITSIZE (SQ. FT.)**	**GROSS RENT**	**AGENCY LIMIT**	**INCOME AFFORDABILITY**
2BR	16	1,049	$ 776	$ 904	$ 31,040
3BR	22	1,190	$ 870	$ 1,044	$ 34,800
2BR	13	1,049	$ 868	$ 1,166*	$ 34,720
3BR	15	1,211	$ 961	$ 1,347*	$ 38,440
2BR	5	1,049	$ 868	Unrestricted	Unrestricted
3BR	16	1,211	$ 961	Unrestricted	Unrestricted
3BR	1	1,438	$ 961	Unrestricted	Unrestricted
TOTAL	88				

NOTES:

*Under the LMIR program, 38 units will have rents affordable to households at 60% Multifamily Tax Subsidy Projects (MTSP) limits and 50 units will have rents at market rate.

*Additional restrictions under the EDHC program will restrict 28 units to rents affordable to the local workforce.

Purpose:
Murphy's Creek Townhomes is requesting approximately $5.3 million for the refinance of an existing apartment development located in the city of Austin. This 88 unit development consists of a two-story townhome building with 34 two-bedroom and 54 three-bedroom units with covered parking for residents and surface parking for guests.

Population Served:
The development provides housing for families. Thirty-eight units will serve households with incomes at or below 60% of the Multifamily Tax Subsidy Projects (MTSP) limit; 28 will serve households with incomes at or below 100% of the greater of area or statewide median income (A/SMI); and the remaining 22 units will be unrestricted for income. Additional restrictions under the EDHC program will restrict 28 units to rents affordable to the local workforce.

Project Feasibility:
The project is feasible as proposed. Development financing includes an amortizing LMIR mortgage of $5,394,000. Other sources of funding include an existing $2,184,000 deferred loan from the city of Austin, an existing $692,444 EDHC deferred loan from Minnesota Housing, and $442,983 in transferred existing reserves. The development cash flows at the proposed rent levels and is consistent with program underwriting guidelines.

The total development cost of $99,016 per unit is 16.31 percent below the predictive cost model estimate of $118,316.

Development Team Capacity:
The developer, Podawiltz Development Properties I, Inc., has a long history of bringing development proposals to completion in a timely manner. The developer has utilized Agency first mortgages, deferred loans and tax credits with proven success.

Essence Property Management, Inc. was established in 2006 and currently has 18 developments under management with a total of 905 units. Their portfolio consists of properties with housing tax credits, supportive housing, MARIF, HAP contracts, HOME and market rate sites. The management company has the capacity to continue to manage this development.

Physical and Technical Review:
The proposed repairs include unit interior upgrades (kitchens, bathrooms, flooring and lighting), mechanical equipment replacement, building envelope, roofs, window replacement, a parking lot upgrade, and landscaping and other site improvements.

Market Feasibility:
Murphy's Creek Townhomes is an existing development with an average occupancy rate of 98.80-100 percent. Other affordable and market rate properties in the primary market area also have low rental vacancy levels, and the properties have waiting lists. The appraisal prepared by Novogradac & Company states that properties in the Austin area maintain extremely low vacancy rates, with projected growth of both population and households. The proposed rents are affordable to the local workforce and represent a 14 to 27 percent discount compared to achievable market rents. The project is located in close proximity to services and jobs.

Supportive Housing:
NA

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost	$8,713,427		$99,016
Refinance Cost	$6,550,391		$74,436
Repair Reserves	$1,921,047		$21,830
Soft Costs (excluding Reserves)	$241,989		$2,750
Non-Mortgageable Costs (excluding Reserves)	$0	$0	
Reserves	$0		$0
Agency Deferred Loan Sources			
Minnesota Housing First Mortgage	$5,394,000		$61,295
Modification of existing EDHC loan	$692,444		$7,869
Total Agency Sources	$6,086,444		$69,164
Total Loan-to-Cost Ratio		70%	
Other Non-Agency Sources			
Existing City of Austin Mortgage	$2,184,000		$24,818
Existing Replacement Reserves	$337,427		$3,834
Existing Development Cost Escrow	$105,556		$1,200
Total Non-Agency Sources	$2,626,983		$29,852

Agenda Item: 7.A
Resolution

MINNESOTA HOUSING FINANCE AGENCY
400 Wabash Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 17-

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM

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

Name of Development:	Murphy's Creek Townhomes
Sponsors:	Murphy's Creek Townhomes of Austin Limited Partnership
Guarantors:	Podawiltz Development Properties I, Inc., Barbara J. Brandes and Ted R. Schmid
Location of Development:	Austin
Number of Units:	88
General Contractor:	Lumber One Avon, Inc., Avon
Architect:	PBA Architects, Longville
Amount of Development Cost:	$8,713,427
Amount of LMIR Mortgage:	$5,394,000

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

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide a permanent mortgage loan to said applicant from the Housing Investment Fund (Pool 2 under the LMIR Program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed $5,394,000; and

2. The interest rate on the permanent LMIR loan shall be 4.08 percent per annum (subject to change as set forth in the Term Letter dated November 14, 2017) plus 0.125 percent per annum HUD Risk Share Mortgage Insurance Premium, with monthly payments based on a 30 year amortization; and

3. The term of the permanent LMIR loan shall be 30 years; and

4. The LMIR loan shall be closed by June 30, 2018; and

5. The interest rate on the Economic Development and Housing Challenge (EDHC) loan shall be extended n shall be reduced from 1% to 0% the term shall be extended to be co-terminus with the new financing.

6. The mortgagor shall agree with the terms set forth in the Agency's term letter; and

7. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and

8. Podawiltz Development Properties I, Inc., Barbara J. Brandes and Ted R. Schmid shall each guarantee the mortgagor's payment under LMIR Regulatory Agreement and LMIR mortgage (other than principal and interest) with the Agency; and

9. The sponsor, the mortgagor, and such other parties as Agency staff in its sole discretion deems necessary shall execute all documents relating to said loans and their security, and the operation of the development, as Agency staff in its sole discretion deem necessary.

Adopted this 21st day of December 2017

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CHAIRMAN

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MINNESOTA HOUSING

Board Agenda Item: 7.B
Date: 12/21/2017

Item: Selection and Commitment, Low and Moderate Income Rental (LMIR)
- Fox Pointe Townhomes, Austin D7888

Staff Contact:
Sara Bunn, 651.296.9827, sara.bunn@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Minnesota Housing staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of up to $770,000 subject to the terms and conditions of Minnesota Housing's term letter.

Fiscal Impact:
LMIR loans are funded out of pool 2, and as such, the Agency will earn interest income on the loan without incurring financing expense. . Additionally, this loan should generate approximately $25,000 in fee income (origination fee).

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:
At its May 24, 2017 meeting, the Minnesota Housing board committed Economic Development and Housing Challenge (EDHC) funds for this development. At that time a LMIR loan was contemplated and is now being recommended to the Board for commitment.

Development Summary:

				D7888	
Name:	Fox Pointe Townhomes			App#:	M17443
Address:	23rd Ave NW & 7th St NW				
City:	Austin	County:	Mower	Region:	SEMIF

Mortgagor:

Ownership Entity:	Fox Pointe Townhomes, Limited Partnership
General Partner/Principals:	Fox Pointe Townhomes GP LLC, whose managing member is Three Rivers Community Action, Inc.

Development Team:

General Contractor:	Project One Construction, Inc., Kimball
Architect:	Blumentals Architecture, Inc., Minneapolis
Attorney:	Lindquist & Vennum, Minneapolis
Management Company:	Lloyd Management, Inc., Mankato
Service Provider:	Three Rivers Community Action, Inc., Zumbrota

Current Funding Request/ Program and Terms:

$770,000	LMIR First Mortgage	
	Funding Source:	Housing Investment Fund (Pool 2)
	Interest Rate:	4.25%
	MIP Rate:	0.125%
	Term (Years):	40
	Amortization (Years):	40

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY
2 BR	5	1,375	$ 736	$ 883	$ 29,440
2 BR	3	1,375	$ 681	$ 883	$ 27,240
3 BR	25	1,461	$ 850	$ 1,020	$ 34,000
4 BR	4	1,797	$ 948	$ 1,138	$ 37,920
3 BR	1	1,461	$ 850	Unrestricted	Unrestricted
TOTAL	38				

NOTES: Under the LMIR and Housing Tax Credit programs, rents are affordable to households at 60% Multifamily Tax Subsidy Projects (MTSP) limits with incomes up to 60% MTSP. One employee unit will be unrestricted. Four units will receive Project-based Housing Choice Vouchers; ensuring tenants pay no more than 30 percent of their incomes toward rent.

Purpose:
Fox Pointe Townhomes is a new construction apartment development located in the city of Austin. This 38-unit development will consist of three 2-story buildings with 8 two-bedroom, 26 three-bedroom and 4 four-bedroom units with covered parking and surface parking for guests. The project will contain 37 Housing Tax Credit (HTC) units. The development meets the supportive housing/homelessness, and addresses critical rental housing strategic priorities. The development serves an important policy goal of being part of a planned community development area.

Populations Served:
The development will provide housing for families experiencing Long-Term Homelessness (LTH). Under the loan terms, 37 units will serve households with incomes up to 60% Multifamily Tax Subsidy Projects (MTSP) limits; 4 units will serve households who have experienced long-term homelessness; 4 units will receive Project-Based Section 8 rental assistance; and one unit will be an unrestricted employee unit.

Project Feasibility:
The project is feasible as proposed. Development financing includes an amortizing LMIR mortgage of $770,000 and a $121,600 EDHC deferred loan from Minnesota Housing. This financing will be leveraged with $7,781,378 of tax credit equity. The development cash flows at the proposed rent levels and is consistent with program underwriting guidelines.

The total development costs of $234,617 per unit are 21.65% above the Predictive Model estimate of $192,862, which is within the 25% acceptable range limit.

Development Team Capacity:
The developer, Three Rivers Community Action Inc., has a long history of bringing development proposals to completion in a timely manner. The developer has utilized Agency first mortgages, deferred loans, and tax credits with proven success.

Lloyd Management Company was established in 1971 and currently has 107 developments under management, with a total of 3,454 units. Their current portfolio consists of properties with tax credits, Section 8, Section 236, HOME, MARIF, ARIF, Rural Development, supportive housing, and market rate units. The property management company has the capacity to manage this development.

Physical and Technical Review:
Blumentals Architecture is the project architect and Project One Construction is the general contractor. Both the architect and contractor have the capacity to effectively design and construct the project. They have successfully completed many similarly sized affordable housing developments in Minnesota.

Market Feasibility:
Austin is located Southern Minnesota in Mower County and is a top growth community for workforce housing. Affordable and market rate properties in the primary market area have low rental vacancy levels with the presence of waiting lists. The appraisal prepared by Novogradac & Company states that properties in the Austin area maintain extremely low vacancy rates, with projected growth of both population and households. The proposed rents are affordable to the local workforce and represent a 37 to 48 percent discount compared to achievable market rents. The project is located in close proximity to services and jobs.

Supportive Housing:
Three Rivers Community Action, Inc. will be the service provider for the four LTH families. They will provide tenant service coordination, benefits assistance, living skills, and referrals to community resources. They have experience providing this type of service to both families and individuals. As a Community Action Program agency, they offer referrals to a variety of community programs and assistance resources. As a mission-driven owner, as well as service provider, they bring strength to this proposal.

DEVELOPMENT COST SUMMARY (estimated):

	Total	**Per Unit**
Total Development Cost	$8,915,465	$234,617
Acquisition or Refinance Cost	$0	$0
Gross Construction Cost	$7,273,560	$191,409
Soft Costs (excluding Reserves)	$1,487,889	$39,155
Non-Mortgageable Costs (excluding Reserves)	$0	$0
Reserves	$154,016	$4,053
Total LMIR Mortgage	$770,000	$20,263
First Mortgage Loan-to-Cost Ratio	9%	
Agency Deferred Loan Sources		
EDHC Loan	$121,600	$3,200
Total Agency Sources	$891,600	$23,463
Total Loan-to-Cost Ratio	10%	
Other Non-Agency Sources		
Syndication Proceeds	$7,781,378	$204,773
United Migrant Opportunity Services, Inc.	$23,000	$605
Sales Tax and Energy Rebates	$219,487	$5,775
Total Non-Agency Sources	$8,023,865	$211,154

MINNESOTA HOUSING FINANCE AGENCY
400 Wabash Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 17-

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) 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:	Fox Pointe Townhomes
Sponsors:	Fox Pointe Townhomes Limited Partnership
Guarantors:	Three Rivers Community Action, Inc.
Location of Development:	Austin
Number of Units:	38
General Contractor:	Project One Construction, Inc.
Architect:	Blumentals Architecture, Inc.
Amount of Development Cost:	$8,915,465
Amount of LMIR Mortgage:	$770,000

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

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide a permanent mortgage loan to said applicant from the Housing Investment Fund (Pool 2 under the LMIR Program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed $770,000; and

2. The interest rate on the permanent LMIR loan shall be 4.25 percent per annum (subject to change as set forth in the Term Letter dated December 1, 2017) plus 0.125 percent per annum HUD Risk Share Mortgage Insurance Premium, with monthly payments based on a 40 year amortization; and

3. The term of the permanent LMIR loan shall be 40 years; and

4. The LMIR End Loan Commitment shall be entered into on or before June 30, 2018 and shall have an 18 month term (which shall also be the LMIR Commitment Expiration Date); and

5. The mortgagor shall agree with the terms set forth in Minnesota Housing's term letter; and

6. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and

7. Three Rivers Community Action, Inc. shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.15 debt service coverage ratio (assuming stabilized expenses) for three successive months; and

8. Three Rivers Community Action, Inc. shall guarantee the mortgagor's payment under LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

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

Adopted this 21st day of December, 2017.

____

CHAIRMAN

MINNESOTA HOUSING

Board Agenda Item: 7.C
Date: 12/21/2017

Item: Approval, Homework Starts with Home Pilot Program Concept

Staff Contact(s):
Joel Salzer, 651.296.9828, joel.salzer@state.mn.us
Diane Elias, 651.284.3176, diane.elias@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
The Homework Starts with Home pilot program concept focuses on enhancing responses to student homelessness. It is a collaborative effort among several state agencies and the Heading Home Minnesota Funders Collaborative (Funders Collaborative), which is a group of philanthropic partners supporting the implementation of Minnesota's Heading Home plan. Housing Trust Fund (HTF) funds, Family Homeless Prevention and Assistance Program (FHPAP) funds, and resources from the Funders Collaborative would be made available to applicants selected, using a selection process that begins with a Request for Letters of Interest (LOI) after which Minnesota Housing will invite eligible respondents to submit a full application in response to its Request for Proposals (RFP).

Fiscal Impact:
Minnesota Housing will allocate $1.75 million in HTF funds and $250,000 in FHPAP funds specifically appropriated for this purpose. The investments were anticipated and are part of the 2018 Affordable Housing Plan.

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

Attachment(s):
- Program Concept
- Homeless and Highly Mobile Students Pilot Evaluation
- Grand Challenge Executive Summary

Minnesota Housing, in partnership with the Office to Prevent and End Homelessness, the Minnesota Department of Education (MDE), the Minnesota Department of Human Services (DHS), and the Heading Home Minnesota Funders Collaborative, will initiate the grantee selection process for the Homework Starts with Home program concept, an initiative focused on addressing homelessness among students and their families. This effort builds on the successful Rental Assistance Pilot for Homeless and Highly Mobile Students (HHMS pilot), which Minnesota Housing has funded using state appropriations since 2014.

Funding for the initiative includes $1.75 million in HTF funds and $250,000 in FHPAP funds, which were appropriated during the 2017 legislative session. In addition, the Heading Home Minnesota Funders Collaborative has garnered over $330,000 in philanthropic support for the initiative. While the resources will not be funds awarded under the RFP, the University of Minnesota awarded a $540,000 Grand Challenge research grant to a team of university faculty and state staff to conduct a robust evaluation of the initiative's impact. (The Homework Starts with Home Grand Challenge Executive Summary is attached to this report.).

Minnesota Housing, in partnership with its state and philanthropic partners, will issue a request for Letters of Interest (LOIs). The Request for LOIs will request brief collaborative responses from local partners interested in developing their capacity to end student homelessness. Minnesota Housing, with input from its partners, will review responses to confirm that they meet minimal threshold criteria (detailed in the attached project concept). Eligible respondents would then be invited to participate in pilot design sessions that would develop best practices relative to local responses to student homelessness. These voluntary activities – anticipated to span two months after LOIs are received – would be supported through already committed philanthropic resources and may involve engaging local and national experts to advise participating communities about options for strengthening their current responses to student homelessness.

At the completion of the program design sessions, Minnesota Housing will issue a full Request for Proposals (RFP) where only respondents who submitted an LOI and met the threshold criteria would be eligible to submit an application.

Following Minnesota Housing's procedure for new initiatives, staff brought this project concept to the agency's Senior Leadership Team for approval on December 11, 2017. If approved by the Board today, Minnesota Housing and its state agency and philanthropic partners will issue the Request for LOIs in January 2018. It is anticipated that the RFP will be published in April 2018, with recommendations presented to Minnesota Housing's board in July 2018.

MINNESOTA HOUSING

Homework Starts with Home
Pilot Program Concept

Background

Minnesota Housing, in partnership with the Office to Prevent and End Homelessness, the Minnesota Department of Education (MDE), the Minnesota Department of Human Services (DHS) and the Heading Home Minnesota Funders Collaborative (Funders Collaborative), which is a group of philanthropic partners supporting the implementation of Minnesota's Heading Home plan, is preparing to implement the Homework Starts with Home pilot program. This is an initiative focused on addressing homelessness among students and their families. Last year, public and charter schools across Minnesota identified over 9,500 students who were experiencing homelessness on October 1, 2016. The students were from 1,200 schools statewide, spanning 300 school districts and 77 counties. Homelessness disproportionally impacts students of color, American Indian students, students with disabilities, and lesbian, gay, bisexual, transgender, or questioning (LGBTQ) young people. Over the past decade, student homelessness has increased an average of 15 percent per year.

Minnesota Housing has combatted student homelessness in both broad and specific ways. During the 2013 legislative session, Minnesota Housing secured a Housing Trust Fund (HTF) appropriation to launch the Rental Assistance Pilot for Homeless and Highly Mobile Students (HHMS pilot). The HHMS pilot began serving families in 2014 and has served over 190 families in three sites (the Northside Achievement Zone in Minneapolis; the St. Paul Promise Neighborhood; and Clay County, including the city of Moorhead). An evaluation of the pilot found that it stably housed 90 percent of families served, stabilized school attendance (a key predictor of academic success), and increased family incomes. (The evaluation is attached to this report.) Based on the early success of this pilot, the 2015 Legislature allocated an additional, one-time HTF appropriation of $2 million. Minnesota Housing committed these funds to the existing grantees to continue pilot operations for two more years.

Over this past year, Minnesota Housing collaborated with the Office to Prevent and End Homelessness, MDE, DHS and the Funders Collaborative to develop the Homework Starts with Home program concept that would build upon the successes and learnings of the HHMS pilot. These partners created a leadership team to guide the development and implementation of the initiative. Minnesota Housing is represented on that leadership team by Assistant Commissioner, Ryan Baumtrog; Director of Planning, Research, and Evaluation, John Patterson; Legislative Director, Katie Topinka; Housing Stability Team Manager, Joel Salzer; and Program Manager, Diane Elias.

Funding dedicated to the initiative includes $1.75 million in HTF funds and $250,000 in Family Homeless Prevention and Assistance Program (FHPAP) funds, which were appropriated during the 2017 legislative session. In addition, the Funders Collaborative has garnered over $330,000 in philanthropic support for the initiative, and the University of Minnesota awarded a $540,000 Grand Challenge research grant to a team of university faculty and state staff to conduct a robust evaluation of the initiative's impact. (The Home Work Starts with Home Grand Challenge Executive Summary is attached to this report.)

To inform the Homework Starts with Home grantee selection process, the leadership team developed and issued a Request for Information (RFI) in October 2017 seeking guidance from critical stakeholders about what they thought was needed to end student homelessness in communities across Minnesota. Nineteen written responses were submitted and more than a dozen participants offered insights and suggestions during a stakeholder feedback session. Schools, counties, nonprofit agencies, housing authorities, philanthropic organizations and people who have personally experienced homelessness were among the respondents.

Based in part on the feedback from the RFI, the Homework Starts with Home leadership team is proposing to select grantees using a two-stage process. In the first stage, Minnesota Housing would issue a Request for Letters of Interest (LOI). This Request for LOI would invite brief collaborative responses from local partners interested in developing their capacity to end student homelessness. Each LOI would:

- Identify the parties responding to the request, specifically naming a lead entity and identifying the geographic area covered
- Describe any partnerships that already exist among the parties, specifically highlighting any work focused on student homelessness
- Identify the individuals and roles of those who would participate in the program design sessions
- Offer reactions and feedback on key ingredients of the Homework Starts with Home initiative and highlight any existing efforts that align with it
- Indicate any preliminary need of financial resources, including funds needed to promote meaningful participation among students and families who have experienced homelessness
- Briefly describe any existing community resources that can be applied to efforts to respond to student homelessness or that could be coupled with resources allocated through this competitive process
- Share any specific requests for training or capacity building to create a stronger response to student homelessness

Minnesota Housing would review responses to ensure they meet threshold criteria. Eligible respondents would be invited to participate in program design activities that would promote enhanced local responses to student homelessness in their community. These voluntary activities – anticipated to span two to three months after LOIs are submitted – would be supported through philanthropic resources committed to the initiative and may involve engaging local and national experts to advise participating communities about options for strengthening their current response to student homelessness.

At the completion of the program design activities phase, Minnesota Housing would issue a Request for Proposals (RFP) for which LOI respondents that meet the threshold criteria would be eligible to apply. Through the RFP, respondents would request specific funding from the HTF, FHPAP and philanthropic resources. Similar to Minnesota Housing's Consolidated RFP for capital resources, selection decisions would be a collaborative and joint effort among leadership team members, with Minnesota Housing retaining authority to make final decisions relative to HTF and FHPAP resources. The Funders Collaborative would retain authority relative to the philanthropic resources.

Available Funding

Funding for this pilot program includes:

- HTF funds: $1.75 million
- FHPAP funds: $250,000
- Philanthropic funds: over $330,000, including $176,000 meant to support local capacity in responding to student homelessness

Pilot Program Objectives

The objectives for Homework Starts with Home are:

- To identify and partner with communities interested in organizing more effective collaborative responses to student homelessness
- To foster stronger local collaboration within those communities, recognizing that most communities have significant opportunities to improve collaboration in response to student homelessness
- To strengthen the response to student homelessness among these communities, leveraging local and nationwide evidence-based and promising practices
- To demonstrate meaningful reductions in student homelessness among communities participating, to demonstrate the effective use of resources, and to guide future program and policy efforts to end student homelessness

Minnesota Housing Request for Proposals (RFP)

We anticipate releasing the Request for LOI in January 2018, with responses received and selected in February. Program design activities would be provided in March and April, with an expected issuance of the RFP in late April with responses due by the end of May. Selections would occur in June and brought to the board for approval in July.

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Evaluation of the Rental Assistance Pilot for Homeless or Highly Mobile Families with School-Age Children

February 2017

Minnesota Department of Education

Minnesota Housing Finance Agency

Key Findings

- Existing data and research show that housing instability has a significant impact on school attendance and educational performance.
- All students entering the pilot were experiencing housing instability or school changes, and two-thirds were homeless or doubled up on the day they entered the program.
- At the end of the pilot, 90 percent of the students with a known housing status were stably housed.
- The students who achieved stable housing during the pilot had stable and better attendance than homeless students statewide.
- In contrast, homeless students who did not receive rental assistance missed enough school to be considered chronically absent.

Background

In 2013, the Minnesota Legislature appropriated $2 million through the Housing Trust Fund for an initial rental assistance pilot project for families with school-age children who have changed schools or homes at least once in a school year.[1] The goal of the pilot was to improve school attendance by stabilizing their housing. Minnesota Housing collaborated with the Minnesota Department of Education (MDE) to develop and conduct the evaluation. The students in the pilot and study were selected by each of the pilot administrators: Northside Achievement Zone (NAZ) with Project Pride for Living (PPL), Saint Paul Promise Neighborhoods (SPPN) with the Wilder Foundation, and Clay County.

For the 2014-15 school year, the administrators enrolled 121 eligible families and 277 students in the pilot, with most of the students in elementary school. As initially designed, the families received up to two years of rent assistance for the 2014-15 and 2015-16 school years, allowing them to spend only 30 percent of their income on rent with the assistance subsidizing the rest of their rental costs. The purpose of the assistance was to improve housing stability and school attendance and ultimately academic performance.

This evaluation assesses housing stability and school attendance, but not academic performance, which generally takes several years to measure an impact and is beyond the timeline of this evaluation. Statewide standardized academic assessments do not show academic performance for individual students, since those assessments are scaled across all students and are designed to determine how effectively schools are delivering academic standards, not individual student performance.

Program Descriptions

Northside Achievement Zone (NAZ)

NAZ is a collaboration of organizations and schools partnering with families to prepare children to be ready for college when graduating from high school. Families and children move through a “cradle-to-career” pipeline that provides a range of support services from prenatal through college to career. NAZ concentrates programming and services within a 13- by 18-block area in North Minneapolis. It is

[1] Although the threshold for participants in the legislation was changing schools or moving homes at least once in a year, the administrators targeted families with significantly more than one school change or moves within a year.

designated a federal Promise Neighborhood and encompasses an area of Minneapolis with disproportionate poverty and violence. Residents face high unemployment and rates of homelessness and school changes. NAZ families have an unemployment rate of 63 percent and an annual median income of around $18,000. In the 2015-16 school year, 7.9 percent of the students in the NAZ partner public schools were identified as homeless, compared to 5.6 percent for all other schools in the Minneapolis Public School district. [2]

Achievement coaches who provide wraparound services are central to NAZ's model. These coaches work with each NAZ family to determine their needs, help them connect with resources, and provide support. They are located at each partner school to support NAZ families and students.

Saint Paul Promise Neighborhood (SPPN)

The goal of SPPN is to stabilize lives and improve student achievement for residents. The SPPN zone includes the Frogtown and Summit-University neighborhoods of Saint Paul, spanning a 250-block area with an estimated 22,000 residents. SPPN received a federal Promise Neighborhoods planning grant in 2010. The zone has a high rate of children (35 percent compared to 25 percent statewide) and people of color or Hispanic ethnicity (78 percent compared to 17 percent statewide). The zone includes a large number of recent immigrants, and more than one-third of residents speak a language other than English at home. Residents also have high rates of poverty; nearly all children in SPPN qualify for Free and Reduced Price Lunch program. In the 2015-16 school year, the rate of homelessness for students attending SPPN schools was 4.4 percent, compared with 2.1 percent for all other Saint Paul Public Schools.

Participating families receive various wraparound supports including tenant training, employment training, and peer-support networking. These supports are provided through community navigators who are co-located in each of the partner schools.[3] Navigators work with each family to determine what supports they need and help them get those supports. For families participating in the rent assistance pilot, navigators also work closely with the SPPN rental assistance housing specialist to help families find and maintain housing.

Clay County Housing and Redevelopment Authority

The Clay County Housing and Redevelopment Authority (HRA) partnered with the Moorhead Public School District to implement the pilot. The HRA's main role was to provide rental assistance and housing; they worked closely with other organizations that provide supportive services, including mental health providers and social service organizations. The HRA's relationship with Churches United for the Homeless and Lakes and Prairie Community Action Partnership (CAP) was particularly valuable in providing families additional support. Households in the pilot were supported by access to employment training, vocational rehabilitation, education programs and treatment programs. In addition to collaborating with other entities to provide support, the HRA benefited from the strong coordinated assessment and referral infrastructure in the community. In the 2015-16 school year, Moorhead Public Schools had a homelessness rate of 0.9 percent across its student body.

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[2] The NAZ partner schools were: Ascension Catholic School, Elizabeth Hall International Elementary School, Harvest Prep and Seed Academy, KIPP Stand Academy, Nellie Stone Johnson School, North High School, Patrick Henry High School, PYC Arts & Technical High School, and Sojourner Truth Academy Elementary School. Included in this report are data only from public school NAZ partners. All the public schools were in the Minneapolis Public School District.

[3] The SPPN partner schools include Jackson Elementary, Maxfield Elementary, and Saint Paul City School. Benjamin Mays Elementary School was added to the SPPN partner schools later and not included in the study. All the public schools were in the Saint Paul Public Schools District.

Context

A growing body of research shows that housing instability has a negative impact on a child's academic success.[4] As shown in Figures 1 and 2, children who qualify for free and reduced-priced lunch and experience homelessness have lower attendance and perform worse on statewide standardized tests than students who qualify for free and reduced priced lunch but are not experiencing homelessness.[5]

Figure 1: Attendance - Students receiving free and reduced-priced lunch

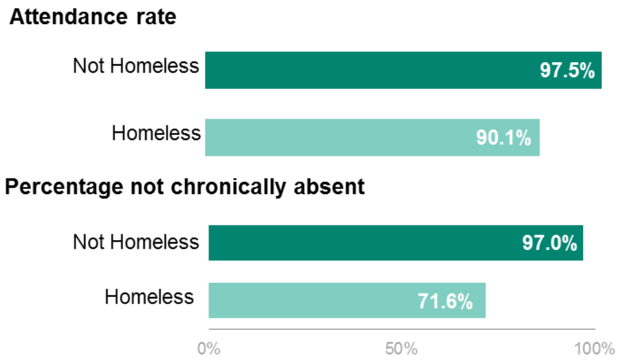
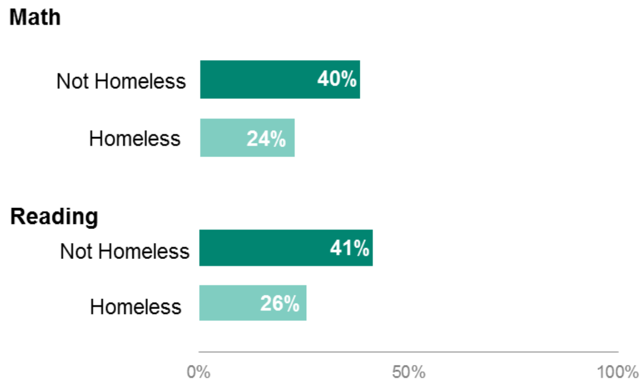


Figure 2: Academic proficiency - Students receiving free and reduced-priced lunch



These data show that housing instability impacts educational success beyond the educational disparities for low income students. These impacts can be lasting, particularly when they occur in elementary school.[6] By sixth grade, low attendance correlates with low academic achievement and low graduation rates.[7] In terms of proficiency, homeless third graders are 37 percent less likely than their low income but housed peers to demonstrate reading proficiency and 34 percent less likely to demonstrate math proficiency.[8] Low reading proficiency in third grade correlates with significantly lower academic success.[9]

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[4] Reynolds, Arthur, Chin-Chih Chen and Janette E. Herbers. "School Mobility and Educational Success: A Research Synthesis and Evidence on Prevention." University of Minnesota, 2009.
[5] Eligibility for the USDA's free and reduced price lunch program is based on income and is a proxy for low-income.
[6] Hernandez, D.J., 2011. Double Jeopardy: How Third-Grade Reading Skills and Poverty Influence High School Graduation. Annie E. Casey Foundation.
[7] "Destination Graduation: Sixth Grade Early Warning Indicators for Baltimore City Schools: Their Prevalence and Impact." Baltimore Education Research Consortium, 2011.
[8] "Minnesota Report Card." Minnesota Department of Education. Retrieved February 21, 2017 from http://rc.education.state.mn.us.
[9] Early Warning: Why reading by the end of third-grade matters. The Annie E. Casey Foundation, 2010.

In addition to the impacts that housing instability has on attendance and educational success, homelessness also has a fiscal impact on school districts. All school districts in the state are responsible for maintaining school stability through periods of homelessness by providing transportation to homeless students to help them stay in their school. The table below shows the higher annual transportation costs for homeless students.

Table 1: Transportation costs per student per year
(2015-16 School Year)

	Minneapolis Public Schools	Saint Paul Public Schools	Moorhead Public Schools
Homeless students	$5,224.06	$2,705.24	$326.24
Housed students	$402.66	$399.90	$511.94

Pilot Results[10]

Housing Stability

All students entering the pilot were experiencing housing instability or school changes, and two-thirds were homeless or doubled up on the day they entered the program.[11]

Figure 3: Housing situation prior to program entry
n=(277)

At the end of the pilot, 90 percent of the students with a known housing status were stably housed.[12]

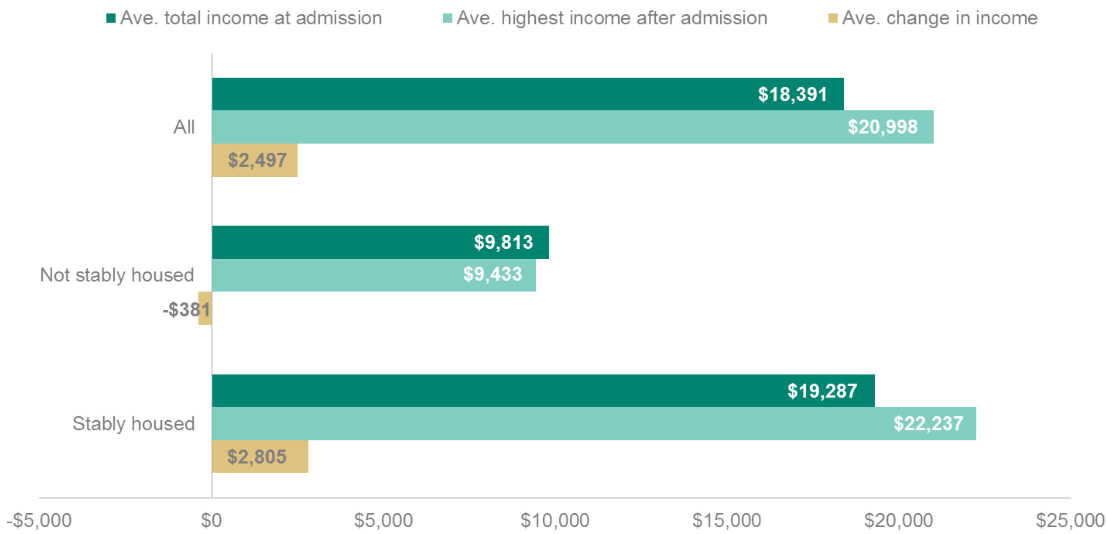
Figure 4: Housing situation at program exit
n=(277)

[10] The pilot housing data for this evaluation were collected from the Homeless Management Information System in spring 2016. This data get periodically updated throughout the year. School attendance data were extracted from the Minnesota Automated Reporting Student System (MARSS) updated by school districts on a regular schedule.
[11] Students in the pilot program were considered *housed* if they lived in rental housing without a subsidy or were in foster care. *Doubled-up* students were staying or living with a family member or friend. Students considered *homeless* were in an emergency shelter, hotel or motel paid for with an emergency shelter voucher, or living in a place not meant for habitation. Many in the "doubled up" group likely meet the federal definition of homeless.
[12] Students who left the program with a positive exit and those who remained in their housing with rental assistance by the end of the program (June 30, 2016) were considered *stably housed*. Positive exit scenarios include transitioning to unsubsidized housing, receiving Section 8 or another permanent housing subsidy, purchasing a home, an increase in gross monthly income exceeding programs limits, and a changed type of housing subsidy. Students were considered *not stably housed* if they had a negative exit from the program. Negative exits include being legally evicted or receiving a notice to vacate for criminal or drug activity or other lease violations, including not paying rent.

Families that achieved housing stability had higher incomes and were less likely to have a member with a disability.

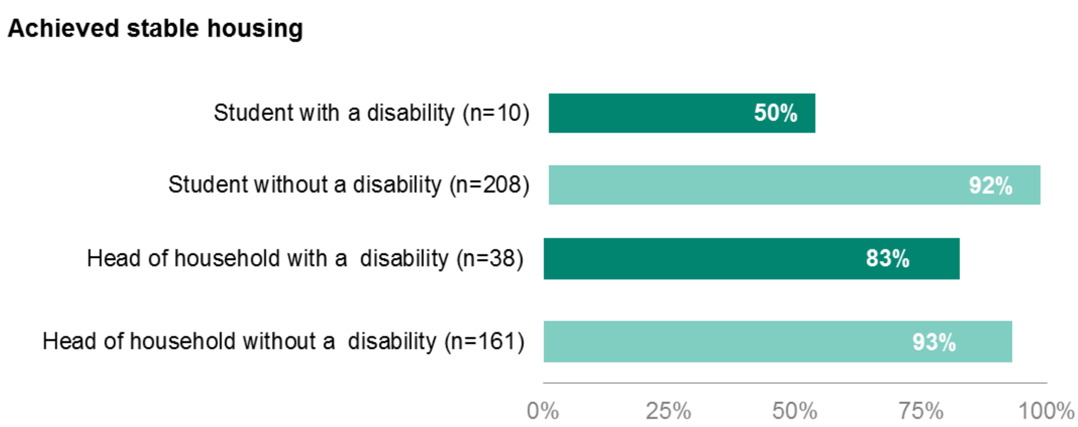
Stably housed families in the pilot had higher average annual incomes at program entry than households that did not achieve housing stability ($19,287 compared to $9,433). In addition, the average annual income of stably housed households increased by 15 percent during the pilot, while the annual income of those that were not stably housed decreased slightly.

Figure 5: Average Annual Income



Having a family member with a disability was correlated with a struggle to achieve stable housing. This indicates these families may need more supports to achieve stable housing.

Figure 6: Percentage achieving housing stability



Attendance and Other Improvements

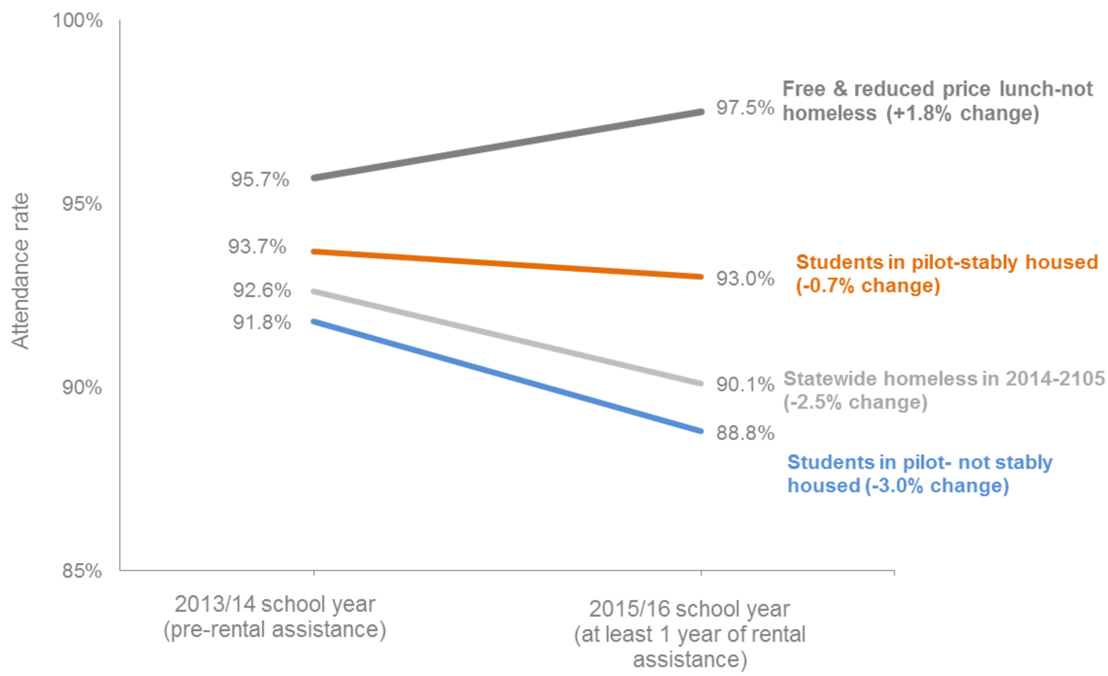
The students in the pilot who achieved stable housing had stable and better attendance than homeless students statewide.

We compared the attendance rates for the 2013-14 school year (the year before the families in the pilot first received rent assistance) to the 2015-16 school year (the second year of the pilot), and made the comparison for three groups:

1. All students in the rental assistance pilot (broken out between those stably housed and not stably housed during the pilot).
2. All students in the state who were identified as homeless in the 2014-15 school year.
3. All students in the state who qualified for free and reduced price lunch but were **not** homeless in 2014-15.

Figure 7 shows the change in attendance rate for these groups before and after families received the rental subsidy. The attendance rate for the pilot students who were stably housed stayed essentially the same (a 0.7 percentage point decline from 93.7 to 93.0 percent). In contrast, the attendance rate for pilot students who were not stably housed at program exit decreased by 3 percentage points (from 91.8 to 88.8 percent). For context, the attendance rate during the same period for all students statewide who experienced homelessness in the 2014-15 school year decreased by 2.5 percentage points (from 92.6 to 90.1 percent).

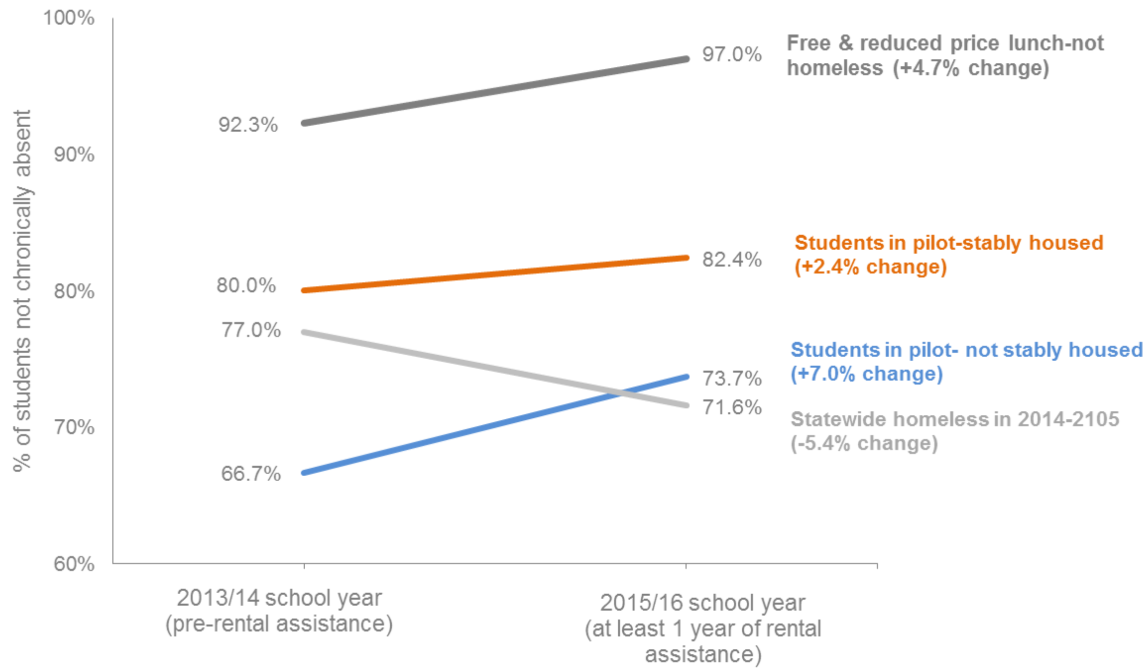
Figure 7: Attendance rates pre- and post-rental assistance



Another measure of attendance is chronic absenteeism. A student is considered chronically absent if they are absent for 10 percent or more school days or present for less than 90 percent of school days in a school year. Figure 8 shows the change in the percentage of students who were *not* chronically absent.

An increase in the percentage indicates an improvement in attendance. For homeless students statewide, the not-chronically-absent rate decreased by 5.4 percentage points—meaning that the number of chronically absent homeless students increased during the pilot period. However, for students in the pilot who were stably housed, their not-chronically-absent rate increased by 2.4 percentage points—a decrease in the number of chronically absent students. The rate for students in the pilot who were not stably housed increased by 7 percentage points, however it is hard to draw conclusions from this change because the overall number of these students was low (only 19 students).

Figure 8: Not chronically absent rates pre- and post-rental assistance



Experience of Families

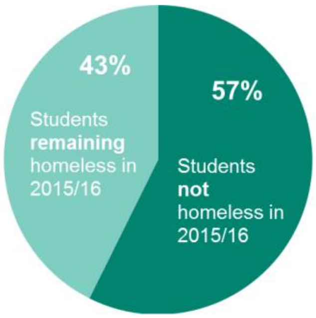
Program administrators also heard directly from families about the positive impact of the rental assistance.

- A NAZ parent shared that since participating in the pilot her children are no longer experiencing the behavioral issues they had the prior year and her daughter has been on the honor roll all year.
- Another NAZ family described that before receiving the rental subsidy they were told their son would have to move to a special education school as a result of behavioral problems. However, after stabilizing their housing, their seventh grade son is reading at a 10th grade level and was recently recognized as a talented and gifted student by the state.
- A dad from Clay County said that his two children with learning disabilities have shown great improvement at school since they moved into stably housing. And another Clay County parent has seen her three children's grades improve and an added benefit is that they can participate in extracurricular activities at school now that they have housing.

Conclusions

Data on the length of time students experience homeless show that many homeless families resolve their housing instability within a year, while other families struggle to achieve stable housing. Over half (57 percent) of the students statewide who were identified as homeless during the 2014-15 school year, were not homeless the following year (Figure 9). The remaining 43 percent were once again identified as homeless the following year.

Figure 9: Homeless status in the 2015-16 school year of students flagged as homeless in the 2014-15 school year
(n=6,593)



These results suggest that assessing needs and providing tiered assistance may be the most effective strategy for serving students experiencing homelessness.

- Families that are likely to resolve their housing instability with a small amount of support should receive short-term assistance, similar to what is provided under Minnesota Housing's Family Homeless Prevention and Assistance Program (FHPAP). This will prevent homelessness for these families or minimize how long it lasts.

- Families that need longer-term assistance but do not need additional supports would benefit from longer-term rent assistance.

- Families that struggle with housing stability even with rent assistance would likely benefit from supportive housing (i.e., housing with services), particularly those families who have an adult or child with a disability.

Rental assistance successfully helped families achieve stable housing. Ninety percent of students with a known housing status were stably housed during the pilot. In addition, students achieving housing stability through rental assistance had stable and better attendance than all homeless students statewide. These findings indicate that rental assistance was an important factor in helping students stabilize their school attendance after experiencing housing instability.

Assessing changes in school performance is more difficult. To see the smaller and more incremental improvements that we would expect from housing stability, we would need to track students over a longer period of time or collect data that would capture student academic growth and do so more frequently than the Minnesota Comprehensive Assessments (MCA), the statewide assessment tool. Some schools conduct such assessments, which could help for future evaluation efforts, if available.

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Homework Starts with Home Executive Summary

This Grand Challenge (GC) project aims to foster just and equitable communities by establishing a transformational research partnership focused on ending student homelessness and its consequences for individuals, families, communities, and society. This proposal builds on an extraordinary opportunity to align University expertise with an interagency State initiative on homelessness, engaging government agencies, schools, and nonprofits across Minnesota, with the support of a philanthropic funding collaborative, collectively aiming to eliminate the threat of homelessness to educational success and human capital development in children and youth. We propose to add a program of research to an important State program called "Homework Starts with Home" (HSH). The State recently appropriated $2 million in new funding to implement rental assistance plus services to stabilize families as a strategy for addressing student homelessness. This investment was justified by a pilot study allocating rental assistance to three recipient agencies: Northside Achievement Zone in north Minneapolis, Saint Paul Promise Neighborhood, and Clay County HRA. Pilot results indicated residential stability achieved for 90% of families and improved attendance of their students. Building on this success, the Heading Home Minnesota Funders Collaborative has set the HSH initiative as its key priority.

Homelessness among children and youth is a complex but tractable challenge requiring integrated system approaches. Student homelessness is linked to poor outcomes across many domains, including achievement, behavior, mental and physical health, and future prospects. It is a marker of poverty, oppression and marginalization related to race and sexual orientation, housing discrimination, incarceration, foster care, trauma, and other adverse childhood experiences (ACEs) that threaten positive development. The U.S. Department of Education reported 1.2 million homeless students in recent data and rising rates. Minnesota numbers show an average annual increase of 15% for a decade, with over 9,500 students enrolled in over 1,200 schools meeting Federal criteria of homelessness in 2016. Black/African and American Indian students are highly over-represented among students identified in Minnesota.

We propose to establish a model state-university-school-community research partnership to integrate, build, and disseminate high quality evidence to solve the State and national challenge of student homelessness. We propose to carry out a signature research project designed collaboratively to evaluate the Homework Starts with Home initiative, including three components: (1) qualitative studies; (2) graduate student projects using data integrated through Minn-LInK, and (3) a Sequential Multiple Assignment Randomized Trial ("SMART") that tests the feasibility of tailoring interventions for families in the HSH program based on progress indicators (stability and education) to achieve better, cost-effective outcomes for parents and students. Additionally, we will develop a curriculum for training researchers and practitioners on best evidence for assessment, research, and interventions for families and students experiencing homelessness; train graduate and undergraduate students on this research domain; foster skills of all involved for translational research to solve complex issues of equity that are threatening the future of our society; apply for grants to continue the work; and disseminate our findings and lessons learned. Through this GC research program and integrative processes, we aim to elevate the capacity and prominence of the University and Minnesota as a leader in solutions to the grand challenge of family and student homelessness that threatens human capital here and across the nation.

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MINNESOTA HOUSING

Board Agenda Item: 7.D
Date: 12/21/2017

Item: Loan Modification, Preservation Affordable Rental Investment Fund (PARIF)
- Jordan Towers II, Red Wing, D1194

Staff Contact(s):
Paul Marzynski, 651.297.3797, paul.marzynski@state.mn.us

Request Type: Select from one column only. Resolutions always require a motion.

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

Summary of Request:
Agency staff requests the adoption of a resolution authorizing a modification to increase the loan amount and term of the Preservation Affordable Rental Investment Fund (PARIF) loan, in an amount up to $2,481,000 with a term of 30 years.

Fiscal Impact:
The PARIF loan will be funded from state appropriations and will not have any fiscal impact on the Agency's financial condition.

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

Attachment(s):
- Background
- Resolution

Background:

At its August 25, 2016 meeting, the Minnesota Housing Board approved a loan commitment for Jordan Towers II under the PARIF program in the amount of $731,000 to partially fund a $3,731,000 renovation project. The loan closed in June 2017 and construction is in progress.

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

DESCRIPTION:	Original Closing (6/19/17)	Additional Critical Repairs (12/21/17)	VARIANCE
Total Development Cost (TDC)	$ 3,911,024	$ 5,911,024	$ 2,000,000
Gross Construction Cost	$ 3,554,370	$ 5,364,426	$ 1,810,056
Agency Sources			
HOME Loan	$ 3,000,000	$ 3,000,000	$ 0
PARIF Loan	$ 731,000	$ 2,481,000	$ 1,750,000
Total Agency Sources	$ 3,731,000	$ 5,481,000	$ 1,750,000
Non-Agency Sources			
Red Wing HRA Unrestricted Reserves	$ 180,024	$ 430,024	$ 250,000
Total Non-Agency Sources	$ 180,024	$ 430,024	$ 250,000

After the renovation had begun at Jordan Tower II, several critical physical conditions were discovered concerning the structural integrity of the building.

The structural floor system in place on all of the floors of the eight story building at Jordan Towers II is Post-Tensioned concrete slabs. During the renovation, several subgrade first floor Post-Tension anchor pockets were found unsealed showing severe corrosion of the anchor pockets and the complete failure of a few Post-Tension cables, which may compromise the structural integrity and safety of the first floor. Unsealing several additional anchor pockets for examination revealed that many had signs of extensive corrosion and pockets with moss growth around the seals indicated the anchor pockets may have corrosion. According to the inspecting engineer, due to the high stress loads put on the Post-Tension cables, no amount of corrosion is acceptable and additional repair work is critical. Repair work will repair damaged cables, address corrosion at anchor pockets, and reseal the anchor pockets.

During the replacement of the first roof, the roof decking underlayment and insulation were found to be damaged and need to be replaced. The original renovation budget included new roofs, but not the cost of new roof decking and insulation. The second roof is scheduled be replaced this spring and it is anticipated that the roof decking and insulation is damaged. It will also need to be replaced in order to receive the 30-year warranty for the new roof. If the roof decking and insulation is fine and do not need to be replaced, the PARIF loan will be reduced by the amount of the cost savings.

These critical repairs are necessary to preserve the safety and structural viability of Jordan Towers II for the next several decades.

The proposed modification increases the PARIF loan commitment from $731,000 to $2,481,000. Deferred loan funding modifications that equal or exceed 15% of the originally committed loan amount require board approval.

Non-Agency Sources

The Red Wing HRA board has approved the contribution of its reserves of $250,000 for the additional project repairs bringing the HRA's total contribution to the project of $430,000.

Agenda Item: 7.D
Resolution

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 17-
Modifying Resolution No. MHFA 16-036

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

WHEREAS, the Board has previously authorized the loan commitment for the Jordan Towers II, (D1194) by MHFA Resolution No. 16-036; and

WHEREAS, the development continues to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations, and policies; and,

WHEREAS, Agency staff have determined that there are increased development costs created by the discovery of critical structural repairs.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby increases the funding commitment and loan term for the development noted below subject to the following conditions:

1. The amount of the Preservation Affordable Rental Investment Fund (PARIF) funding commitment for the development shall be increased from $731,000 up to $2,481,000; and
2. The PARIF loan term shall be increased from 15 years to 30 years, and;
3. All other terms and conditions of MHFA Resolution No. 16-036 remain in effect.

Adopted this 21st day of December 2017.

____
CHAIRMAN

Board Agenda Item: 7.E
Date: 12/21/2017

Item: Loan Modification, Economic Development and Housing Challenge (EDHC) loan
- New Vision, Minneapolis D7746

Staff Contact(s):
Caryn Polito, 651.297.3123, caryn.polito@state.mn.us

Request Type: Select from one column only. Resolutions always require a motion.

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

Summary of Request:
Staff requests the adoption of a resolution authorizing a modification to increase the Economic Development and Housing Challenge program (EDHC) loan commitment by an amount up to $220,000.

Fiscal Impact:
Funding for this loan falls within the approved budget and is consistent with the 2018 Affordable Housing Plan (AHP).

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

Background:
At its October 19, 2016 meeting, the Minnesota Housing board approved a loan commitment for this development (then known as Indian Neighborhood Club Expansion) under the EDHC program in the amount of $334,220. The following summarizes the changes in the proposal since that time:

DESCRIPTION	2016		2017		VARIANCE	
Total Development Cost (TDC)	$ 1,992,105		$ 2,460,105		$ 468,000	
Gross Construction Cost	$ 1,526,729		$ 2,006,240		$ 479,511	
Agency Sources						
Minnesota Housing EDHC	$ 334,220		$ 554,220		$ 220,000	
Total Agency Sources	**$ 334,220**		**$ 554,220**		**$ 220,000**	
Non-Agency Sources						
Federal Home Loan Bank	$ 500,000		$ 500,000		$ 0	
Met Council LHIA	$ 300,000		$ 300,000		$ 0	
Minneapolis AHTF	$ 241,900		$ *441,800		$ 199,900	
Hennepin County	$ 558,755		$ 558,755		$ 0	
Shakopee Mdewakanton Sioux Community	$ 25,000		$ 50,000		$ 25,000	
Open Your Heart	$ 0		$ 10,000		$ 10,000	
Ayco Charitable Foundation	$ 3,000		$ 3,000		$ 0	
Sales Tax Rebate	$ 29,230		$ 35,823		$ 6,593	
Deferred Developer Fee	$ 0		$ 6,507		$ 6,507	
Total Non-Agency Sources	**$ 1,657,885**		**$ 1,905,885**		**$ 248,000**	
Gross Rents:						
Unit Type	**# of units**	**Rent**	**# of units**	**Rent**	**# of units**	**Rent**
0 BR / SRO	20	$500	16	$ 500	-4	0
0 BR / SRO			4	$ 400	**4**	**($100)**
Total Number of Units	**20**		**20**		**0**	

*The funding modification must be approved by the Minneapolis City Council at their next council meeting, which will occur in January 2018.

Factors Contributing to Variances:

Costs

- TDC has increased because construction pricing increased by 31 percent. The Agency staff architect has reviewed the final bids and proof of multiple subcontractor bids.
- Prior to obtaining final bids, the development team value engineered the project to reduce costs.

- TDC is 31 percent below the predictive cost model. Predicted TDC per unit are $178,581. Actual TDC per unit are $123,005. The project is very cost effective.

Agency Sources

- The request for additional EDHC funds is 66 percent of the original funding award.
- The request is 35 percent of the total RFP funding award, which also included $300,000 in Met Council Local Housing Incentive Account (LHIA) funds.

Non-agency Sources

- Due to its small size, this project does not utilize tax credits. The developer fee (excluding consultant fees) is minimal at $60,000; it is not feasible to defer more developer fee with this project.
- The city of Minneapolis staff will recommend approval of a funding modification for an additional $199,900. This request will be voted on by the new Minneapolis City Council in January 2018.
- Shakopee Mdewakanton Sioux Community committed to increasing its funding award by $25,000.
- The developer secured a new grant of $10,000 from Open Your Heart and increased the amount of the sales tax rebate.

Gross Rents, Unit Types and Population Served

There isn't any change in the number of units, unit sizes, long-term homeless units or population served.

Rents on four of the units decreased since selection to $400. The Agency asset manager has approved this change. This change is not contributing to the funding gap since there isn't a first mortgage.

Agenda Item: 7.E
Resolution

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 17-
Modifying Resolution No. MHFA 16-043

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
ECONOMIC DEVELOPMENT AND HOUSING CHALLENGE (EDHC) PROGRAM

WHEREAS, the Minnesota Housing board has previously authorized the loan commitment for 1. New Vision – (D7746) d by MHFA Resolution No. 16-043; and

WHEREAS, the development continues to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations, and policies; and,

WHEREAS, Agency staff have determined that there are increased development costs created by increased construction costs.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Minnesota Housing Board hereby increases the funding commitment for the development, subject to the following conditions:

The amount of the Economic Development and Housing Challenge (EDHC) funding commitment may be increased from $334,220 up to $554,220; and

1. All other terms and conditions of the MHFA Resolution No. 16-043 remain in effect.

Adopted this 21st day of December 2017

____
CHAIRMAN

MINNESOTA HOUSING

Board Agenda Item: 7.F
Date: 12/21/2017

Item: Approval, Selection of firms to serve on the Agency's Investment Banking/Underwriting Team for the years 2018 – 2021; selection of a firm to serve as a member of any Selling Group for the years 2018 - 2021.

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 requests approval of appointing: 1) RBC Capital Markets as senior manager of the Agency's investment banking team; 2) Wells Fargo, Piper Jaffray, and JP Morgan as co-managers of the Agency's investment banking team, and 3) Morgan Stanley as a member of any selling group for the Agency. Each of these selections will cover the period from 2018 through 2021.

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

Background:

As outlined in the Debt Management Policy, every four years the Agency selects a group of firms to serve as our investment banking/underwriting team. Of the firms selected for the team, traditionally the Agency also has designated a single firm to serve as our senior manager for our financings. Because these selections are appointments, (i.e., no contract is entered into that evidences these selections), the Agency has the right at any time during the duration of the appointments to make any changes it desires in the composition of the investment banking team. However, absent extenuating circumstances, the Agency intends to keep the selected team in place for the four year duration of the appointment.

In November, the Agency released an RFP soliciting interest from firms interested in serving on the Agency's investment banking team for the period 2018-2021. Twelve firms responded to the RFP:

- Bank of America/Merrill Lynch (BaML)
- Drexel Hamilton
- Fidelity Capital Markets
- FTN Financial
- George K. Baum
- JP Morgan
- Piper Jaffray
- Raymond James
- RBC Capital Markets (RBC)
- Siebert Cisneros Shank
- Stifel
- Wells Fargo

Based upon a review of the responses to this RFP by the Agency's financial advisor and the Agency's CFO, five firms (BaML, JP Morgan, Piper Jaffray, RBC and Wells Fargo) were invited to interview for a position on the investment banking team. Those interviews were held on December 15, 2017. The interview panel included Board member Craig Klausing, as well as Ramona Advani (representing State Auditor Otto). Agency representatives on the interview panel included Commissioner Tingerthal, CFO Kevin Carpenter, Terry Schwartz and Matt Dieveney. The Agency's financial advisor, Gene Slater from CSG Advisors, also participated in the interviews.

As a result of this RFP and interview process, the members of the interview panel are recommending that the board select RBC as senior manager of the investment banking/underwriting team, and appoint JP Morgan, Piper Jaffray and Wells Fargo as co-managers on the team.

While not a matter to be decided as part of this selection process for the investment banking/underwriting team, it is the Agency's intent to identify which co-managers, if any, will serve as co-managers for each of the Agency's current financing resolutions; that is Homeownership Finance Bonds (HFB), Residential Housing Finance Bonds (RHFB), Rental Housing Bonds (RHB) and Housing Infrastructure Bonds (HIB). It is likely that not all co-managers will be asked to participate as co-managers for each resolution.

At the same time as the Agency issued its RFP for investment banking/underwriting services, the Agency also solicited responses from firms that were interesting only in serving the Agency as a selling group member. Morgan Stanley was the only firm that responded to this solicitation. Based on a review of their response, staff recommends appointing Morgan Stanley as a member of the selling group for any transaction the Agency determines warrants a selling group. On a transaction by transaction basis, the Agency also retains the right to appoint additional firms to serve as members of any selling group used in the underwriting for any of the Agency's financings.

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MINNESOTA HOUSING

Board Agenda Item: 8.A
Date: 12/21/2017

Item: **1st Quarter FY2018 Financial results**

Staff Contact(s):
Kevin Carpenter. 297-2009, Kevin.Carpenter@state.mn.us
Terry Schwartz, 651-296-2404,Terry.Schwartz@state.mn.us
Debbi Larson, 651-296-8183, Debbi.Larson@state.mn.us

Request Type:

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

Summary of Request:
Staff will discuss 1st quarter fiscal year 2018 financial results. We have developed a new financial reporting package and dashboard and want to present and discuss the new package in order to enhance the Board's understanding and knowledge of the Agency's financial picture.

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):
- Financial Dashboard
- Selected Financial Statements
- 1st Quarter Fiscal Year 2018 Operating Results, Noteworthy Items

MINNESOTA HOUSING

BALANCE SHEET
Quarterly Financial Dashboard - Selected Reporting
As of September 30, 2017 - ($ million)

	Quarter End	Prior Quarter End	Change from Prior Quarter	Year Ago	Change From Year Ago
CONSOLIDATED					
Total Assets	**3,656.6**	**3,509.7**	**146.9**	**3,631.9**	**24.7**
Loans, net	1,050.1	1,071.1	(21.0)	1,180.1	(130.0)
Other investments and cash	709.6	706.2	3.4	752.5	(42.9)
Total Liabilities	**2,648.4**	**2,566.1**	**82.3**	**2,485.9**	**162.5**
Net Position					
restricted by Resolution	376.2	360.4	15.8	393.3	(17.1)
restricted by Covenant	472.4	471.7	0.7	478.8	(6.4)
restricted by Law	193.8	146.7	47.1	185.9	7.9
other	3.3	3.8	(0.5)	2.5	0.8
Total Net Position	**1,045.7**	**982.7**	**63.0**	**1,060.5**	**(14.8)**
CONSOLIDATED EXCLUDING APPROPRIATED					
Total Assets	**3,453.1**	**3,347.2**	**105.9**	**3,301.1**	**152.0**
Net Position	**851.9**	**835.9**	**16.0**	**874.6**	**(22.7)**
SUSTAINABLE CORE					
Total Assets	**3,357.7**	**3,253.9**	**103.8**	**3,213.4**	**144.3**
Program Securities	1,876.5	1,710.7	165.8	1,576.3	300.2
Loans, net	954.2	979.8	(25.6)	1,094.1	(139.9)
Other investments & cash	507.6	543.5	(35.9)	521.0	(13.4)
Total Liabilities	**2,651.6**	**2,564.2**	**87.4**	**2,442.6**	**209.0**
Bonds payable, net	2,465.5	2,369.5	96.0	2,304.0	161.5
Net Position	**743.6**	**728.8**	**14.8**	**760.8**	**(17.2)**

MINNESOTA HOUSING

STATEMENT OF OPERATIONS
Quarterly Financial Dashboard - Selected Reporting
As of September 30, 2017 - ($ million)

	This Quarter	Prior Quarter	Change from Prior Quarter	FYTD	Last Year FYTD	Change
CONSOLIDATED						
Revenues	166.2	94.6	71.6	166.2	154.9	11.3
Expenses	102.7	114.7	(12.0)	102.7	92.8	9.9
Net ****	**63.5**	**-20.1**	**83.6**	**63.5**	**62.1**	**1.4**
SUSTAINABLE CORE						
Interest revenue	29.5	29.2	0.3	29.5	29.2	0.3
Other revenue	9.6	9.1	0.5	9.6	9.7	-0.1
Unrealized gain (loss)	10.5	5.8	4.7	10.5	6.5	4
TOTAL REVENUE *	**49.6**	**44.1**	**5.5**	**49.6**	**45.4**	**4.2**
Interest Expense	14.3	17.4	(3.1)	14.3	16.8	-2.5
Operating Expenses(1)	6.4	22.9	(16.5)	6.4	6.0	0.4
Other Expenses	11.1	9.0	2.1	11.1	9.4	1.7
TOTAL EXPENSE **	**31.8**	**49.3**	**(17.5)**	**31.8**	**32.2**	**-0.4**
Revenue over Expense ***	**17.8**	**-5.2**	**23.0**	**17.8**	**13.2**	**4.6**
Net Interest Income	**15.2**	**11.8**	**3.4**	**15.2**	**12.4**	**2.8**
Net Interest Margin (2)	0.46%	0.36%		0.46%		

(1) Salaries, benefits and other general operating
(2) Net Interest Income/Average assets for period

* Revenues remain constant over all, Sf loans in run off, MBS increasing, Rates up slightly.
** Slight Increase, we continue to redeem bonds when appropriate, costs remain constant.
*** Increase due to one-time annual pension adjustment
**** Appropriation receipts all occur in 1st Quarter each year,

Minnesota Housing Finance Agency
Fund Financial Statements
Statement of Net Position (in thousands) - UNAUDITED
Proprietary Funds
As of September 30, 2017 (with comparative totals as of September 30, 2016)

	General Reserve	Bond Funds: Rental Housing	Bond Funds: Residential Housing Finance	Bond Funds: Homeownership Finance Bonds	Bond Funds: Multifamily Housing Bonds	Bond Funds: HOMES^{SM}	Appropriated Funds: State Appro-priated	Appropriated Funds: Federal Appro-priated	Total as of September 30, 2017	Total as of September 30, 2016
Assets										
Cash and cash equivalents	71,035	$ 53,016	$ 168,100	$ 39,370	$ 1,420	$ -	$ 122,658	$ 5,026	$ 460,625	$ 511,858
Investments-program mortgage-backed securities	-	-	564,038	1,312,427	-	-	-	-	1,876,465	1,576,251
Investment securities-other	19,953	1,965	173,846	-	-	20,672	28,020	4,550	249,006	240,648
Loans receivable, net	-	130,859	862,645	-	14,083	-	42,528	-	1,050,115	1,180,136
Interest receivable on loans and program mortgage-backed securities	-	578	6,097	3,916	51	-	31	-	10,673	10,760
Interest receivable on investments	114	53	713	20	1	53	192	13	1,159	1,019
FHA/VA insurance claims, net	-	-	1,446	-	-	-	-	-	1,446	2,697
Real estate owned, net	-	-	1,680	-	-	-	-	-	1,680	3,795
Capital assets, net	3,306	-	-	-	-	-	-	-	3,306	2,485
Other assets	1,486	25	80	22	-	-	212	293	2,118	2,292
Total assets	95,894	186,496	1,778,645	1,355,755	15,555	20,725	193,641	9,882	3,656,593	3,531,941
Deferred Outflows of Resources										
Deferred loss on refunding	-	-	124	-	-	-	-	-	124	184
Deferred loss on interest rate swap agreements	-	-	4,927	-	-	-	-	-	4,927	11,137
Deferred pension expense	53,275	-	-	-	-	-	-	-	53,275	2,980
Total deferred outflows of resources	53,275	-	5,051	-	-	-	-	-	58,326	14,301
Total assets and deferred outflows of resources	$ 149,169	$ 186,496	$ 1,783,696	$ 1,355,755	$ 15,555	$ 20,725	$ 193,641	$ 9,882	$ 3,714,919	$ 3,546,242
Liabilities										
Bonds payable, net	$ -	$ 42,185	$ 1,107,702	$ 1,281,556	$ 13,900	$ 20,206	$ -	$ -	$ 2,465,549	$ 2,304,040
Interest payable	-	197	8,700	3,927	35	53	-	-	12,912	13,896
Interest rate swap agreements	-	-	4,927	-	-	-	-	-	4,927	11,137
Net pension liability	76,077	-	-	-	-	-	-	-	76,077	8,979
Accounts payable and other liabilities	4,933	5,173	855	111	-	-	39	-	11,111	11,242
Interfund payable (receivable)	(18,979)	-	17,951	-	-	-	1,908	(880)	-	-
Funds held for others	68,661	-	-	-	-	466	8,698	2	77,827	112,179
Total liabilities	130,692	47,555	1,140,135	1,285,594	13,935	20,725	10,645	(878)	2,648,403	2,461,473
Deferred Inflows of Resources										
Deferred gain on interest rate swap agreements	-	-	-	-	-	-	-	-	-	-
Deferred revenue-service release fee	-	-	9,587	5,647	-	-	-	-	15,234	12,919
Deferred pension credit	5,554	-	-	-	-	-	-	-	5,554	11,327
Total deferred inflows of resources	5,554	-	9,587	5,647	-	-	-	-	20,788	24,246
Total liabilities and deferred inflows of resources	$ 136,246	$ 47,555	$ 1,149,722	$ 1,291,241	$ 13,935	$ 20,725	$ 10,645	$ (878)	$ 2,669,191	$ 2,485,719
Commitments and contingencies										
Net Position										
Restricted by bond resolution	-	138,941	171,160	64,514	1,620	-	-	-	376,235	393,293
Restricted by covenant	9,617	-	462,814	-	-	-	-	-	472,431	478,824
Restricted by law	-	-	-	-	-	-	182,996	10,760	193,756	185,921
Invested in capital assets	3,306	-	-	-	-	-	-	-	3,306	2,485
Total net position	12,923	138,941	633,974	64,514	1,620	-	182,996	10,760	1,045,728	1,060,523
Total liabilities, deferred inflows of resources, and net position	$ 149,169	$ 186,496	$ 1,783,696	$ 1,355,755	$ 15,555	$ 20,725	$ 193,641	$ 9,882	$ 3,714,919	$ 3,546,242
	-	-	-	-	-	-	-	-	-	-

This information on the funds of the Agency for the three- month period ended September 30, 2017 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the three-month period ended September 30, 2017 , subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2017 and for the fiscal year then ended.

See accompanying notes to financial statements.

Minnesota Housing Finance Agency
Fund Financial Statements
Statement of Revenues, Expenses and Changes in Net Position (in thousands) - UNAUDITED
Proprietary Funds
Three Month Ended September 30, 2017 (with comparative totals for Three Month Ended September 30, 2016)

	General Reserve	Rental Housing (Bond Funds)	Residential Housing Finance (Bond Funds)	Homeownership Finance Bonds (Bond Funds)	Multifamily Housing Bonds (Bond Funds)	HOMES℠ (Bond Funds)	State Appropriated (Appropriated Funds)	Federal Appropriated (Appropriated Funds)	Total for the Three Month Ended September 30, 2017	Total for the Three Month Ended September 30, 2016
Revenues										
Interest earned on loans	$ -	$ 1,729	$ 11,413	$ -	$ 155	$ -	$ 219	$ -	$ 13,516	$ 15,775
Interest earned on investments-program mortgage-backed securities	-	-	3,789	9,781	-	-	-	-	13,570	11,662
Interest earned on investments-other	79	121	2,343	57	3	160	523	31	3,317	2,403
Net G/L on Sale of MBS Held for Sale/HOMES℠ Certificates	-	-	508	-	-	-	-	-	508	1,045
Appropriations received	-	-	-	-	-	-	65,133	49,505	114,638	109,076
Administrative reimbursement	6,018	-	-	-	-	-	-	-	6,018	5,661
Fees earned and other income	2,452	55	412	199	-	-	1,081	-	4,199	3,041
Unrealized gains (losses) on investments	-	2	7,308	3,225	-	-	(60)	(2)	10,473	6,240
Total revenues	8,549	1,907	25,773	13,262	158	160	66,896	49,534	166,239	154,903
Expenses										
Interest	-	293	5,451	8,370	104	160	-	-	14,378	16,757
Financing, net	-	-	2,517	2,105	-	-	-	-	4,622	4,369
Loan administration and trustee fees	-	9	733	117	1	-	21	-	881	1,020
Administrative reimbursement	-	274	3,078	1,804	24	-	524	-	5,704	5,656
Salaries and benefits	6,383	-	-	-	-	-	-	-	6,383	6,196
Other general operating	16	2	661	15	-	-	43	-	737	1,003
Appropriations disbursed	-	-	-	-	-	-	12,806	49,196	62,002	60,002
Reduction in carrying value of certain low interest	-	-	-	-	-	-	-	-	-	-
rate deferred loans	-	-	947	-	-	-	5,973	-	6,920	(1,463)
Provision for loan losses	-	(74)	775	-	-	-	340	-	1,041	(789)
Total expenses	6,399	504	14,162	12,411	129	160	19,707	49,196	102,668	92,751
Revenues over (under) expenses	2,150	1,403	11,611	851	29	-	47,189	338	63,571	62,152
Other changes										
Non-operating transfer of assets between funds & Adj.	(2,943)	14	(5,250)	8,179	-	-		-	-	-
Change in net position	(793)	1,417	6,361	9,030	29	-	47,189	338	63,571	62,152
Net Position										
Total net position, beginning of period	13,716	137,524	627,613	55,484	1,591	-	135,807	10,422	982,157	998,371
Total net position, end of period	$ 12,923	$ 138,941	$633,974	$ 64,514	$ 1,620	$ -	$ 182,996	$ 10,760	$ 1,045,728	$ 1,060,523

This information on the funds of the Agency for the three-month period ended September 30, 2017 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the three-month period ended September 30, 2017, subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2017 and for the fiscal year then ended.

Total net position, beginning of period adjusted to GASB 68.

See accompanying notes to financial statements.

Minnesota Housing Finance Agency
Supplementary Information(Unaudited)
Statement of Net Position (in thousands)
General Reserve & Bond Funds
As of September 30, 2017 (with comparative totals for September 30, 2016)

		Bond Funds						General Reserve & Bond Funds Excluding Pool 3	General Reserve & Bond Funds Excluding Pool 3	Residential Housing Finance Pool 3	General Reserve & Bond Funds	General Reserve & Bond Funds
			Residential Housing Finance									
	General Reserve	Rental Housing	Bonds	Pool 2	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES[SM]	Total As Of September 30, 2017	Total As Of September 30, 2016	Total As Of September 30, 2017	Total As Of September 30, 2017	Total As Of September 30, 2016
Assets												
Cash and cash equivalents	$ 71,035	$ 53,016	133,257	$ 25,195	$ 39,370	$ 1,420	$ -	$ 323,293	$ 351,032	$ 9,648	$ 332,941	$ 357,317
Investments-program mortgage-backed securities	-	-	564,038	-	1,312,427	-	-	1,876,465	1,576,251	-	1,876,465	1,576,251
Investment securities-other	19,953	1,965	23,522	118,188	-	-	20,672	184,300	169,963	32,136	216,436	207,767
Loans receivable, net	-	130,859	523,228	285,985	-	14,083	-	954,155	1,094,069	53,432	1,007,587	1,137,548
Interest receivable on loans and program mortgage-backed securities	-	578	4,678	1,353	3,916	51	-	10,576	10,638	66	10,642	10,719
Interest receivable on investments	114	53	279	358	20	1	53	878	756	76	954	860
FHA/VA insurance claims, net	-	-	1,446	-	-	-	-	1,446	2,697	-	1,446	2,697
Real estate owned, net	-	-	1,560	120	-	-	-	1,680	3,795	-	1,680	3,795
Capital assets, net	3,306	-	-	-	-	-	-	3,306	2,485	-	3,306	2,485
Other assets	1,486	25	34	45	22	-	-	1,612	1,680	1	1,613	1,681
Total assets	95,894	186,496	1,252,042	431,244	1,355,755	15,555	20,725	3,357,711	3,213,366	95,359	3,453,070	3,301,120
Deferred Outflows of Resources												
Deferred loss on refunding	-	-	124	-	-	-	-	124	184	-	124	184
Deferred loss on interest rate swap agreements	-	-	4,927	-	-	-	-	4,927	11,137	-	4,927	11,137
Deferred pension expense	53,275	-	-	-	-	-	-	53,275	2,980	-	53,275	2,980
Total deferred outflows of resources	53,275	-	5,051	-	-	-	-	58,326	14,301	-	58,326	14,301
Total assets and deferred outflows of resources	$ 149,169	$ 186,496	$ 1,257,093	$ 431,244	$ 1,355,755	$ 15,555	$ 20,725	$ 3,416,037	$ 3,227,667	$ 95,359	$ 3,511,396	$ 3,315,421
Liabilities												
Bonds payable, net	$ -	$ 42,185	$ 1,069,097	$ 38,605	$ 1,281,556	$ 13,900	$ 20,206	$ 2,465,549	$ 2,304,040	$ -	$ 2,465,549	$ 2,304,040
Interest payable	-	197	8,680	20	3,927	35	53	12,912	13,896	-	12,912	13,896
Interest rate swap agreements	-	-	4,927	-	-	-	-	4,927	11,137	-	4,927	11,137
Net pension liability	76,077	-	-	-	-	-	-	76,077	8,979	-	76,077	8,979
Accounts payable and other liabilities	4,933	5,173	591	218	111	-	-	11,026	11,180	46	11,072	11,242
Interfund payable (receivable)	(18,979)	-	-	31,000	-	-	-	12,021	25,129	(13,049)	(1,028)	(987)
Funds held for others	68,661	-	-	-	-	-	466	69,127	68,266	-	69,127	68,266
Total liabilities	130,692	47,555	1,083,295	69,843	1,285,594	13,935	20,725	2,651,639	2,442,627	(13,003)	2,638,636	2,416,573
Deferred Inflows of Resources												
Deferred gain on interest rate swap agreements	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue-service release fee	-	-	2,638	6,949	5,647	-	-	15,234	12,919	-	15,234	12,919
Deferred pension credit	5,554	-	-	-	-	-	-	5,554	11,327	-	5,554	11,327
Total deferred inflows of resources	5,554	-	2,638	6,949	5,647	-	-	20,788	24,246	-	20,788	24,246
Total liabilities and deferred inflows of resources	$ 136,246	$ 47,555	$ 1,085,933	$ 76,792	$ 1,291,241	$ 13,935	$ 20,725	$ 2,672,427	$ 2,466,873	$ (13,003)	$ 2,659,424	$ 2,440,819
Commitments and contingencies												
Net Position												
Restricted by bond resolution	-	138,941	171,160	-	64,514	1,620	-	376,235	393,293	-	376,235	393,293
Restricted by covenant	9,617	-	-	354,452	-	-	-	364,069	365,016	108,362	472,431	478,824
Restricted by law	-	-	-	-	-	-	-	-	-	-	-	-
Invested in capital assets	3,306	-	-	-	-	-	-	3,306	2,485	-	3,306	2,485
Total net position	12,923	138,941	171,160	354,452	64,514	1,620	-	743,610	760,794	108,362	851,972	874,602
Total liabilities, deferred inflows, and net position	$ 149,169	$ 186,496	$ 1,257,093	$ 431,244	$ 1,355,755	$ 15,555	$ 20,725	$ 3,416,037	$ 3,227,667	$ 95,359	$ 3,511,396	$ 3,315,421

This information on the funds of the Agency for the three-month period ended September 30, 2017 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the three-month period ended September 30, 2017, subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2017 and for the fiscal year then ended.

Minnesota Housing Finance Agency
Supplementary Information (Unaudited)
Statement of Revenues, Expenses and Changes in Net Position (in thousands)
General Reserve & Bond Funds
Three Months Ended September 30, 2017 (with comparative totals for the three months ended September 30, 2016)

	General Reserve	Bond Funds: Rental Housing	Bond Funds: Residential Housing Finance: Bonds	Bond Funds: Residential Housing Finance: Pool 2	Bond Funds: Homeownership Finance Bonds	Bond Funds: Multifamily Housing Bonds	Bond Funds: HOMES℠	General Reserve & Bond Funds Excluding Pool 3 Total for Three Month Ended September 30, 2017	General Reserve & Bond Funds Excluding Pool 3 Total for Three Month Ended September 30, 2016	Residential Housing Finance Pool 3 Total for Three Month Ended September 30, 2017	General Reserve & Bond Funds Total for Three Month Ended September 30, 2017	General Reserve & Bond Funds Total for Three Month Ended September 30, 2016
Revenues												
Interest earned on loans	$ -	1,729	$ 7,273	$ 4,100	$ -	$ 155	$ -	$ 13,257	$ 15,637	$ 40	13,297	$ 15,665
Interest earned on investments-program mortgage-backed securities	-	-	3,789	-	9,781	-	-	13,570	11,662	-	13,570	11,662
Interest earned on investments-other	79	121	466	1,681	57	3	160	2,567	1,800	196	2,763	2,005
Net G/L on Sale of MBS Held for Sale/HOMES℠ Certificate	-	-	-	508	-	-	-	508	1,045	-	508	1,045
Appropriations received	-	-	-	-	-	-	-	-	-	-	-	-
Administrative reimbursement	6,018	-	-	-	-	-	-	6,018	5,661	-	6,018	5,661
Fees earned and other income	2,452	55	109	278	199	-	-	3,093	3,041	25	3,118	3,041
Unrealized gains (losses) on Investments	-	2	1,952	5,398	3,225	-	-	10,577	6,548	(42)	10,535	6,403
Total revenues	8,549	1,907	13,589	11,965	13,262	158	160	49,590	45,394	219	49,809	45,482
Expenses												
Interest	-	293	5,103	348	8,370	104	160	14,378	16,757	-	14,378	16,757
Financing, net	-	-	2,514	3	2,105	-	-	4,622	4,369	-	4,622	4,369
Loan administration and trustee fees	-	9	471	259	117	1	-	857	970	3	860	973
Administrative reimbursement	-	274	1,893	859	1,804	24	-	4,854	4,958	326	5,180	5,271
Salaries and benefits	6,383	-	-	-	-	-	-	6,383	6,196	-	6,383	6,196
Other general operating	16	2	16	45	15	-	-	94	(209)	600	694	870
Appropriations disbursed	-	-	-	-	-	-	-	-	-	-	-	-
Reduction in carrying value of certain low interest rate deferred loans	-	-	-	(21)	-	-	-	(21)	(3)	968	947	(287)
Provision for loan losses	-	(74)	633	87	-	-	-	646	(904)	55	701	(897)
Total expenses	6,399	504	10,630	1,580	12,411	129	160	31,813	32,134	1,952	33,765	33,252
	2,150	1,403	2,959	10,385	851	29	-	17,777	13,260	(1,733)	16,044	12,230
Other changes												
Non-operating transfer of assets between funds	(2,943)	14	2,417	(7,667)	8,179	-	-	-	-	-	-	-
Change in net position	(793)	1,417	5,376	2,718	9,030	29	-	17,777	13,260	(1,733)	16,044	12,230
Net Position												
Total net position, beginning of period	13,716	137,524	165,784	351,734	55,484	1,591	-	725,833	747,534	110,095	835,928	862,372
Total net position, end of perioc	$ 12,923	$ 138,941	$ 171,160	$ 354,452	$ 64,514	$ 1,620	$ -	$ 743,610	$ 760,794	$ 108,362	$ 851,972	$ 874,602
	-	-			-	-	-			-		

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Total net position, beginning of period adjusted to GASB 68.

Minnesota Housing Finance Agency
FY 2018 1st Quarter Financial Results
Noteworthy Items

Operating Results - 9/30/17 compared to 9/30/16

Revenues remained constant during this period. The mix has changed.

- Interest income on loans is decreasing due to SF whole loan run off.
- Interest income on MBS is increasing as we add these assets to our balance sheet.
- Rates have ticked up slightly resulting in a slight increase in investment income-other.
- Other revenues remained constant.

Expenses increased slightly.

- Interest expense on bonds decreased due to our practice of redeeming bonds as soon as practical to reduce our of higher rate bonds.
- Financing expense remained constant.

Operational and other expenses remained constant. This combination has caused an increase in the Net Interest Margin of $2.8 million for the period compared to last year.

Operating Results – 9/30/17 compared to 6/30/2017

Revenue over Expense in the Sustainable Core increased for the current quarter, in large part because Operating Expenses for 6/30/17 included the one-time annual recognition of pension expense.

Revenues and Expenses in the Consolidated Section show a large fluctuation due to the receipt timing of the appropriations from the State. The majority of appropriations are received on July 1 of each year, and therefore the revenues for the 1st quarter are inflated in this presentation. The Expenses also show some fluctuation just due to when appropriated funds are requested by our partners. These disbursements are not cyclical.

Balance Sheet - 9/30/17 compared to 9/30/16

Single family whole loans continue to run off as all new production is securitized into Mortgage Backed Securities (MBS).

Our MBS portfolio continues to increase for the same reason noted above.

Bonds payable increased by $161.5 million due to strong net homeownership production.

Board Agenda Item: 9.A
Date: 12/21/2017

Item: Post-Sale Report, Homeownership Finance Bonds (HFB) 2017 IJ

Staff Contact(s):
Kevin Carpenter, 261.297.4009, kevin.carpenter@state.mn.us

Request Type:

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

Summary of Request:
The Agency sold $115,397,381 of Homeownership Finance Bonds on November 9, 2017 with a closing on November 22, 2017. In accordance with the Debt Management Policy the attached detailed post-sale report is provided by the Agency's financial advisor, CSG Advisors.

Fiscal Impact:
None.

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

Attachment(s):
- Post-Sale Report

Via Email Delivery

MEMORANDUM

Date:	**Nov. 20, 2017**
To:	**Minnesota Housing Finance Agency**
From:	**Gene Slater, Tim Rittenhouse, David Jones, Eric Olson**
Re:	**Post-Sale Report** **$115,397,881 Homeownership Finance Bonds (HFB)** **2017 Series I (Non-AMT) and J (Taxable)**

BOND CRITERIA

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

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

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

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

4. ***Provide at least a comparable expected level of return to selling MBS,*** at reasonably anticipated prepayment speeds.

5. ***Use bond volume cap as efficiently and sparingly as possible,*** so that the Agency can continue both its single-family and multi-family programs even though volume cap has become an increasingly scarce resource.

KEY RESULTS FOR MINNESOTA HOUSING

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

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

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

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

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

- ***Leveraging Limited Volume Cap.*** The issue was structured so that Minnesota Housing could finance $115.4 million of new mortgages on balance sheet *with approximately $36.4 million of volume cap.* To achieve this result, Minnesota Housing used $46.1 million of taxable bonds for Series H and recycled approximately $32.8 million of private activity bond authority from past issues. The Agency has been remarkably successful so far in 2017 in using *$129 million of volume cap to fund $545 million of new production.*

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

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

- ***Full Spread.*** On the overall issue, Minnesota Housing obtained a spread of about 1.11%, similar to what the IRS would allow as full spread on an all-tax-exempt issue.[1]

- ***Attractive Bond Yield.*** The bond rate was 2.8% on tax-exempt Series G and 3.10% on taxable Series H. These levels were approximately 40 basis points lower than if Minnesota Housing had used a traditionally structured fixed-rate issue.

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

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[1] Minnesota Housing could have achieved even higher total spread, by receiving the full 1.125% on tax-exempt Series I while still receiving 1.42% on taxable Series J, for a blended average of 1.24 %. This would have required another $2.7 million more of zero participations than was actually needed, however.

The break-even prepayment speed[2] was 156%, which is higher than the actual average prepayment speeds on similar loans in this indenture.[3]

The result is that, at expected prepayment speeds, Minnesota Housing will earn more from issuing 2017 I & J than from having directly sold the MBS.

The net present value to Minnesota Housing (after all hedging costs/gains and net service release premiums) is projected to be approximately $2.95 million at the break-even prepayment speed.

- ***Zero Participations.*** The issue required only $2.3 million zero participations. Going forward, Minnesota Housing has approximately $36 million of zeros for future transactions.

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

  a) *Level of overall spread*. As indicated above, the Agency could have received even higher total spread, but this would have required using zeros to earn that higher spread.

  b) *Impact of taxable bonds*. If the entire transaction had been tax-exempt, Minnesota Housing would have used approximately $46 million of additional volume cap and would have created approximately $1 million of zeros. On each issue, it is important to balance two competing needs: to stretch out the supply of available zeros while minimizing the use of available bond cap.

	Actual	**No Taxable Bonds**	**Actual with Higher Spread**
Taxable %	40%	0%	40%
Volume cap required	$36.4 million	$82.7 million	$36.4 million
Ave. Spread	1.11%	1.16%	1.24%
Net impact on Agency's Zero Participations	**-$2.3 million**	**+ $1 million**	**- $5 million**

- ***Hedging.*** The loan production pipeline remained fully hedged until bonds were sold. Approximately $184,000 of hedge gains were received that don't need to be taken into account in bond yield, along with $23,000 of gains that were included in bond yield.

- ***Continuing to Build Investor Demand.*** With a total of $342.7 million of going away orders from 11 different investors, RBC obtained the greatest level of investor interest of any of Minnesota's pass-through issues. This included $94.4 million of orders for the tax-exempt bonds Series I, 1.35 times

[2] The break-even speed measures how fast mortgages can prepay while still assuring Minnesota Housing at least the same present value as an MBS sale.

[3] The average prepayment speed on all securities in the HFB indenture since inception is calculated at 129%.

oversubscribed. On taxable series J, an extraordinary $248.3 million of orders were received, more than 5 times oversubscribed. The number of investors for taxable pass-through bonds had been limited until recent transactions, so the results for Series J indicated continued very strong demand for large series of taxable pass-through bonds which have greater liquidity.

Implications. Key implications include:

- ***Viability of Pass-Through Approach*.** Minnesota Housing's pass-through issues since June 2014 demonstrate the renewed viability of this approach for financing production on-balance sheet. The Agency has been, by far, the national leader in such financings.

- ***Size.*** This is the Agency's second recent pass-through issue for over $100 million total, and in the current market the investor interest was strong.

- ***Balance Sheet Management.*** Minnesota Housing remains the national leader in finding ways to fully hedge its pipeline while financing more than three-quarters of that pipeline, and effectively all of its tax-exempt eligible pipeline (e.g. Start-Up Loans), on the Agency's balance sheet.

- ***Volume Cap.*** Minnesota Housing's single-family production together with demand for multi-family issuance in the State is now so great that *private activity volume cap is a major constraint* on tax-exempt issuance. To help address this:

    - The Agency is actively utilizing taxable bonds, and

    - Has established a credit facility with RBC to recycle up to $300 million of past private activity volume cap when old bonds are redeemed (whether on a monthly or semi-annual basis).

  This bond issue took advantage of both approaches.

TIMING AND STRUCTURE

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

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

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

- Continue to include a 10-year par call at Minnesota Housing's option, so that the Agency can potentially take advantage of interest rates in the future to either refund the bonds or sell the MBS and pay off the bonds.

- Include Ginnie Mae, Fannie Mae and Freddie Mac MBS in the issue, with no percentage limit on any category. This provides Minnesota Housing the ability to adjust to the actual mix of loans in its pipeline. Ginnie Mae MBS were approximately 70% of this issue, similar to recent issues.

- Finance a substantial portion of the issue as taxable bonds.
- Increase the total issue sizing based on investor interest.

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

Hedging. Minnesota Housing has remained fully hedged on its pipeline until the bonds are sold or MBS are delivered to mortgage buyers. This protects the Agency from risk if interest rates rise between the time the loans are committed and they are packaged into MBS (for either bond or TBA sale). The purpose of this strategy is to help make the Agency largely indifferent to changes in rates. By including the hedge losses in the tax-exempt bond yield, the Agency is able to recover these losses over time.

BOND SALE RESULTS. Key highlights are:

1. ***Investor Interest for Series 2017 I and J.*** There was strong institutional interest on both series, especially on the taxable issue.

2. ***Timing.*** 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 2.62% when Series C/D was priced in mid-March, dropping to a low of 2.14% in early April with a flight to quality due partly to international tensions, and then gradually rising to 2.41% in mid-May when Series E/F was priced. Rates dropped in May and June, especially due to political volatility, potential impacts of Federal investigations and uncertainty as to the ability of the Administration to pass possible tax cut legislation. The 10 year Treasury was 2.17% when Series G/H was priced in mid-September. Rates have fluctuated moderately since and were 2.33% when Series I/J was priced.

   This general level of rates reflects the perceived strength of the domestic economy, inflation still below the Federal Reserve target of 2.0%, the Federal Reserve's announced set of rate increases (which began in December and continued in March, with a third increase expected in December 2017), and uncertainty over what type of fiscal stimulus may result from any possible tax cuts and infrastructure spending.

3. ***Successful Sale.*** The sale was very well-priced. The tax-exempt series was subscribed 1.5 times while the taxable series was oversubscribed by 5 times. This allowed the underwriters to lower the yield on the taxable series by 5 basis points.

4. ***Comparison to GNMA Yields.*** Investors compare yields on pass-through issues to current-coupon GNMAs, as well as Treasuries and municipals. Compared to GNMAs, Minnesota bonds provide much less liquidity in the global markets but do offer tax-exemption. On this transaction, Minnesota Housing was able to achieve a tight spread to GNMA yields on the tax-exempt series and the tightest such spread it has received on a taxable series.

	2016 E/F	2016 G/H	2017 A/B	2017 C/D	2017 E/F	2017 G/H	2017 I/J
	Sept. 2016	Oct. 2016	Feb. 2017	Mar. 2017	May 2017	Sept. 2017	Nov. 2017
Minn. Housing bond yield **Tax-Exempt** **Taxable**	**2.35%** **2.68%**	**2.30%** **2.65%**	**2.93%** **3.25%**	**3.08%** **3.43%**	**2.85%** **3.20%**	**2.65%** **3.00%**	**2.80%** **3.10%**
Yield on GNMA I, 3.0 current coupon, at dealer prepay speed	**2.16%**	**2.16%**	**2.82%**	**3.12%**	**2.86%**	**2.67%**	**2.80%**
Minn. Housing v. GNMA **Tax-exempt** **Taxable**	**+ 19 bp** **+ 52 bp**	**+ 14 bp** **+ 49 bp**	**+ 11 bp** **+ 43 bp**	**- 4 bp** **+ 31 bp**	**- 1 bp** **+ 34 bp**	**-2 bp** **+33 bp**	**0 bp** **+30 bp**

5. ***Comparable Single-Family Pass-Through Bond Transactions:*** The most recent other new money tax-exempt single-family pass-through issues were Missouri's on the same day and, prior to that, Minnesota's G/H issue in September. Minnesota's issues have received the tightest spreads to Treasuries, MMD and GNMA yields. Missouri's issues are sold at a premium to raise downpayment assistance and are typically higher spreads as a result

	Minnesota Housing Tax-Exempt Series E	**Missouri HDC** Tax-Exempt Series B	**Minnesota Housing** Tax-Exempt Series G	**Missouri HDC** Tax-Exempt Series C	**Minnesota Housing** Tax-Exempt Series I
Size of Tax-Exempt Series	$69.2 m.		$85.0 m.	$53.9 m.	$69.3 m.
Rating	Aaa/--		Aaa/--	AA+	Aaa/--
Pricing Date	May 1 2017	Aug. 15, 2017	Sept. 12, 2017	Nov. 9, 2017	Nov. 9, 2017
Price	Par	103.1 Premium	Par	103.1 Premium	Par
Yield on Tax-Exempt Series	2.85%	2.82%	2.65%	2.87%	2.80%
Spread to 10 year US Treasury	44 bp	55 bp	48 bp	54 bp	**47 bp**
Spread to 10 year MMD	68 bp	91 bp	79 bp	94 bp	87 bp
Spread to 3% GNMA (at Dealer Forecast Prepayment Speed)	-1 bp	+ 7 bp	-2 bp	+ 7 bp	-0 bp
Difference between Taxable and Tax-Exempt Series	35 bp	n.a.	35 bp	n.a.	**30 bp**

*bonds sold at a premium; yield is based on assumed 150% prepayment speed

UNDERWRITING

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

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

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ISSUE DETAILS

Key Dates:	2017 I & J Bond Pricing	HFB Indenture
	Institutional Order Period:	Thurs., Nov. 9, 2017
	Closing Date:	Wed., Nov. 22, 2017

Economic Calendar. During the week of the sale, same store sales were weaker, job openings and jobless claims came in as expected, but consumer credit came in significantly stronger than expected ($20.8 billion compared to $17.4 billion consensus and $13.1 billion prior).

***Treasuries*.** The 10 year Treasury yields had dropped to close to 2% in early September with concerns about hurricanes as well as North Korea leading to a flight to security. When these concerns were seen as overblown, yields went the other way. They increased during September to the 2.30% level and remained relatively stable in the weeks prior to the sale. The yield was 2.33% on the date of the sale.

***Municipals*.** While municipal bond yields generally closely track the movements in Treasury yields, the relationship has been distorted by high profile municipal credit events (Puerto Rico's problems, most recently) and international investment flows, as well as supply and demand for municipal bonds. Municipals rallied significantly in the week leading up to the sale, after the House Ways and Means Committee's proposed tax bill included a prohibition on advance refundings and on private activity bonds, together constituting about half of municipal market volume. The ratio of MMD to Treasury is now at the lowest level it has been in several years.

Issue	Date	10-Year Treasury	10-Year MMD	MMD/ Treasury Ratio
2015 HFB A	1/12/15	1.92%	1.84%	95.8%
2015 HFB B	3/10/15	2.14%	2.18%	102.0%
2015 HFB C	5/13/15	2.28%	2.24%	98.2%
2015 RHFB ABCD	7/30/15	2.28%	2.23%	97.8%
2015 RHFB EFG	11/24/15	2.24%	2.04%	91.1%
2016 A	1/12/16	2.12%	1.78%	84.0%
2016 B	3/1016	1.93%	1.88%	97.4%
2016 RHFB ABC	5/25/16	1.87%	1.66%	88.8%
2016 C/D	7/14/16	1.53%	1.41%	92.2%
2016 E/F	9/12/16	1.68%	1.52%	90.5%
2016 G/H	10/20/16	1.76%	1.73%	98.3%
2016 RHFB DEF	12/13/16	2.48%	2.37%	95.6%
2017 HFB A/B	2/9/17	2.40%	2.28%	95.0%
2017 HFB C/D	3/13/17	2.62%	2.49%	95.0%
2017 HFB E/F	5/20/17	2.41%	2.17%	90.0%
2017 RHFB ABC	6/20/17	2.16%	1.86%	86.1%
2017 HFB G/H	**9/12/17**	**2.17%**	**1.86%**	**85.7%**
2017 HFB I/J	**11/9/17**	**2.33%**	**1.93%**	**82.8%**
Change from G/H		**+ 16 bp**	**+ 7 bp**	**- 2.9%**

Municipal Calendar. The largest issues of the week were Pennsylvania's $974 million G.O. refunding (competitive), and negotiated issues including $736 million issue for Salt River Project, $500 million Triborough Bridge and Massachusetts' $499 million transportation revenue bonds.

Other single-family issues included Missouri's premium pass-through issue for $52.8 million and traditionally structured issues for Tennessee $99.9 million, South Dakota $75 million and Wyoming $51.8 million.

MBS Yields. MBS yields are very relevant because investors can choose between purchasing MBS directly or purchasing Minnesota Housing's bonds backed by MBS. In effect, bond purchasers look as much to the spread between Minnesota Housing's bonds and MBS as they do to the spread between Minnesota Housing bonds and Treasuries. GNMA yields increased 13 basis points since Series GH, 10 year Treasury rates increased by 15 basis points and Minnesota's tax-exempt yield by 15 basis points, in line with the other indices.

Type	Delivery	Coupon	Measure	Sept. 12, 2016	Oct. 20, 2016	Feb. 9, 2017	Mar. 13, 2017	May 10, 2017	Sept. 12, 2017	Nov. 9, 2017
GNMA	Current	3.0	Price	104.36	104.43	101.11	99.27	100.89	101.92	101.17
			Yield*	**2.16%**	**2.21%**	**2.83%**	**3.12%**	**2.86%**	**2.67%**	**2.80%**
			Dealer Forecast % PSA	230%	224%	160%	159%	160%	184%	175%
FNMA	Current	3.5	Price	105.33	105.18	102.58	100.77	102.33	103.55	102.89
			Yield*	**2.33%**	**2.47%**	**3.10%**	**3.38%**	**3.11%**	**2.77%**	**2.96%**
			Dealer Forecast % PSA	315%	277%	168%	140%	178%	244%	211%
10-Year Treasury	n/a	n/a	Yield	**1.68%**	**1.75%**	**2.40%**	**2.62%**	**2.41%**	**2.17%**	**2.33%**
GNMA to 10-Year Treasury	n/a	n/a	Yield*	**128.57%**	**126.41%**	**117.90%**	**118.92%**	**118.69%**	**122.94%**	**120.17%**
GNMA to 10-Year MMD	n/a	n/a	Yield*	**142.11%**	**127.87%**	**124.11%**	**125.13%**	**131.82%**	**143.44%**	**145.08%**
Minnesota Housing	Tax-exempt Taxable			**2.35%** **2.68%**	**2.30%** **2.65%**	**2.93%** **3.25%**	**3.08%** **3.43%**	**2.85%** **3.20%**	**2.65%** **3.00%**	**2.80%** **3.10%**

* Yield at dealer forecasted prepayment speed

MinnesotaHFB17IJ_TaxExempt_Post-PricingComps_171113b.pdf

Item: Semiannual Status Report, Enhanced Financial Capacity Homeownership Initiative (Homeownership Capacity)

Staff Contact(s):
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Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☐ Discussion
- ☒ Information

Summary of Request:
The information provided is a summary of intake data and outcomes from August 1, 2014 – September 30, 2017 of the Homeownership Capacity program.

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
- Semiannual Program Update

Background:
The Homeownership Capacity pilot is designed to expand the efforts of organizations that currently provide intensive financial empowerment education and coaching to those with the goal of homeownership. The goal of this initiative is to increase the probability of successful homeownership, especially among households of color or Hispanic ethnicity and low-income individuals, and to address the homeownership gap between white/non-Hispanic and households of color or Hispanic ethnicity.

Semiannual Program Update:
A total of 15 agencies have been approved to provide Homeownership Capacity services since the beginning of the program which started August 1, 2014. A total of 2,059 clients have started receiving Homeownership Capacity services since that date. Of those 2,059 clients, 461 have stopped communication (22%) and 368 (18%) have reached program completion.

The chart below identifies additional information about these clients:

	Percent of clients
Identify as a household of color or Hispanic ethnicity	87%
At or below 80% AMI	94%
Credit identified as the primary barrier to obtaining homeownership	64%

As of September 30, 2017, 368 clients have reached program completion with the following outcomes:

	Percent of clients that exited the program
Home purchase	64%
Client is actively pursuing homeownership^	18%
Client is no longer interested in homeownership	19%

^ This information will be updated if and when the client purchases a home.

The third program year started October 1, 2016 with the goal of serving 823 households including Build Wealth's goal under the direct appropriation. At the end of the program year, the goal was exceeded with 835 new clients entering the Homeownership Capacity program.

Minnesota Housing collects quarterly reports from Homeownership Capacity providers. Staff will provide intake and outcome updates on a semi-annual basis.

MINNESOTA HOUSING

Board Agenda Item: 9.C

Date: 12/21/2017

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

Staff Contact(s):
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Tom O'Hern, 651.296.9796, tom.ohern@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☐ Discussion
- ☒ Information

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

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

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

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

Board Agenda Item: 9.C
Attachment: Report

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

Events Occurring During Period (September 2017 through November 2017)

- One new alleged misuse of funds case opened
- One alleged conflict of interest case closed

The next quarterly report will be delivered to the Board on March 22, 2018.

Historical Record

Since 2013 there have been 53 instances of potential conflicts of interest, alleged misuse of funds and alleged fraudulent activity. During that period $750,245 of misused funds have been recovered.

Complaints Received by Agency or Chief Risk Officer

Complaint	Year Closed						
Resolution	**2013**	**2014**	**2015**	**2016**	**2017**	**In Process**	**Grand Total**
Conflict of Interest	**1**		**10**		**1**		**12**
External Employment Approved			1				1
Insufficient Evidence	1				1		2
Issue Resolved			2				2
Seller Indemnification			5				5
Seller Repurchase			2				2
Fraud / Embezzlement	**2**	**3**				**1**	**6**
Felony Conviction	1						1
Insufficient Evidence	1	1					2
None Yet						1	1
Seller Repurchase		2					2
Misuse of Funds	**6**	**5**	**12**	**5**	**4**	**3**	**35**
Entry of Judgment	1	1					2
Funds Returned to Agency		1	1	1			3
Insufficient Evidence	1			2	1		4
Issue Cured		1	2		1		4
Issue Resolved				1			1
Negotiated Settlement	3	2	3				8
None - Affordability Period Expired			3				3
None – Nonviable Counterparty				1			1
None Yet					1	3	4
Revenue Recapture	1		3		1		5
Grand Total	**9**	**8**	**22**	**5**	**5**	**4**	**53**

Report Legend:

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